



# DELIVERING ON OUR COMMITMENTS

### Our purpose

Ibstock exists to build a better world by being at the heart of building through our vision of enabling the construction of homes and spaces that inspire people to work and live better.

### Who we are

Ibstock is a leading manufacturer and supplier of clay, concrete and diversified building products and solutions to the UK construction industry with a focus on the environmental and social impacts of our business, specialising in products and systems for the residential building envelope and infrastructure markets. We have been helping to shape the homes, places and spaces of Britain since we began over 200 years ago.

### What we do

Our core business focuses on the residential construction sector and we have built strong relationships with our house builder, developer, builders' merchant and distributor customers over many years. Ibstock Futures has been established to accelerate diversified growth opportunities, to address key construction trends of sustainability and Modern Methods of Construction (MMC). MMC includes processes which focus on off-site construction techniques such as mass production and factory assembly as alternatives for traditional building.



Find out more online

[www.ibstockplc.co.uk](http://www.ibstockplc.co.uk)  
[linkedin.com/company/ibstock-plc](https://linkedin.com/company/ibstock-plc)



**Ibstock**  
Plc

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# DELIVERING ON PROGRESS

## Financial highlights

Revenue +£104m

**£513m**

2021: £409m  
2020: £316m

Statutory reported profit before tax +£40m

**£105m**

2021: £65m  
2020: £(24)m

Statutory reported basic EPS +13.8p

**21.6p**

2021: 7.8p  
2020: (6.8)p

Total dividend per share +1.3p

**8.8p**

2021: 7.5p  
2020: 1.6p

Adjusted EBITDA\* +£37m

**£140m**

2021: £103m  
2020: £52m  
2019: £122m

Adjusted EPS\* +8.8p

**22.7p**

2021: 13.9p  
2020: 4.0p

Adjusted free cash flow\* £(1)m

**£50m**

2021: £51m  
2020: £26m

Net debt\* +£7m

**£46m**

2021: £39m  
2020: £69m

\* Alternative Performance Measures (APMs) are described in Note 3 to the consolidated financial statements.

All future references to APMs within the Strategic Report and Corporate Governance section are denoted by an asterisk, unless otherwise indicated.

## Non-financial highlights

### Clay reserves

# 74m

Tonnes of consented clay reserves

► See page 29

### 2022 Net Promoter Score

# 45%

The Net Promoter Score (NPS) measures the loyalty that exists between a company and its customers

2021: 33%  
2020: 39%

► See page 41

### LTIFR +17% reduction

# 61%

Reduction in lost time injury frequency rate against a 2016 baseline

2021: 44%  
2020: 41%

► See page 50

### Plastic reduction

# 16%

Reduction in use of plastic packaging per tonne of production relative to a 2019 baseline

2021: 13%

► See page 53

### Share of revenue from new and sustainable products

# 13%

Proportion of revenue generated from new and sustainable products

2021: 13%  
2020: 11.7%

► See page 52

### Carbon reduction metric

# 13%

Decrease in absolute carbon relative to 2019 baseline. The baseline was reset in 2022, therefore no year on year comparator

► See page 48

### Water reduction

# 31%

Reduction in mains water use per tonne of production relative to 2019 baseline. The baseline was reset in 2022, therefore no year on year comparator

► See page 49

### Women in Leadership

# 27%

27% female representation in senior leadership (as defined by the FTSE Women Leaders Review) as at year end, increasing to 29% as at the date of this report

2021: 26%

► See page 51

# Our compelling investment case

A strong, profitable platform from which to grow:

- 1 Market-leading UK clay brick business by production capacity
- 2 Significant, diversified and well invested asset base
- 3 Clear ESG ambitions and strategy
- 4 High barriers to entry and security of local material supply
- 5 Diversified concrete products division
- 6 Ibstock Futures growth engine focusing on high growth areas of the construction market
- 7 Excellent people with strong management teams
- 8 Unrivalled UK-wide network driving greener footprint
- 9 Structurally high EBITDA margins, robust balance sheet and strong cash generation



Read more about our Business Model on pages 28-29 and Strategy on pages 30-39.

# Ambition to deliver strong growth and returns over the period to 2026

## Our targets

Target to grow revenues to more than £600m by 2026 with an ambition to grow beyond this, representing a 50% upside from 2021.

Medium-term profitability targets:

- EBITDA margins in core clay business of more than 35%
- Overall Group margins of at least 28%

Targeting revenues outside of traditional clay brick to represent more than 40% of the Group (from around 30% in 2021) by 2026.

Committed to retaining our capital discipline with ROCE at more than 20% in the medium-term.

**“We are confident that our strategy will deliver meaningful growth in shareholder returns over the medium-term.”**

**Joe Hudson, CEO**

### Revenue growth driven by

- Volume growth in existing network and our already committed investments give us a clear pathway to revenues above £550m
- Incremental organic and inorganic initiatives in Ibstock Futures provide the potential to grow beyond our £600m target

### Revenue growth target



### Structural undersupply of housing stock, with continuing preference for clay brick

- Government remains committed to growing housing supply and ownership
- Strong preference for brick in low-rise residential, with increasing penetration in mid- to high-rise
- Preference driven by aesthetic, longevity and environmental footprint

### Domestic clay brick demand expected to exceed supply in short- to medium-term view

- Imports from wider catchment area fill the gap where demand outstrips capacity in traditional markets:
  - Higher transportation costs for imported brick
  - Significant carbon differential increasingly driving procurement decisions
- Clear financial and environmental benefits of domestic versus imported bricks

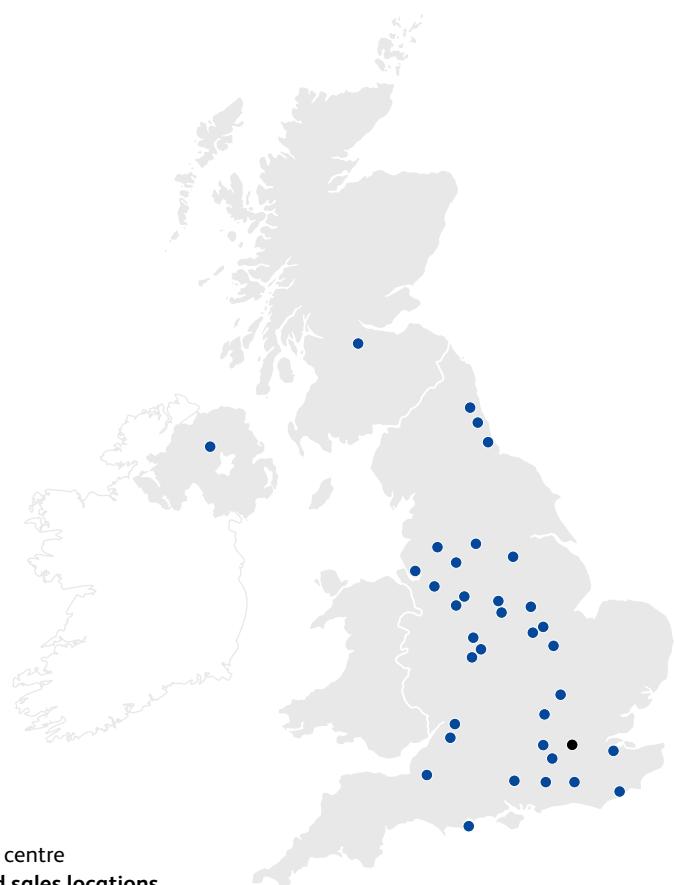
### Unrivalled asset base, range and service proposition will underpin continuing UK market leadership

- Our focus continues to be on building quality and resilience of the business with a clear operational strategy
- Optimise and integrate the core over time to achieve growth, margin and return commitments

### Sources of growth and margin improvement: 2022 to 2026

- Pipeline of Ibstock Futures investments
- Atlas & Aldridge (add more than 10% clay network capacity from 2024)
- Brick slips investments (producing up to 60m slips from 2025)
- Growth within Concrete from pricing, volume and cost efficiencies
- Clay volume and margin improvement

**Ibstock Plc is a leading manufacturer of clay and concrete building products and solutions, proud to be at the heart of building for over 200 years**



Key:  
● I-Studio innovation centre  
● Manufacturing and sales locations

**Key facts**

**c.2,300**

Employees across the UK

**c.74m**

Tonnes of consented clay reserves

**200**

Over 200 years of experience

**95%**

Raw materials sourced in UK

**No.1**

Manufacturer of clay bricks in the UK by production capacity

Principal products across our two divisions, Ibstock Clay and Ibstock Concrete, include clay bricks, brick components, concrete roof tiles, concrete alternatives for stone masonry, concrete fencing and pre-stressed concrete products. Our product portfolio places us in a strong position as the customer's partner of choice.

Ibstock Futures complements our core business by focusing on the acceleration of diversified growth opportunities, particularly those addressing key construction trends, including sustainability and the shift towards Modern Methods of Construction (MMC).

We are committed to being a responsible business, with our ESG 2030 Strategy setting out a clear pathway to address climate change, improve lives and manufacture materials for life.

We are passionate about providing solutions to meet the evolving needs of our customers and the built environment for the long term.

**40**

Manufacturing sites across the UK

**300+**

Different brick products

## Our business

Ibstock comprises two core business divisions, Ibstock Clay and Ibstock Concrete, with Ibstock Futures established to accelerate diversified growth opportunities, including MMC

## Our brands



## Our products

### Bricks and Masonry

- Facing Bricks
- Engineering Bricks
- Brick Slips
- Special Shaped Bricks
- Walling Stone
- Architectural Masonry
- Prefabricated Components
- Eco-habitats
- Padstones and Lintels



### Façade Systems

- MechSlip
- Ibstock Telling GRC
- Generix Genbrix
- Generix Lite
- Generix Infinity
- Nexus



### Roofing

- Roof Tiles
- Roof Accessories
- Chimneys



### Retaining Walls

- Stepoc
- Slopeloc
- Keystone



### Fencing and Landscaping

- Fence Posts
- Copings and Cappings
- Gravel Boards
- Bollards
- Balustrades
- Path Edging
- Gully Surrounds
- Urban Landscaping



### Flooring

- Beam and Block Flooring
- Insulated Flooring
- Hollowcore
- Screed Rails



### Staircases and Liftshafts

- Precast Staircases
- Lift Shafts



### Rail and Infrastructure

- Rail Troughs
- Platform Copers
- Cable Theft Protection
- Signal Bases
- Utility Ducts
- Inspection Chambers



### Services

- Design and Technical Support
- Off-site Solutions
- Bespoke Concrete Products
- Engraving and Cutting Service



# DELIVERING ON OUR COMMITMENTS

**The Group has continued to deliver on its long-term strategic commitments to sustain, innovate and grow our business**

**Jonathan Nicholls**  
Chairman



Alongside the rest of the world, the past year has seen the UK construction industry dealing with challenges emanating from the continuing war in Eastern Europe. This has meant that the trading environment for much of 2022 has been impacted by unprecedentedly high energy pricing, inflation running at its highest levels for 40 years and rising interest rates. As a heavy user of gas in our production process, the management of these increased costs has called for sound and flexible stewardship throughout the business but has also served to highlight the need for our business to really focus upon its journey to become a net zero operation.

The trading environment has also significantly impacted our employees who have seen a dramatic increase in their costs of living throughout the year. Ibstock reacted swiftly to introduce a number of initiatives intended to ease this burden for all of our employees.

Despite these challenges I am extremely pleased that this year's Annual Report and Accounts demonstrates a really strong set of results with both revenue and profit materially ahead of the prior year. Over the course of the year, the Group has continued to deliver on its long-term strategic commitments to sustain, innovate and grow our business. This performance is a testament to the hard work and resilience of our people and is something which gives me a real sense of pride and achievement.

## Results

The Group delivered a strong trading performance in 2022, with both revenue and operating profit materially ahead of the prior year.

Revenue of £513m was 26% up on 2021 (2021: £409m) as the Group responded well to robust demand across its end markets. Supply chain challenges were well managed and the impact of inflationary pressures on our cost base, particularly energy, was mitigated through our well-established dynamic commercial approach in both the clay and concrete divisions. Adjusted EBITDA\* grew by 36% to £140 million (2021: £103 million) and the adjusted EBITDA\* margin increased to 27.2%, compared to 25.2% in 2021 and 16.5% in 2020. Statutory earnings per share grew by 13.8 pence to 21.6 pence (2021: 7.8 pence) reflecting the strength of earnings in the year.

The balance sheet remains strong with closing leverage of 0.4x net debt to EBITDA (2021: 0.4x). This was after a £38 million investment in growth capital and a £30 million share buyback during the year. The strength of the balance sheet continues to provide Ibstock with strategic options to invest further for growth or the ability to return additional capital to shareholders.

## Dividend

The Group's performance, financial strength and prospects support the Board's decision to recommend a final dividend of 5.5p per share, growing the full year dividend to 8.8p per share (2021: 7.5p).

## Our employees

We have continued to focus on the wellbeing of all employees, whilst maintaining a high quality service to our customers and delivering positive outcomes for all our stakeholders. This year has seen the development of our Ibstock story which unites everyone at Ibstock in our pride and heritage, and also captures the importance of our ongoing evolution, a desire to 'Fire Up' our organisation, and the power of every employee playing their part. Further information on this initiative can be found in the People and Culture section on page 18.

We want our employees to feel part of our business and we encouraged this by awarding deferred shares of 500 Ibstock Plc ordinary shares to all employees, below the Senior Leadership Team level, in September. In addition, we made a one-off cost of living adjustment payment to those earning less than £50,000 to ease the pressures caused through increased energy pricing, interest rates and high inflation.

As always, it is the hard work, dedication, and efforts of those who have worked for, and with, Ibstock over the past year that has enabled us to deliver this strong performance. On behalf of the Board, I would like to express our gratitude to all those who have contributed to this result and for their ongoing commitment to the business.

Further information concerning engagement with our workforce and some of our workforce achievements during the year can be found in the People and Culture section on pages 18 to 21.

## Governance and culture

We remain committed to driving long-term sustainable performance for the benefit of all our stakeholders. This includes the application of high standards of corporate governance and making sure that these principles are embedded into our culture. The Responsible Business section on page 42 provides insight into how the Board engages with all key stakeholders to understand what matters to them, further informing its decision-making and the actions taken as a consequence. The Board made several principal decisions during the year. Further detail on decision-making can be found in both the Section 172(1) Statement (s172(1)) on pages 88 and 89 and in the Corporate Governance Statement on page 101. Our full Governance section includes details of our application of the Principles of the UK Corporate Governance Code 2018 (The Code) and this starts on page 92.

## Diversity and Board changes

The Board had a number of discussions regarding composition and succession during the year under review. In view of the Group's overall commitment to ensuring a diverse, fair and inclusive workforce, the Board formalised its approach to Board diversity in its diversity policy. Over the course of the year, the Board has continued to oversee management as it promotes and develops the Group's diversity and inclusion strategy as well as its practical application.

With respect to Board changes, Tracey Graham, Senior Independent Director and Remuneration Committee Chairman, indicated her intention to step down from the Board at the conclusion of the forthcoming AGM. We are well advanced in the recruitment of her successor, and these matters are discussed in further detail in the Nomination Committee report on page 105.

## ESG and net zero

We maintain our ambition to be the most sustainable manufacturer of clay and concrete products in the UK, and to lead our sector in the disclosure and transparency of Environmental, Social and Governance (ESG) matters. We have invested significant capital over the last decade on projects across the Group's plant network to reduce the carbon intensity of our manufacturing processes. Further information can be found in the Our Strategy section on page 30.

Last year we were pleased to announce the launch of our ESG 2030 Strategy, which details a set of ambitious new commitments, including a commitment to be net zero carbon (Scope 1 and 2) by 2040. These targets are underpinned by our industry-leading approach to sustainable and responsible growth. Details of our progress in the embedding of the ESG 2030 Strategy and our achievements during 2022 can be found in the Responsible Business section on page 42 and the work of the ESG Committee is summarised in the ESG Committee report on page 108.

We realise that our carbon reduction journey will not result in linear year on year progression, and as such whilst our absolute and intensity carbon metrics have improved since our 2019 baseline and we remain on target to our 2040 carbon commitments, these have declined slightly since last year. The ESG Committee have reviewed this performance in detail and the Group will make a concerted effort to drive performance this year.

The Group is committed to increasing the transparency of reporting around climate impacts and risks, and we have made further progress during 2022 to improve our disclosure against the Listing Rules requirements relating to the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD).

Further information can be found in the Principal Risks section on page 60 and the TCFD report on page 76.

## Looking towards the future

We remain mindful of broader macroeconomic uncertainties, particularly in light of the ongoing tragic conflict in Ukraine. With our strong business model, strategy and management team, the Group remains well placed to meet these challenges. In the year ahead, the Board will continue to discharge its stewardship role in supporting the long-term success of the business.

**Jonathan Nicholls**  
Chairman

# DELIVERING FOR THE LONG TERM

Our strong results reflect our continued focus on commercial and operational execution, which has enabled the Group to deliver significant growth and improved returns despite a challenging backdrop

**Joe Hudson**  
Chief Executive Officer



## Introduction

This has been an outstanding year for Ibstock, and it is pleasing to see how our performance in 2022 reflects the significant strategic progress we have made as a business over the last few years. The transformed platform of capability we now have in place has been critical in enabling the delivery of very strong financial performance in the 2022 year, and I am confident that it will underpin the continuing success of our business over the years ahead. I am grateful for the incredible team of people at Ibstock who have enabled us to navigate the challenges of recent years and emerge stronger, whilst always retaining focus on our longer-term goals.

Over recent years, we have made significant investment in strategic growth, enabling us to anticipate and respond to evolving trends in the construction sector, and positioning us well to maximise opportunities in a range of emerging, fast-growing niche segments of this market. We have also invested consistently in our people, building strength in our business, and creating opportunity for all our colleagues. At the same time, our unwavering focus on execution and disciplined capital allocation have ensured resilience in our performance, supporting returns to shareholders even in the most challenging of times.

Recent months have presented different challenges, with macroeconomic uncertainty, inflation and higher interest rates weighing on the demand picture. We will face into these challenges with the same disciplined approach to capacity management, costs and commercial execution to ensure we optimise performance in the short term.

Ibstock has been, and will remain, an extremely cash generative business, having returned around £265 million to shareholders, equivalent to around 68 pence per share, over the last 7 years. We remain committed to deploying these strong cash flows to support both incremental investment and additional shareholder returns over the years ahead.



## Overview

We are reporting a strong performance for 2022, with revenue and profit materially ahead of both the prior year and pre-pandemic comparators. Trading was robust, supported by good commercial and operational execution across the business, together with strong demand from our new build residential, Repairs, Maintenance and Improvement (RMI), and infrastructure customers.

The Group managed supply chain and inflation challenges well and we continued to price dynamically to recover cost inflation throughout the year, delivering a 26% increase in revenues with volumes broadly in line with the prior year.

Market conditions were buoyant for most of the year, although we experienced lower sales volumes in the final quarter, reflecting a more cautious demand environment. Industry brick inventories remained at historically low levels, with the market having to rely on imported bricks to satisfy around 23% of delivered volumes due to the constraints on UK capacity.

The more subdued demand conditions observed in the final quarter of 2022 have continued in the early weeks of 2023 although we anticipate this to improve as the year progresses, supported by sequential demand improvement. The strength of our balance sheet provides resilience as we trade through these more challenging conditions, and our focus will be on cost and capacity management, alongside dynamic commercial execution, to ensure that we optimise near-term performance regardless of market conditions. With the inherent advantages in our domestic business model, we are well positioned to displace imported products if overall demand remains at lower levels for any sustained period.

On a medium and longer-term view, the UK residential construction markets we serve remain underpinned by positive structural growth drivers, including projected population growth, a continuing shortage of housing and supportive government policy. We are also well positioned to capitalise upon opportunities across the diversified markets in which we



## Our Markets

► See pages 24-27

## Our Purpose and Business Model

► See pages 28-29

## Our Strategy

► See pages 30-39

## Our Key Performance Indicators

► See pages 40-41

## Responsible Business

► See pages 42-55

## Our Principal Risks and Uncertainties

► See pages 60-69

operate, building on the initial expansion of our Ibstock Futures business, which has grown its scale and capabilities rapidly over the last 12 months. Overall growth capital of £38 million was invested across our core business and Futures during the year to support our medium-term growth, and we expect to invest further growth capital of around £55 million during the 2023 year.

Ibstock has an ambition to be the most sustainable manufacturer of clay and concrete products in the UK, and also to lead our sector in ESG disclosure and transparency. In 2022, we achieved an absolute carbon reduction of 13% relative to our 2019 baseline. Whilst this represented a slight increase year on year, we remain committed to taking the actions necessary to ensure that the Group achieves a 40% reduction in absolute carbon by 2030, and that we are a net-zero carbon operation by 2040.

Reflecting the strong profit performance of the business, the Board is pleased to recommend a final dividend of 5.5p per share (2021: 5.0p), bringing the full year dividend to 8.8p per share (2021: 7.5p), an increase of 17%. In recommending this level of dividend, the Board remains mindful of its objective to deliver a sustainable and progressive ordinary dividend over time.

#### Financial Performance

The Group delivered a strong trading performance in 2022, with revenue, operating profit and free cash flow materially ahead of the prior year.

Revenue of £513 million was 26% up on 2021 as the Group performed well, with robust demand across its end markets. Industry-wide supply chain challenges were well

managed and the impact of inflationary pressures on our cost base, particularly energy, was mitigated through our well-established dynamic commercial approach in both the clay and concrete divisions. Adjusted EBITDA\* grew by 36% to £140 million (2021: £103 million) and the adjusted EBITDA\* margin increased to 27.2%, compared to 25.2% in 2021 and 16.5% in 2020. Statutory earnings per share grew by 13.8 pence to 21.6 pence (2021: 7.8 pence) reflecting the strength of earnings in the year.

Our Return on Capital Employed\* (ROCE) increased materially to 23.4% (2021: 15.8%), with both the stronger operating profit performance and a continuing focus on capital management contributing to this improvement. We will continue to deploy capital in a dynamic and disciplined way and target a ROCE\* consistent with the stated medium-term target of 20%.

The balance sheet remains strong with closing leverage of 0.4x net debt to adjusted EBITDA\* (Dec 21: 0.4x) after investing £38 million of growth capital and a £30 million share buyback during the year. Adjusted Free cash flow\* was strong at £50 million (2021: £51 million), reflecting robust trading and a continued focus on the efficient management of working capital.

The Board expects to generate capital in excess of that required for its investment requirements and remains committed to returning surplus capital to shareholders as part of its dynamic and disciplined capital allocation strategy. The potential for additional returns of capital will be kept under active review.

#### Divisional Review

##### Ibstock Clay

Divisional revenue grew by 32% year on year to £369 million (2021: £280 million) and adjusted EBITDA\* increased by 40% to £127 million (2021: £91 million), delivering an adjusted EBITDA\* margin of 34.3%, up by 200 basis points on the prior year (2021: 32.3%). Ibstock Futures recognised net operating costs of £5 million, reflecting a small loss of around £1m from the acquired businesses, and £4 million of operational investment in research and development, and in building in-house innovation and commercial capability.

The clay business delivered a strong result in the year, benefitting from solid operational performance, disciplined cost management and a dynamic commercial approach that recovered in full significant variable cost inflation. Commercial and operational actions to enhance sales mix also contributed to the strong margin performance.

Market conditions were positive for most of 2022, reflecting resilient new build and RMI residential demand, with overall volumes consistent with the prior year. Housing starts in 2022 were broadly in line with the prior year, although activity slowed in the final quarter in response to a more cautious demand environment. RMI demand also remained resilient for the majority of the year, although we again experienced some softening in volumes towards the end of the period as macroeconomic uncertainty and rising interest rates began to impact on discretionary consumer expenditure.

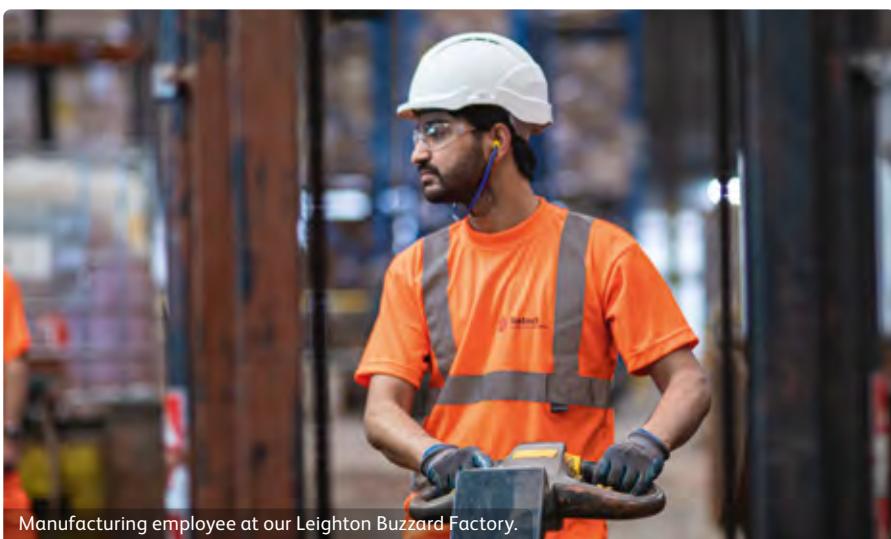
A solid operational performance underpinned the strength of the results, with consistent reliability and efficiency across the plant network.

Our Atlas and Aldridge brick manufacturing growth projects are on track to commission from the end of 2023, and set to deliver over 100 million bricks of lower-cost capacity per annum, with the whole Atlas range to be externally verified as carbon neutral.

##### Ibstock Futures

Ibstock Futures ("Futures") accelerated its development in the year, underpinned by strategic investments made to build its capabilities in fast-growth areas of the UK construction market.

The asset acquisition from glass reinforced concrete panel technology specialist, Telling GRC, in early 2022 established a strong position in a new market that offers cost savings and environmental benefits to customers through the construction process.



Manufacturing employee at our Leighton Buzzard Factory.



Ibstock Apprentices at Make UK training centre in Birmingham.

The Telling assets were integrated successfully during the year, and progress and performance have continued to be in line with our expectations.

Later in the year, the acquisition of Generix, a UK supplier of non-combustible façade systems, represented a further strategic step to broaden the range of systems offered by Futures, as our customers seek lower carbon, non-combustible forms of cladding for use in the mid- to high-rise and modular market segments.

We have a strong pipeline of opportunities to invest further capital within Ibstock Futures in the service of diversified growth over the years ahead.

We have also continued to develop the brick slip investment strategy and identified opportunities to re-configure the project, to both accelerate commissioning of an initial capacity extension, as well as incorporate more advanced and efficient process technology in the purpose built factory. As part of this, we initiated in 2022 an investment of up to £8 million, to be deployed over the next 12 months, on an automated slip line, providing capacity for up to 17 million slips, coming on stream by the end of 2023.

At this stage, commissioning for the main line is expected in late 2024.

We have made further progress during the year to unlock value from our unrivalled clay reserves. During the second half of the year, we commissioned a pilot plant for the production of expanded clay – a lightweight aggregate that has multiple application uses in the construction sector and which is in short supply. We have also advanced our project focused on calcined clay, which has huge potential as a lower carbon cementitious replacement. Over the coming year we expect to continue to develop these projects, which are firmly centred on the Group's strategic ambition to lead our sector for sustainability and environmental impact. We are also excited to report that, during the 2022 year we fired our first bricks using synthetic gas from a waste source in partnership with a strategic partner with funding support from Innovate UK, the UK's innovation agency.

We continue to see Futures as a key driver of Ibstock's growth over the medium-term and, in addition to acquisitions, we are making organic investment in our assets and capabilities to support future expansion. We are announcing today the creation of a state-of-the-art innovation hub in the West

Midlands to provide a platform for rapid innovation and expansion. This facility, which has been secured on a long-term lease, is expected to be operational by the end of the second quarter of 2023.

#### Ibstock Concrete

The Concrete division delivered a strong performance, benefitting from its exposure to a broad range of residential and infrastructure markets, with a resilient demand backdrop and solid operational performance.

Divisional revenue in 2022 grew 12% to £144 million (2021: £128 million), reflecting stronger pricing across the business. Adjusted EBITDA\* of £24 million was around 9% higher than the prior year (2021: £22 million), reflecting strong commercial execution across all product categories. Adjusted EBITDA\* margins of 16.4%, were marginally below the level achieved in 2021 of 16.9%, reflecting operational inefficiencies within our roof tile business in the early part of the year. As expected, we saw the divisional margins improve during the second half of the year towards our medium-term ambition of 18%.

Overall, sales volumes were marginally below the prior year, reflecting some softening in demand during the final quarter of the year. Infrastructure volumes grew strongly,



Manufacturing employees at our Eclipse Factory.

with both rail and structural categories showing double-digit growth year-on-year. This helped to offset lower volumes across floor beams and associated ancillaries, with a reduction in year-on-year sales towards the end of the year as house builder demand reduced. Walling stone volumes were ahead of the prior year as the business grew share in key regional territories. Roofing volumes were modestly lower, held back by production issues at our roof tile factory in Leighton Buzzard during the first half of the year. The actions taken to enhance operational performance at this factory delivered material improvements in reliability and efficiency during the latter part of the year.

### Strategic Update

As a business, we remain focused on delivering strong strategic progress to provide further sustainable advantage over the years ahead, and I am pleased with the progress we made in this regard during the year. The strong performance in 2022 has delivered significant progress towards the medium-term financial targets we set out in March 2022.

Our strategy is driven from our belief that the construction market will continue to evolve, adopting more sustainable and industrialised processes, practices and products. We are focused on building our capabilities across the business to position us well to maximise our opportunities in these developing new markets.

Our strategic development extends far beyond the acquisitions and partnerships we have made in the year. Our three strategic pillars: Sustain; Innovate; and Grow focus our activities across all of our operations to align to our collective goals. Progress achieved this year is detailed further below.

#### Sustain

As a large scale industrial business, sustainable high performance is at the heart of what we do. 2022 was a further year of strong progress, with improvement in all areas: health, safety and wellbeing; operational excellence; and environmental performance.

#### Health, safety and wellbeing

The health, safety and wellbeing of our employees is always our first priority, and our continuing commitment is core to our success. Our key health and safety metric is Lost Time Injury Frequency Rate ("LTIFR"), which saw a marked improvement in the year to 1.47 and is now ahead of our medium-term target. Our Concrete division achieved a fantastic milestone in 2022 by operating for a full year without a Lost Time Incident (LTI).

During the year, we placed considerable focus on evolving our culture through the launch of the "Ibstock Story" acting as a strong cultural catalyst, embedded a new health and safety management system across the business and created a Health & Wellbeing network to promote focus on mental health.

#### Operational excellence

The consistent performance of our factories is vital to ensure that we have a sustainable, cost-competitive operating footprint. During the year, we successfully rolled out the second phase of our Asset Transformation Programme across the clay network, driving a stronger culture of preventative maintenance and improved reliability. This investment programme is starting to deliver significant benefits to our clay business, reflected in the strong fixed cost performance achieved during the 2022 year.

Within concrete, the establishment of a five-year automation plan within our fencing and building factories will support a significant uplift in capacity, efficiency and quality over the years ahead, helping to maintain our industry-leading margins.

#### Environmental performance

Our ESG 2030 Strategy provides a comprehensive framework to drive progress in our environmental performance. During the year, we established a set of detailed, factory-level targets, with an increased focus on measuring and improving environmental outcomes.

In 2022, we achieved an absolute carbon reduction of 13% relative to our 2019 baseline. Whilst this represented a slight increase year on year, we remain focused on achieving our ambition of a 40% reduction by 2030. Other noteworthy achievements in the year included a 31% reduction in mains water use and a 16% reduction in plastic packaging (with both metrics calculated per tonne of production against a 2019 baseline).

We are proud to have been awarded the 2022 Manufacturer of the Year at the Business Green awards, in recognition of our industry leadership for environmental sustainability.

#### Innovate

Innovation is at the heart of our growth plans, and we are committed to the continuing enhancement of our product portfolio and customer proposition to strengthen our market-leading positions.

#### Product innovation

In a fast evolving construction market, continual product innovation is crucial to our success.

Within the Clay division, we launched a number of new brick types, with a particular focus on simulated handmade bricks, premium products which will compete against brick types currently imported into the UK market.

In September 2022, our Concrete division entered into a new partnership to create ultra-low carbon concrete products with Earth Friendly Concrete (EFC). EFC is more sustainable than traditional concrete, with around 70% less embodied carbon. The partnership will see EFC's ultra-low carbon, zero cement technology integrated into our diverse portfolio of high-performance building products over the years ahead, including our range of products for the rail, infrastructure and UK housing markets.

#### **Customer experience**

We continue to seek ways to enhance the experience of our customers at every stage of their engagement with us.

To this end, during the 2022 year we strengthened and diversified our nationwide distribution capabilities through the establishment of two new haulage relationships. This change will ensure that our business can access industry-leading technology, pursue greener fuel alternatives and optimise the efficiency of our haulage routes.

We have also taken steps during the year to simplify and improve the customer experience through further investment in our customer services teams and the development of a digital portal, allowing

customers to place and amend orders more easily.

#### **Digital transformation**

The digitisation of our business will be a key strategic enabler over the coming years as we look to drive an increasing proportion of our activity through digital channels.

During 2022, we made the key appointment of a new Chief Information and Digital Officer (CIDO) who has been central to defining a medium-term digital transformation programme. This programme will be centred on two core principles: adopting a "One Ibstock" mind-set, standardising core platforms and ways of working to improve efficiency and reduce complexity; and customer centricity, focusing on superior integration and automation with our customers. In order to maintain our digital advantage, the year ahead will see us upgrade our core infrastructure, focused on the ERP platform, enterprise data and key customer-facing applications.

#### **Grow**

The Group's growth strategy is based on a combination of continued development of its core business and effective diversification into attractive new segments of the construction market. The strategy is being supported by targeted investment projects and acquisitions which create value and accelerate delivery.

#### **Investment in core**

The enhancement projects within our existing Clay business, which were initiated in 2019, are now complete and delivering the planned capacity uplifts and process efficiencies. The

Atlas and Aldridge growth projects are on track to commission from the end of 2023. These investments will deliver significant further capacity and with Atlas being our pathfinder factory on our journey to Net Zero, expected to produce an exciting range of carbon neutral verified products for our customers within the next 12 months.

#### **Diversified growth**

The continuing development of Ibstock Futures provides a focus for our strategic ambitions to grow through the introduction of products, solutions and technology designed to support, and benefit from, the megatrends of sustainability and the industrialisation of construction methods.

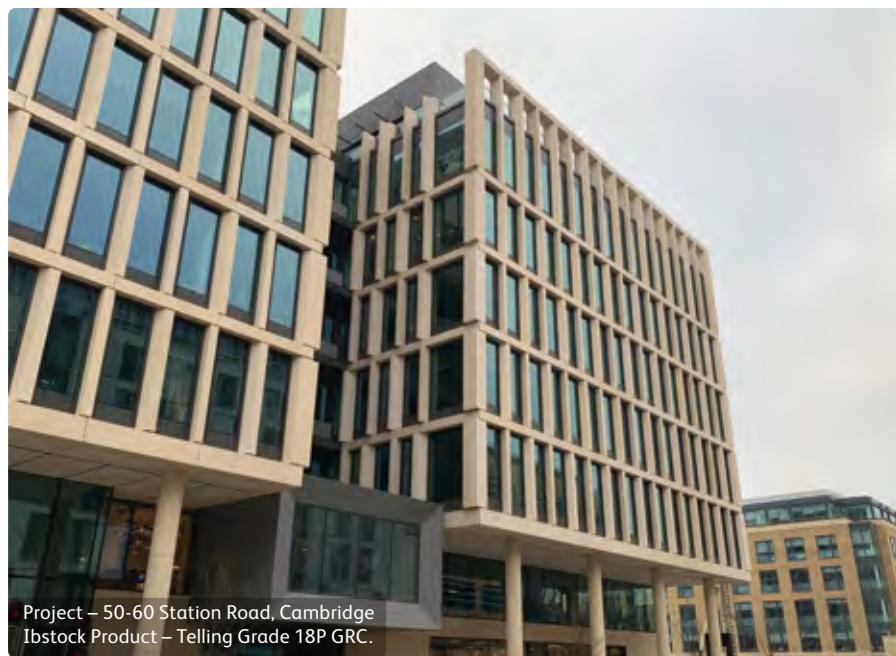
The two acquisitions completed in 2022 within Futures are strategically important, and both present the opportunity to scale rapidly over the medium-term. We have also made significant progress in developing the organisation, strategy and medium-term goals of Futures and have a strong pipeline of opportunities to invest further capital in the service of diversified growth over the years ahead.

#### **People**

Our people will always be our most important asset, and as an organisation, we are seeking to create a culture driven by performance and led by our values. In 2022, we launched a people strategy centred on four elements: employee experience; attracting future talent; capabilities for resilience and growth; and creating culture as a point of difference.

Having a diverse workforce, which is truly representative of the communities in which we operate, is important to both our cultural ambitions and business success. At the end of the year, female leadership representation stood at 27%. We have clear plans in place to support the achievement of our 40% target by 2030.

Our industry-leading Apprenticeship programme continues to gather momentum, growing our pipeline of future talent. We are part of the "5% club" which targets having at least 5% of employees in "earn and learn" positions. We finished the 2022 year with over 50 early career positions (including apprentice roles) and over 120 of our other employees engaged in qualifying learning activities. This represented a total of 7.5% of earn and learn positions across the business, putting us firmly on course to achieve our ambition of at least 10% by 2030.





# Environmental, Social and Governance (ESG) Update

## Our commitment to our new ESG 2030 Strategy, launched at the beginning of 2022, has seen us focus on the issues that really matter to our stakeholders

The UK construction sector continued to change at pace through 2022 on the ESG agenda, with increasing focus and awareness on embodied carbon, Scope 3 emissions, emerging regulation and continued skills shortages and supply chain pressures. Ibstock has seen a step change in engagement with our customers

and suppliers on these issues, presenting both challenges and opportunities.

### ESG 2030 Strategy

Our commitment to our new ESG 2030 Strategy, launched at the beginning of 2022, has seen us focus on the issues that really matter to our stakeholders.

### Addressing Climate Change

As an energy intensive manufacturer, the main focus for our business is the mitigation of climate change through carbon reduction. In 2022 we calculated our Scope 3 carbon emissions and developed our Scope 3 reduction strategy. We continued to reduce impacts from our carbon emissions and water consumption relative to our new 2019 baseline.

### Improving Lives

Building our social value involves investing in our people, our culture and our communities. In 2022 we took great strides to improve our Health and Safety performance and we started to move the dial on our internal culture including wellbeing and inclusion as key areas of support and engagement for our people.

### Manufacturing Materials for Life

Evolving our products involves incorporating whole life cycle design, preserving raw materials and future-proofing our offer to our customers through a diversified portfolio. In 2022 we increased our focus on external partnerships and research into alternative materials science and reduction in key materials categories, we reported on our progress in our first White Paper on Dematerialisation.

For more details on our progress on our ESG 2030 Strategy see the Responsible Business section of this report on page 42.

### Awards

We were delighted to receive a number of awards in 2022 for our work ESG including the Business Green Manufacturer of the Year Award, two awards from the British Ceramics Confederation for Net Zero Leadership, and a special recognition award for our Group Sustainability Manager, Michael McGowan, for his contribution to industry decarbonisation.



Ibstock won the 2022 Business Green Leaders Award.

A central pillar of our social agenda is our commitment to develop and support our people, and to maintain a strong workforce with the capability to deliver our strategic objectives over the long-term. To this end, during the final quarter of the 2022 year, we made a one-off payment of up to £2,000 to colleagues most heavily impacted by the cost of living crisis, representing a total cost of around £4 million. We also made a grant of 500 free shares (Fire Up share award) during the 2022 year to all employees below the Senior Leadership Team level, to ensure that value created flows through to all our employee stakeholders.

#### Progress towards medium-term targets

The platform of capability we now have in place, combined with the investments we are making, provide confidence in our ability to deliver strong growth over the medium-term.

Within the clay business, we are on track to commission our redeveloped Atlas and Aldridge factories by the end of the year, creating over 100 million bricks of lower cost capacity, and the UK's first verified carbon neutral clay bricks. With around £35 million of capital still to be spent, we expect to deliver at least an incremental £18 million of adjusted EBITDA\* from 2025. Alongside this, incremental growth within the clay business will be driven by continuing to capture marginal gains in commercial execution, new product development and capacity/cost over the years ahead.

Within our concrete products business, we have a number of opportunities to deploy capital to realise further capacity in the network, access adjacent categories and capture cost savings through greater automation. We invested around £2 million of growth capital in 2022 in automated equipment for our walling stone factory in Anstone, Yorkshire, which will deliver around £1 million in incremental adjusted EBITDA\* from 2024. We have a pipeline of further opportunities in concrete to invest capital for fast payback over the medium-term.

Within Futures, we have an ambition to create a significant, diversified business operating in modern construction markets over the next four years. The business, from its inception around 12 months ago, is already delivering strong growth, and will target revenues approaching £20 million in 2023, with both Telling and Generix scaling quickly as part of the Ibstock Group. Our brick slips investments, comprising an automated slip line delivering up to 17 million slips, commissioning from the end of 2023, and the larger Nostell slip systems factory, at this stage expected to commission from the end of 2024, will create a strong, diversified position in this fast growing product category. And we have a pipeline of further opportunities, including our exciting sustainability projects, to deliver growth over the next few years. Overall, we expect Futures to grow revenues to £100 million, with adjusted EBITDA\* margins approaching 20%, by 2026.

We have made strong initial progress, and expect this to momentum to continue over the next 6-18 months as we build towards our medium-term ambitions.

**Joe Hudson**  
Chief Executive Officer

# Outlook for 2023

Trading in the early weeks of 2023 has continued to reflect the cautious demand environment experienced towards the end of last year although we anticipate this to improve as the year progresses, supported by sequential demand improvement. Against this background, we are maintaining a disciplined approach to capacity management, costs and commercial execution.

The Group is in good shape, with a clear strategy based on both core and diversified growth, sustainable market leadership positions and a strong balance sheet. As such, the Board's expectations for the full year are unchanged.



# LET'S FIRE UP

## DELIVERING ON CULTURE

Our strong corporate culture is a defining feature of Ibstock. At the heart of our focus on people this year has been the development of the Ibstock story. Created by an extensive team with representation from every area of the business, the story unites us in our pride and heritage, but also captures the importance of ongoing evolution, a desire to 'Fire Up' our organisation and the power of every employee playing their part.

**Joanne Hodge**  
Group People Director



Ibstock has always had a strong, collegiate culture and we are keen to further develop this and to ensure meaningful and consistent engagement across the Group. This year, the People department has been instrumental in our cultural transformation journey, which has been implemented under our 'Fire Up' Ibstock programme. 'Fire Up' is our drive to celebrate the best of our heritage, working practices and supportive culture, and to empower our employees to build on these strengths. The objective is to leverage our common culture and identity across the whole business under one powerful Ibstock brand.

A number of our employees have been involved in the initial development of the programme and it has been heartening to see how 'Fire Up' has been adopted across our entire business, gaining its own momentum over the course of the year.

The level of employee involvement in this project has been exceptional, generating constructive conversations and engagement well beyond that originally envisaged.

We will build on these experiences to achieve our vision that all our employees:

- Understand our journey and their individual contributions
- Can identify the role they can play in realising our vision
- Feel energised and empowered to own their role in our journey
- Are recognised for their contribution and strive to set the standards for our future
- Share good practice across the business and unite around our shared goals under one Ibstock brand

As part of the programme we also made a one-off award of 500 Ibstock Plc ordinary shares to each of our employees below the Senior Management Team (SLT), giving our employees an interest in the business. We believe that this award, together with regular recognition of high performance, such as our new 'FUSE' (Fire Up Star Employee) awards, will further align our employee experience with the performance of the Company and help underpin our culture.

We see 'Fire Up' as an initiative continuing to set a framework for engagement going forwards and as an important part of our culture for the foreseeable future. On pages 20 to 21 we explore how we have delivered for our people through our wider people strategy during 2022, which is also intrinsic to our ESG 2030 Strategy initiative 'we will improve lives' discussed on pages 50 to 51.



Employee at our Leighton Buzzard Factory.



Employee at our Cebastone Factory.



# DELIVERING FOR OUR PEOPLE



Apprentices at our Leighton Buzzard Factory.

We recognise the vital role our people and culture play in the success of the organisation. To support the delivery of exceptional performance, in 2022, we developed a people strategy focused around four pillars:

- Employee Experience
- Attracting Future Talent
- Capabilities for Resilience & Growth
- Creating culture as a point of difference

Whilst this strategy is focused on the medium term, we have already made significant progress.

## Employee Experience

Our aim is to create a sense of belonging for all our employees through a focus on inclusion, wellbeing and engagement.

Our Diversity and Inclusion Working Group comprises employees from across the business. The Group has taken a lead role in both educating and supporting employees to celebrate what makes them unique as individuals. This has included a focus on PRIDE, Women in Construction, Ethnicity and Religious Holidays to name a few.

In addition, our Wellbeing Working Group has made good progress, with our CFO, Chris McLeish, alongside employees from across the business focusing on a number of key wellbeing topics such as mental health, menopause and men's health. From our dedicated sessions held with employees, we are encouraged by the feedback which suggests a cultural shift in removing the stigma around mental health. Simply taking the time to have more courageous conversations is making a real difference to our employees.

## Development for all

Ibstock recognises the need to ensure that every employee has the opportunity to fulfil their potential is critical to organisational growth, employee engagement and retention. To support this, Ibstock has introduced a structured programme to ensure that development plans are discussed and agreed with every employee, and plan progress is regularly monitored and communicated.

During 2022, leadership development has been a particular focus, with each of our Senior Leadership Team (SLT) members developing and refining their personal leadership style through development sessions enabling individual reflection, training, working groups and sharing of best practice.



Employees at our I-Studio London meeting Board members.

#### Fair reward for all

Ensuring all employees are fairly rewarded for their contribution to our business is incredibly important to us. We recognise that the current macroeconomic environment makes this even more relevant. In 2022, we took specific steps to further support our employees including:

- An ex gratia cost of living allowance payment made to all employees earning less than £50k per annum
- A one-off share grant of 500 ordinary shares for every employee below the SLT
- The launch of a MyIbstock retail rewards platform

#### Giving Back

A focus on 'giving back' to our local communities remains a core part of our culture and a source of pride to our employees. Following the end of our corporate Shelter partnership, in which

Ibstock and its employees raised around £180k, we are now looking to support our employees to make a real difference within local communities. We are doing this by allowing employees to determine the partners and organisations they wish to support, and making matched funding from the Company available.

#### Attracting Future Talent

Creating an organisation that reflects diversity of all kinds is of great importance. As such, we launched a diversity charter within our organisation and began a programme of activity focused on building greater connections with the communities in which we operate. We have also focused on crystallising what makes our employees join, invest and remain in our business through the development of an Employee Value Proposition.

#### Capabilities for Resilience and Growth

Building our employees' capabilities for resilience and growth supports capability of the organisation as a whole. Providing targeted development initiatives over the year for both commercial and operational teams has been a key deliverable in 2022.

Individual and organisational resilience has been particularly important with respect to the impact of the COVID-19 pandemic on our employees, and their readjustment to a post-pandemic work environment.

#### Culture as a point of difference

At the heart of our focus on people this year has been the development of our Ibstock 'Fire Up' programme. The programme was developed by representatives from all sites and functions within the Group, before being rolled out in a carefully planned and supported way across the entire workforce. 'Fire Up' is described fully on page 18.

From this work we have continued to see increased engagement and enthusiasm across all sites and functions.

Please see page 50 for more information on how our 'We will improve lives' initiatives enhance our social impact.



# DELIVERING FIRM FOUNDATIONS FOR FUTURES

Ibstock Futures (Futures) has two focus areas. Firstly, participating in the Modern Methods of Construction (MMC) aimed at driving the industrialisation of construction to deliver higher productivity. Secondly, being at the forefront of sustainable construction by supporting the growth of lightweight construction methods as well as more carbon efficient ways of manufacturing. Our initial concentration is on two key market segments: the mid- to high-rise Façades market and MMC (Modern Methods of Construction, which includes off-site manufacture and assembly, and modular housebuilding).



Jeremie Rombaut, Managing Director of Futures, provides an overview of progress in accelerating diversified growth opportunities in the Futures business' first year.

Q. What is the strategic ambition for Ibstock Futures?

The strategic ambition for Futures is to be a £100m turnover business by 2026, comprising businesses that produce construction solutions with higher efficiency and a lower carbon footprint. This will be achieved through the industrialisation and scaling up of our existing operations, supplemented by targeted mergers and acquisitions (M&A) and partnerships which will be focused on scalable businesses. Together, this will enable us to develop a broader product offering in the mid- to high-rise Façades market and in MMC.

Part of our ambition is to predict and influence future industry trends, through technology development and other forms of innovation, which is supported by our 'Ventures' arm. We believe that our initiatives in this area will assist us in driving significant growth opportunities going forwards.



Employees at Ibstock Telling.

## Q. What is the market opportunity?

The UK Façades market size is estimated at £10bn with the current addressable market share (cladding element) estimated at £1.5bn in value. This is driven through the growing trend for a brick finish in the Façades market, led by customer demand for a superior aesthetic and a compliance need for non-combustible systems.

The pace of growth is also being accelerated through a shift towards MMC. This is faster and more efficient than the traditional approach of on-site installation of Façade systems, which is not only a slower process, but is also constrained by labour shortage issues.

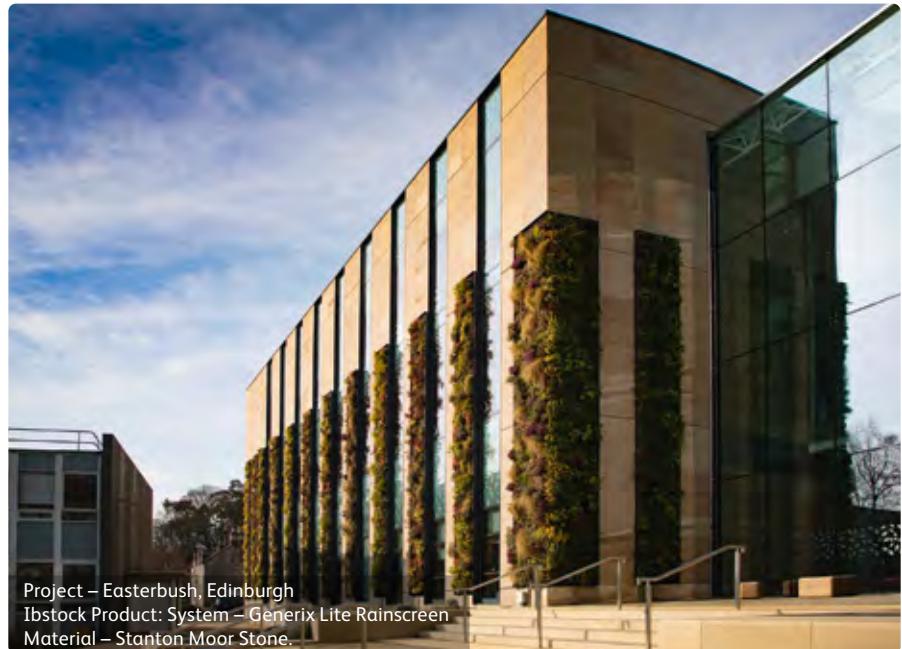
The brick slip market (which is a core component of the Façades market) is estimated at 180m slips per year in the UK. Whilst today, this represents just 5% of the UK brick market, we believe the Façades market to be an area of huge growth opportunity. Examples of such growth can be seen in other countries such as the US, where the brick slips market continues to grow and is now around one billion slips (circa 33% of the three billion brick market).

As part of our offering to customers we will promote the DFMA (Design For Manufacturing and Assembly) design approach, advocating a lightweight Façade option to be considered in the early stages of structure and foundation design. This approach can provide significant cost savings for our customers.

By adopting a scalable approach to our operations and through a combination of M&A investments and a clear innovation drive, we are well positioned to become market leaders.

## Q. What progress has been made?

In 2022 Futures has integrated two businesses under the Ibstock brand, Ibstock Telling and Generix Façades. Ibstock Telling was formed from assets acquired from Telling Architectural Limited, and Generix as a majority acquisition of Generix Façades Limited. Ibstock Telling manufactures an innovative Glass Reinforced Concrete (GRC) product. GRC delivers significant sustainability benefits through carbon and weight efficiencies whilst being able to create impressive bespoke shapes, including brick fascias. Generix is a fast growing family of mechanical fix Façades systems that offers a brick slips, stone and ceramics range. These businesses complement our existing ranges



within our product portfolio (Mechslip, our other mechanical slip system, and Nexus) and provides us with broader offering to the Façades market.

The integration of both businesses have now been completed, and the current focus is now on scaling them over the coming years.

We have continued to develop the brick slip investment strategy and identified opportunities to re-configure our Nostell brick slips factory project, to both accelerate commissioning of an initial capacity extension, as well as incorporate more advanced and efficient process technology in the purpose built factory. At this stage, commissioning for the main line is expected in late 2024.

We have also invested in a new automated slip and corner cutting facility that will allow us to cut a slip and associated corners from any soft mud brick, which will allow us to ramp up our existing operations to 17 million slips and associated corners each year. This facility will not only make production safer and more reliable, but also allows us to build a complementary range to the main factory, further boosting the growth of our own mechanical fix systems as well as other systems currently used in the market.

There are a number of exciting strategic projects in the research and development stages, particularly around energy and alternative use of clays, with a circular economy approach. Additionally, we continue to develop our pipeline of other opportunities as part of our M&A strategy.

## Q. Where next for Futures?

As mentioned, we have a good pipeline of organic opportunities, and continue to explore further inorganic investment opportunities.

However, one of the key next steps for us will be to increase the pace of progress within our Ventures innovation arm. We are looking to collaborate with start-ups on technology and new business models. These include technologies such as Automation, 3D printing, Design for Manufacturing & Assembly (DFMA), and Parametric Architecture.

The goal is to increase productivity and create a smooth interface between design and manufacturing, which is key to the success of off-site manufacturing. Currently there is a technology adoption gap in the fragmented MMC value chain, which is a limiting factor in exploiting its full potential.

We have developed a clear roadmap to achieve a turnover of over £100m over the planned horizon, through scalable businesses with invested assets, and are confident and energised to deliver this within our projected timescales.

# DELIVERING FOR OUR MARKETS

## We are well positioned in markets with positive long-term fundamental drivers

Through our deep understanding of the key drivers in our markets, we are able to formulate our strategy based on the biggest growth opportunities for our business

With the largest clay brick production capabilities in the UK, the Group continues to hold a market-leading position, together with leading market positions in UK concrete products. In the UK, the three largest brick manufacturers account for the vast majority of UK brick production. Conversely, many of the UK concrete markets within which the Group operates are fragmented with a number of small players.

Demand for our products is directly affected by developments in the construction markets in which we operate, as well as the general level of construction activity. Several macroeconomic factors influence the levels and growth of construction activity, including demographic trends, the state of the housing market, mortgage availability, mortgage interest rates, household income, inflation and Government policy.

Since last year, the overall UK economy has seen further adverse impacts from a number of factors including the war in Ukraine. These have led to price increases for energy, particularly natural gas, and broader inflation and interest rate rises, which has had an impact on input costs. We have also seen the continuation of the

### UK macro trends

- Expected population growth from 2020-2030 of +2.1m people
- Household formations per annum is currently c.200k, which means a shortage of housing and ageing of current housing stock
- Political support for house building is strong with a target of +300k additional homes built on average per annum
- There is an increasing focus on Modern Methods of Construction (MMC)

For more information on how Ibstock maximises market opportunity and mitigates market risk, see:

- Our Business Model pages 28 to 29
- Our Strategy pages 30 to 31
- Responsible Business pages 42 to 55
- Operations Reviews pages 56 to 59
- Principal Risks and Uncertainties pages 60 to 69

trend in recent years of structural changes in our markets towards greater consolidation of the supply chain, particularly in the merchant and distribution channels.

Looking forward to 2023, we anticipate a set of more challenging market conditions, driven by higher interest rates, higher inflation and lower levels of consumer confidence, but anticipate this to improve as the year progresses.

The pages that follow illustrate the developing trends in our segments, and detail how our business is well positioned to succeed in these markets.

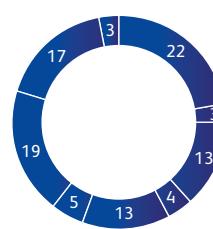
### UK Construction Market<sup>1</sup>

**£171bn**  
2021

**£173bn**  
2022

**£165bn**  
2023

### % UK Construction Output by Sector – 2022



Private Housing	22%
Public Housing	3%
Private Housing Repair, Maintenance and Improvement	14%
Public Housing Repair, Maintenance and Improvement	4%
Commercial	13%
Public Non-housing	5%
Non-housing Repair and Maintenance	19%
Infrastructure	17%
Industrial	3%

### UK Construction Output

Our diverse and growing range of clay and concrete products and systems for the entire building envelope gives us access to a wide range of construction industry sectors. They are integral components for both new build housing and housing repair, maintenance and improvement. We also have a growing position in commercial, public sector non-housing and infrastructure. The positive fundamental drivers in these sectors are expected to underpin demand for our products over the medium-term.

The Construction Product Association (CPA) Winter 2022/23 forecast (CPA Forecast) shows total construction output is anticipated to fall by 4.7% in 2023 with growth of 0.6% in 2024.

The CPA forecast shows:

	2024	
	2023	(projected)
Private housing output	fall 11.0 %	fall 1.0 %
Public Housing output	fall 10.0 %	fall 2.0 %
Private housing repair, maintenance and improvement (RMI)	fall 9.0 %	rise 1.0 %
Public housing repair, maintenance and improvement (RMI)	flat	rise 2.0 %
Commercial output	fall 5.4 %	rise 1.3 %
Public non-housing	fall 1.7 %	rise 0.3 %
Infrastructure output	rise 2.4 %	rise 2.5 %

## New Housing Market

The new build housing market<sup>1</sup> accounts for around a quarter of total construction output in the UK. This market is a core focus for us and we hold market-leading positions in many of our product categories.

(number of units)	2020 (E)	2021 (E)	2022 (E)	2023 (F)	2024 (P)
Private	118,264	162,458	164,083	141,111	143,933
Housing Starts	-19 %	37 %	1 %	-14 %	2 %
Private Housing	134,100	160,749	163,964	145,928	143,009
Completions	-19 %	20 %	2 %	-11 %	-2 %

(number of units)	2020 (E)	2021 (E)	2022 (E)	2023 (F)	2024 (P)
Public	34,198	41,998	39,898	36,307	36,307
Housing Starts	-10 %	23 %	-5 %	-9 %	0 %
Public Housing	31,882	40,502	40,097	36,088	35,366
Completions	-23 %	27 %	-1 %	-10 %	-2 %

With continuing population growth in the UK resulting in ongoing increases in household formation and a substantial housing deficit, the Government remains committed to significant growth in levels of house building over the mid- to long-term.

## Why are we well positioned?

- We have long-standing strategic relationships with housebuilders, distributors and builders' merchants across the UK
- Broad product range across the building envelope provides differentiation and competitive advantage: bricks, cast stone, roof tiles, fencing and landscape products, retaining wall systems, flooring solutions, Façade systems and components
- Market leader in the UK brick market, the most popular Façade material in new build housing
- Investments in new and sustainable manufacturing facilities to enhance capacity and ensure long-term supply of materials
- Investment and development of MMC, a key growth area in this sector



## Housing RMI

Housing Repair Maintenance and Improvement (RMI)<sup>1</sup> is another major sector of the UK construction industry, accounting for over 15% of total construction output. This is another core sector for us where we have a strong position.

Private housing RMI reached its highest level on record in March 2022, reflecting a spike in activity following the initial COVID-19 lockdowns in early 2020. Although output is expected to decline in 2023, it remains at a relatively high level compared to the long-term trend.

Growth in public housing RMI is being driven by the pipeline of cladding remediation and fire safety work, general maintenance of social housing stock and publicly funded energy efficiency projects on council and housing association properties.

(£m)	2020 (A)	2021 (A)	2022 (E)	2023 (F)	2024 (P)
Private	20,207	25,173	24,166	21,991	22,211
Housing RMI	-11 %	25 %	-4 %	-9 %	1 %
Public	6,773	7,196	7,196	7,196	7,340
Housing RMI	-17 %	6 %	0 %	0 %	2 %

## Why are we well positioned?

- We have long-standing strategic relationships with builders' merchants and distributors across the UK
- Leading range of products for housing repairs, maintenance and improvement (RMI) projects across the building envelope
- Our growing range of Façade systems provide solutions for re-cladding projects, a significant growth area in this sector

<sup>1</sup> Construction data sourced from Construction Products Association Construction Industry Scenarios Winter 2022/23 Edition. These charts shows actual, estimated, forecast or projected figures and year-on-year percentage change.

Key: A=Actual, E=Estimate, F=Forecast, P=Projection

## Commercial and Public Sector

Commercial and public sector<sup>1</sup> construction is another significant part of the UK construction industry accounting for almost 20% of total output. Many project types are covered within these sectors including offices, retail, schools, hospitals and other public buildings. We have a long track record of supplying a wide range of products and systems into these sectors, including many award winning projects.

(£m)	2020 (A)	2021 (A)	2022 (E)	2023 (F)	2024 (P)
Commercial	23,667	22,020	22,009	20,829	21,097
	-22%	-7%	0%	-5%	1%
Public Non-Housing	9,614	9,521	8,905	8,752	8,776
	-8%	-1%	-6%	-2%	0%

## Why are we well positioned?

- Dedicated experienced specification sales teams focused on developing relationships with architects and specifiers
- Extensive design and technical expertise to support architects and specifiers throughout the whole project life-cycle from concept to build
- Wide range of products and systems across the whole building envelope
- Our growing range of Façade systems provides significant opportunities in growth sectors such as mid- to high-rise developments

## Infrastructure

Infrastructure<sup>1</sup> is a growing sector of the UK construction market, currently accounting for around 17% of total construction output. Infrastructure is a key focus area for Government, and the sector has shown strong growth over the past few years with further growth forecast over the next three years. We have a growing presence in this sector, particularly in the rail sub sector, which has seen significant growth over the past two years with further growth forecast in 2023.

(£m)	2020 (A)	2021 (A)	2022 (E)	2023 (F)	2024 (P)
Total	21,799	27,975	29,348	30,058	30,797
Infrastructure	-5%	28%	5%	2%	2%
Rail	3,419	6,704	8,045	8,689	8,689
Sub-Sector	-18%	96%	20%	8%	0%

## Why are we well positioned?

- We have strong, well established relationships with customers across rail and infrastructure markets
- We manufacture bespoke products for the infrastructure sector
- We are leading the way in the development of innovative, sustainable infrastructure products, a key driver in this sector

## Group Opportunities

Over the course of our 200-year history, we have developed a thorough understanding of the key drivers in our markets. This enables us to formulate our strategy based on the changing demands of our customers to focus on the biggest growth opportunities for our business. We also manufacture and supply a wide range of diversified products to satisfy changing demand.

### Strengthen leading position in core market

In the UK, the three largest brick manufacturers account for the vast majority of UK brick production. Ibstock has the largest clay brick production capability in the UK and continues to enjoy a market-leading position. In a structurally under-supplied brick market, imports coming into the UK reached record highs of over 550 million bricks in 2022. We believe that continued investment in new domestic capacity represents a significant opportunity for our business. We are investing a total of £75m in our factories in the West Midlands including the development of Atlas, our pathfinder factory on our journey to net zero, with a capacity of over 100 million bricks by 2024.

### Investment in our West Midlands factories

**£75m**

## Why are we well positioned?

- We have invested significantly in the expansion and improvement of our production facilities over the past few years
- We continue to invest in organic opportunities to enhance production capabilities for the long-term
- We are investing £75 million in our factories in the West Midlands including the development of Atlas, with a capacity of >100 million bricks per year by 2024

## Growth in Diversified Markets

The increasing focus on non-combustible cladding systems coupled with brick being the most popular Façade aesthetic in the UK provides us with growth opportunities outside of our core markets of low-rise housing. Brick Façades are taking an increased share of fast growth markets:

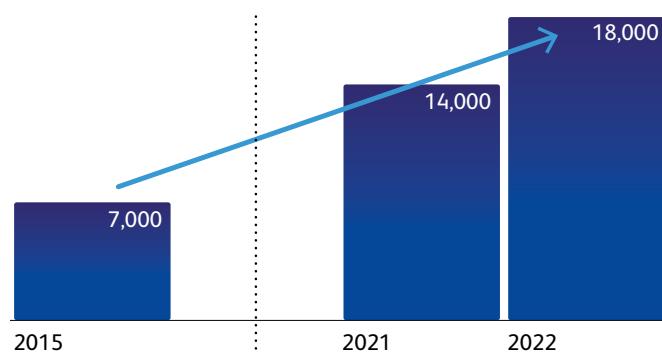
- Find out more about how we are addressing this market in Futures on pages 22 to 23

<sup>1</sup> Construction data sourced from Construction Products Association Construction Industry Scenarios Winter 2022/23 Edition. These charts shows actual, estimated, forecast or projected figures and year-on-year percentage change.

## Mid- to High-Rise Sector

Sector growth driven by re-cladding and build to rent market, with planning applications increasing by over 100% since 2015.

### Mid- to high-rise active projects with approved planning permission



## Off-site Construction

The use of off-site manufactured systems and MMC continues to grow, particularly in the off-site residential market supported by Government commitment and investment.

### Market for off-site housing systems £m

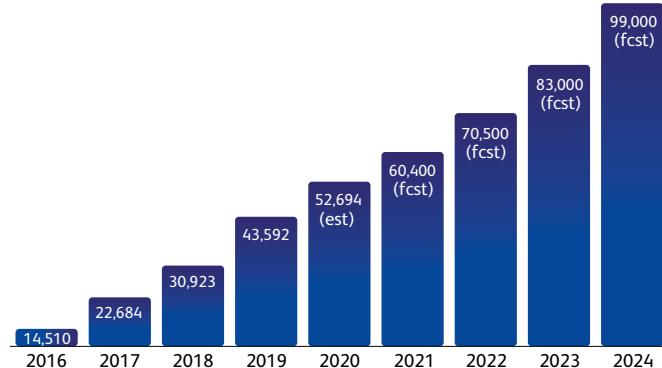


Source: AMA Offsite Housing Market Report UK 2021-2025

## Build to Rent

Build to Rent (BTR) continues to be a driver of growth across UK residential markets with the trend towards private renting forecast to grow further over the coming years. 190 thousand homes are estimated to be built by the BTR section by 2027.

### Cumulative Build to Rent Completions 2016 to 2020 with Forecasts for 2021 to 2024 – Number of Units



Source: AMA Research Ltd/Barbour ABI Planning Data/Trade Estimates

## Why are we well positioned?

- Brick is the dominant Façade material in UK residential projects
- We are investing in the UK's first large scale purpose made brick slip systems factory
- Our new two businesses Telling and Generix enhance our Façade systems offering and strengthen our position in the market for MMC
- Our growing range of Façade systems are suitable for both new build and renovation projects, including re-cladding
- Futures' focus on investment opportunities in growth areas in the fields of sustainability and industrialisation will strengthen our position further over the coming years

# Our Purpose and Business Model

Ibstock exists to build a better world by being at the heart of building through our vision of enabling the construction of homes and spaces that inspire people to work and live better.

## Who we are

Ibstock is a leading manufacturer and supplier of clay, concrete and diversified building products and solutions to the UK construction industry with a focus on the environmental and social impacts of our business, specialising in products and systems for the residential building envelope and infrastructure markets.

## What we do

Our core business focuses on the residential construction sector and we have built strong relationships with our house builder, developer, builders' merchant and distributor customers over many years. Ibstock Futures has been established to accelerate diversified growth opportunities, to address key construction trends of sustainability and Modern Methods of Construction (MMC).

## Find out more

[Our Markets page 24](#)  
[Our Strategy page 30](#)  
[Our Key Performance Indicators page 40](#)  
[Responsible Business page 42](#)  
[Our Principal Risks and Uncertainties page 60](#)

## Underpinned by our values and behaviours

Our stated values were developed internally through a series of interviews and face-to-face workshops attended by employees from every part of our business.

**Teamwork** We work together to achieve great things

**Trust** We earn the trust placed in us by delivering on our promises

**Care** We care about each other, our customers and our wider impact

**Courage** We have the courage to do the right thing

## Our business operations

### Extraction

Clay and shale used in our brick production process is sourced from clay quarries that the Group operates on land that it owns or leases under long-term agreements. The quarries are in the vicinity of our brick manufacturing plants providing security of supply of the key raw material used in brick manufacture.

**Principal Risks:** 2, 6, 8

### Procurement

The Group is a major customer for a number of its key third party suppliers, which allows efficient purchasing and transportation, together with the establishment of long-term relationships. Additionally, for the Group's concrete products, the main raw materials are bulky in nature and are locally sourced. Natural gas and electricity costs represent the greatest input costs apart from labour. The Group regularly reviews its energy costs and uses forward purchasing contracts to increase pricing certainty when favourable compared to future price expectations in the open market.

**Principal Risks:** 1, 5, 6, 8

### Product design

The Group continually seeks to improve the quality of its existing products and also introduce new and sustainable products through innovation and investment in new technology. Its new product development programme works closely with customers and our sales team to identify opportunities for new products.

**Principal Risks:** 4, 6, 8, 9, 11

### Manufacturing

The Group has the largest brick production capacity and a strategic footprint across the UK. We also have the most advanced concrete roof tile line in the UK and our concrete landscaping and flooring manufacturing facilities provide us with market leading positions. The Group manufactures bricks through two main methods: wire cut and soft mud, which take their names from the processes to create them. The Group's concrete products are made from cement, sand, admixtures and pigments, which are mixed together.

**Principal Risks:** 1, 2, 6, 8, 9, 10, 11

### Sales

The Group differentiates itself as a manufacturer by employing people to assist specifiers and customers in their designs and efficient use of our products. Ibstock sells its products to a diverse group of customers in the UK construction industry. Each business has its own sales team that is aligned by customer group and region in order to focus on key decision-makers and customers. This is monitored through extensive and regular customer satisfaction surveys.

**Principal Risks:** 1, 3, 4, 5, 6, 7, 8, 9, 10

### Distribution

The Group's 40 principal manufacturing locations across the UK are strategically located close to main transportation links to facilitate onward distribution. The Group outsources the majority of its haulage to contractors.

**Principal Risks:** 2, 6, 8, 10

## What makes us different



### Market leadership

Our market-leading businesses enable us to benefit from the expected growth in demand in the UK. We have over 74 million tonnes of consented clay reserves and 145 million tonnes of clay resources, providing good support for production capacity across all our clay plants.



### Long-standing customer relationships

Our customer focus is based on quality, service and consistency. Our service-led ethos is one of the key drivers in the growth of our market share in bricks over the past 10 years. Alongside gaining new customers, many of our long-standing customer relationships have lasted for over 40 years.



### Growing capacity

We are investing new facilities and in the latest technology to increase capacity and to meet the growing market demands.



### Highly experienced management team

Our motivated and dedicated management team has extensive experience in the building products industry.

## Resources and relationships

- Strong heritage and brand known for quality and consistency
- Well invested manufacturing facilities and technology to support customer service
- Highly skilled workforce
- Strong design focus
- High barriers to entry in our market
- Strong Health and Safety (H&S) track record
- Strong balance sheet
- Unrivalled operational footprint and clay reserves

## Our stakeholder value proposition

### People

Alongside our focus on providing a safe and healthy working environment, we invest in ongoing training, development and career progression. We also encourage employee share ownership through our Sharesave scheme and our Fire Up share grant, to ensure that value flows through to all our employee stakeholders.

### Communities

In addition to being an important employer as well as taxpayer in the many areas where our manufacturing facilities are located, we interact directly with the communities in which we operate, contributing to them through our work with local schools and charities.

### Customers

Builders' merchants, house builders, specialist brick distributors, contractors and installers are the five main customer groups for the Group's clay and concrete products in the UK. Customers play a crucial role in shaping our growth and driving our innovation. Building our understanding of our customers' priorities is imperative to meeting their needs. The unrivalled choice of products available within the Group's range of clay bricks provide these customers with the widest selection from which to choose. As a full-range supplier, our concrete businesses provide customers with a broad product set upon which to base their buying decisions.

### Suppliers

We forge long-term relationships with our key suppliers, and conduct business in a fair, open and transparent way. Our policies and procedures are all aimed at ensuring we work safely, equitably and in the best interests of both our suppliers and ourselves, as well as the Group's other stakeholders.

### Investors

We have a sustainable and progressive dividend policy. This policy is supported by businesses with structurally high margins and strong cash generation and a strategy that provides a strong platform for future growth and value creation. We are recommending a final dividend of 5.5p per share for the 2022 year.

## Environment

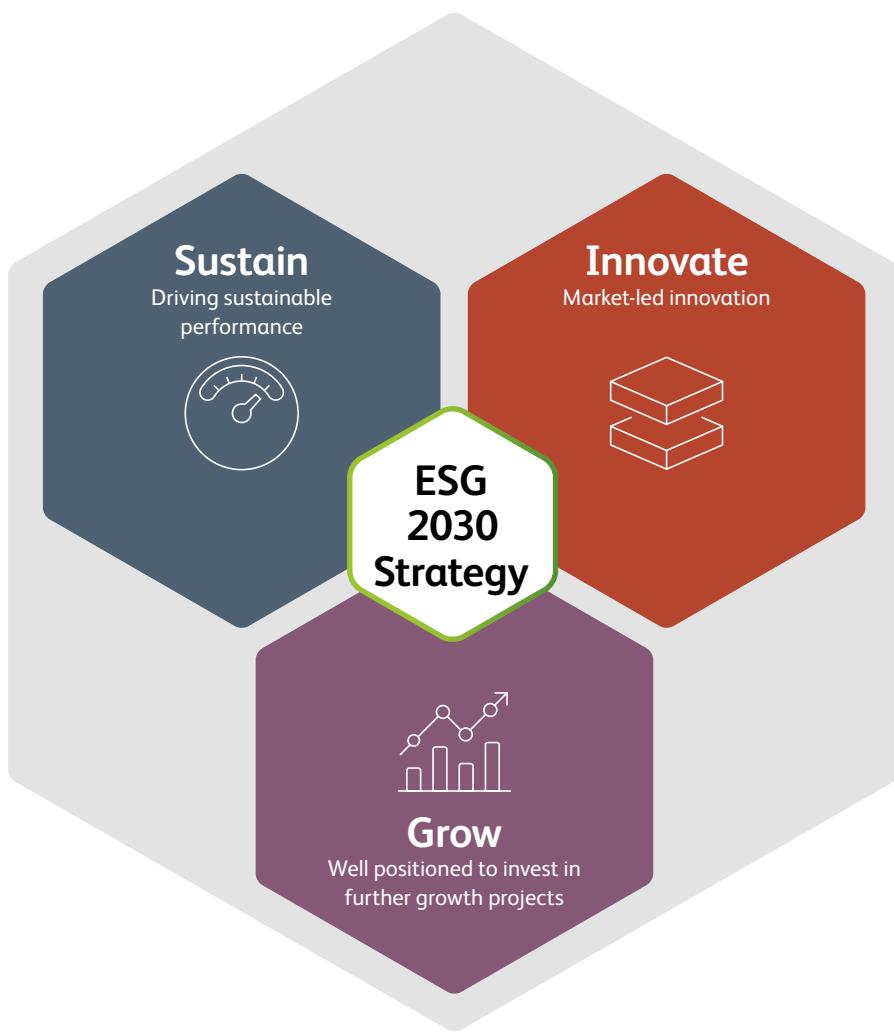
We aim to minimise our impact on the environment wherever possible. Our ESG 2030 Strategy details our commitment to achieve 40% absolute carbon reduction by 2030 and to be net zero by 2040 (Scope 1 and 2).

► See Responsible Business on pages 42 to 55.



# Delivering our Strategy

**Ibstock's Strategy is to optimise and enhance our existing business, whilst investing for growth in both core and diversified construction markets. Our Strategy comprises three pillars: Sustain, Innovate and Grow**



Our Strategy comprises three clear pillars, which are sustain, innovate and grow. These support the delivery of our purpose.

We believe in ensuring that our business operates responsibly and delivers value to all of our stakeholders. We are committed to delivering our Strategy in the context of our Environment, Social and Governance (ESG) 2023 Strategy, and see that these are fundamentally interlinked.

Underpinning the delivery of our strategy is our robust business model, our strong corporate culture and our core values of Teamwork, Trust, Care and Courage.

It is the combination of all of these elements that will enable us to deliver our purpose and our ambition to drive sustainability in our manufacture of clay and concrete building products.

Our KPIs on pages 40 and 41 measure our success against our strategy pillars, with examples of our strategy in action across pages 34 to 39.

For more information:  
Our Purpose and Business Model, page 28  
Responsible Business, pages 42 to 55



Project – Hudson Quarter  
Ibstock Product – Birtley Olde English Buff.

## Our strategic pillars

### Sustain

As a large-scale industrial business, sustainable high performance is at the core of what we do. We are focused on the following three priorities:

- **Health, Safety and Wellbeing**
- **Operational Excellence**
- **Environmental Performance**

► For more information:

Delivering against our Strategy, pages 32 to 33

Sustain case studies, pages 34 to 35

Improving lives, pages 50 to 51

Operations Review, pages 56 to 59

Delivering against our ESG 2030 Strategy, pages 46 to 47

### Innovate

Innovation is a critical element of our growth plans and we are committed to the continuing enhancement of our product portfolio and customer proposition to strengthen our market-leading positions. Our initiatives are centred around:

- **Product Innovation**
- **Customer Experience**
- **Digital Transformation**

► For more information:

Delivering against our Strategy, pages 32 to 33

Innovation case studies, pages 36 to 37

Futures, pages 22 to 23

Manufacturing materials for life, pages 52 to 53

Operations Review, pages 56 to 59

### Grow

Clear path for growth and value creation through a combination of:

- **Expanding our core business**
- **Diversification into adjacent market segments**
- **Grow our people and develop/embed our culture**

► For more information:

Delivering against our Strategy, pages 32 to 33

Growth case studies, pages 38 to 39

Futures, pages 22 to 23

Operations Review, pages 56 to 59

## ESG 2030 Strategy

At the heart of our strategic pillars is our ESG 2030 Strategy setting out a clear pathway to:

- Address Climate Change
- Improve Lives
- Manufacture Materials for Life

► More on pages 42 to 55

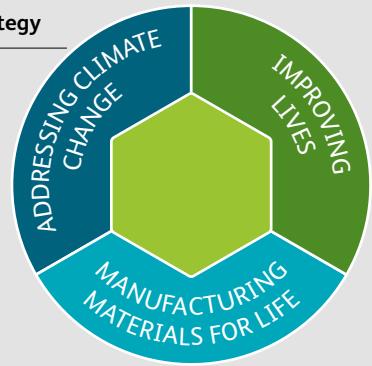


# Delivering against our Strategy

Strategic Pillar and 2022 Priorities		2022 progress
 <b>Sustain</b>	<b>Health, safety and wellbeing</b>	 <ul style="list-style-type: none"> <li>Deliver milestones on the Health and Safety (H&amp;S) roadmap with completion of site specific action plans from the standards and procedures maturity matrix</li> <li>Complete wellbeing and health actions</li> </ul> <ul style="list-style-type: none"> <li>Further progress on safety roadmap with the delivery of several key projects</li> <li>Tracking ahead of achieving reduction in Lost Time Injury Frequency Rate (LTIFR) by 2023 (from 2016 baseline)</li> <li>Concrete division achieved a full year without any Lost Time Injuries (LTIs) (more detail on page 34)</li> <li>Health and wellbeing action areas/initiatives continued to gather momentum with a well established Wellbeing Working Group and focus on mental health training and awareness weeks now in place and operating successfully</li> </ul>
	<b>Operational Excellence</b>	 <ul style="list-style-type: none"> <li>Roll out phase two of the Asset Transformation Plans (ATP) for maintenance practices in clay sites</li> <li>Complete remaining enhancement project at Ellistown factory in Leicestershire</li> <li>Automation and productivity improvements at concrete sites</li> </ul> <ul style="list-style-type: none"> <li>All 2022 targets for asset transformation achieved across targeted Clay sites, along with the Ellistown factory becoming fully operational</li> <li>Accelerated our drive to further automate concrete operations, including the development of a five-year automation plan for fencing and building manufacturing sites that will continue to support a significant uplift in capacity, throughput and quality</li> </ul>
	<b>Environmental performance</b>	 <ul style="list-style-type: none"> <li>Work to reduce CO<sub>2</sub> by 40% from 2019 levels by 2030;</li> <li>Work to become a net zero carbon business by 2040 (for Scope 1 and 2)</li> </ul> <ul style="list-style-type: none"> <li>Awarded 'Manufacturer of the Year' by Business Green awards in recognition of our industry leadership on sustainability. There has been continued progress in the delivery of our ESG 2030 Strategy. Further information can be found in the Responsible Business section on page 42</li> </ul>
 <b>Innovate</b>	<b>Product innovation</b>	 <ul style="list-style-type: none"> <li>Complete transformational projects (plastic reduction and material optimisation)</li> <li>Deliver new and sustainable product development plans for 2022</li> <li>Deliver a market development plan and product/solution offer for mid- to high-rise market segments</li> </ul> <ul style="list-style-type: none"> <li>Focus on dematerialisation (plastics and voids)</li> <li>Earth Friendly Concrete (more detail on page 36)</li> <li>New product ranges and prototyping</li> </ul>
	<b>Customer experience</b>	 <ul style="list-style-type: none"> <li>Complete Clay division's order and service delivery project</li> </ul> <ul style="list-style-type: none"> <li>Strengthened nationwide distribution capabilities through the successful implementation of haulage partnerships across several of our Clay sites. The approach is driving a step change across the industry in enhancing customer service, in conjunction with customer service team and digital portal development. More detail on page 37.</li> </ul>
	<b>Digital transformation</b>	 <ul style="list-style-type: none"> <li>Complete phase two of the digital transformation journey for customer experience and service delivery</li> </ul> <ul style="list-style-type: none"> <li>Appointment of a new Chief Information &amp; Digital Officer focused on developing technology roadmap, accelerating digital and process enablement plans</li> </ul>
 <b>Grow</b>	<b>Investment in our core</b>	 <ul style="list-style-type: none"> <li>Complete project milestones for Atlas and Aldridge projects in the West Midlands</li> <li>Complete project milestones to develop the UK's first automated brick slip systems factory in Nostell, Yorkshire</li> </ul> <ul style="list-style-type: none"> <li>Both Atlas and Aldridge investment projects are progressing well to schedule. Please see pages 10 to 17 for further information</li> </ul>
	<b>Diversified growth</b>	 <ul style="list-style-type: none"> <li>Develop organisation, strategy, governance and mid-term goals of Ibstock Futures</li> </ul> <ul style="list-style-type: none"> <li>The scale of Futures division continues to build with firm foundations in place and the brick slips market opportunity gathering pace</li> <li>2022 progress is discussed on pages 22 and 23</li> </ul>
	<b>People</b>	 <ul style="list-style-type: none"> <li>Deliver talent and capability outcomes for: <ul style="list-style-type: none"> <li>Early careers</li> <li>Strategic recruits</li> <li>Diversity and Inclusion (D&amp;I) project</li> </ul> </li> <li>Significant progress in 2022 with the development and delivery of a focused people strategy. More detail on page 20</li> <li>Female Leadership representation stood at 27% at the end of the year, increasing to 29% March 2023 as at the date of this report, with plans in place to hit a 40% target by 2030. Further details on pages 50 and 51</li> </ul>



### Key to ESG 2030 Strategy



KPIs/Measure (pages 40 to 41)	Risks (pages 60 to 69)	Priorities for 2023	Link to ESG <sup>1</sup>
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<ul style="list-style-type: none"> <li>LTIFR</li> <li>% completion against target actions</li> <li>% employees trained</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory and Compliance</li> <li>Maintaining Customer Relationships and Market Reputation</li> </ul>	<ul style="list-style-type: none"> <li>Continue to deliver against H&amp;S roadmap with completion of site specific action plans from the standards and procedures maturity matrix</li> <li>Commence implementation of behavioural safety plan</li> <li>Continue to ramp up focus on health, wellbeing and in particular mental health including introduction of mental health allies</li> </ul>	
<ul style="list-style-type: none"> <li>Revenue</li> <li>Adjusted EBITDA*</li> <li>Return on Capital Employed (ROCE)</li> <li>Adjusted EPS*</li> <li>Net Promoter Score *</li> </ul>	<ul style="list-style-type: none"> <li>Material Operation Disruption</li> <li>Financial Risk Management</li> <li>Product Quality</li> </ul>	<ul style="list-style-type: none"> <li>Continue ATP roll out to underpin reliability agenda across Clay estate and progress automation activities across Concrete sites, both underpinned by ongoing capability support</li> </ul>	
<ul style="list-style-type: none"> <li>Carbon reduction metric</li> </ul>	<ul style="list-style-type: none"> <li>Climate Change</li> <li>Material Operational Disruption</li> </ul>	<ul style="list-style-type: none"> <li>Work to reduce CO<sub>2</sub> by 40% from 2019 levels by 2030, and become a net zero carbon business by 2040 (Scope 1 and 2)</li> </ul>	
<ul style="list-style-type: none"> <li>Revenue</li> <li>Adjusted EBITDA*</li> <li>% sales from new and sustainable products</li> </ul>	<ul style="list-style-type: none"> <li>Market Uncertainty</li> <li>Regulatory and Compliance</li> <li>Material Operational Disruption</li> </ul>	<ul style="list-style-type: none"> <li>Continue delivery against New Product Development (NPD) pipeline in year, with ongoing focus to build pipeline for 2024 and beyond</li> <li>Deliver market development plan for modular segment aligned to Nostell project</li> </ul>	
<ul style="list-style-type: none"> <li>Net Promoter Score</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining Customer Relationships and Market Reputation</li> <li>Product Quality</li> </ul>	<ul style="list-style-type: none"> <li>Broaden customer offering through one Ibstock brand and enhance process efficiency</li> <li>Enhance our service offering with the launch of new digital portal</li> </ul>	
<ul style="list-style-type: none"> <li>Revenue</li> <li>Adjusted EBITDA*</li> </ul>	<ul style="list-style-type: none"> <li>Market Uncertainty</li> <li>Regulatory and Compliance</li> <li>Material Operational Disruption</li> </ul>	<ul style="list-style-type: none"> <li>Digital evolution to continue using technology to deliver improved efficiency, focusing on standardisation of processes, integration and automation</li> </ul>	
<ul style="list-style-type: none"> <li>Revenue</li> <li>Adjusted EBITDA*</li> <li>Net debt to Adjusted EBITDA*</li> <li>Adjusted ROCE*</li> <li>Adjusted EPS*</li> </ul>	<ul style="list-style-type: none"> <li>Market Uncertainty</li> <li>Regulatory and Compliance</li> <li>Financial Risk Management</li> <li>Product Quality</li> </ul>	<ul style="list-style-type: none"> <li>Delivery of key strategic projects across our estate including Atlas, Aldridge, Anstone, Parkhouse &amp; Nostell</li> </ul>	
<ul style="list-style-type: none"> <li>Revenue, Adjusted EBITDA*</li> <li>Net debt to Adjusted EBITDA*</li> <li>Adjusted ROCE*</li> <li>Adjusted EPS*</li> </ul>	<ul style="list-style-type: none"> <li>Market Uncertainty</li> <li>Regulatory and Compliance</li> <li>Financial Risk Management</li> <li>Product Quality</li> </ul>	<ul style="list-style-type: none"> <li>Scale the Telling and Generix businesses in line with operational plans. Continue to develop Futures organisation to underpin growth goals</li> </ul>	
<ul style="list-style-type: none"> <li>Female representation on Senior Management teams (FTSE Women Leaders definition)</li> </ul>	<ul style="list-style-type: none"> <li>Market Uncertainty</li> <li>People &amp; Talent Management</li> </ul>	<ul style="list-style-type: none"> <li>Continue to 'Fire Up' cultural development in service of performance and delivery of results</li> <li>Ongoing focus on creating an organisation in which all employees can belong, grow and thrive</li> </ul>	

<sup>1</sup> See pages 42 to 55 for the ESG 2030 Strategy.

# DELIVERING A STEP CHANGE IN SAFETY

**Celebrating ONE year with ZERO lost time incidents across the Concrete Division.  
Will Hicks, Operations Director, talks about our safety journey and why it's so important**



Employees at our Barnwell Factory, celebrating over 5,000 days without a lost time incident on site.

**“Safety is our number one priority. Every single visitor, employee and contractor should be able to come to work and go home to friends and family in the same condition they arrived in.”**

Since 2018, we've taken considerable steps forward, with:

- Safe Start – every site employee receives half a day's reminder training at the start of the year
- A real focus on culture – setting a zero tolerance approach towards our Health and Safety (H&S) rules

- Connecting with all employees – setting clear direction that there is nothing more important than safety. Developing everyone's understanding of expectations, rules, regulations and most importantly what a good safety culture looks like
- Risk prioritising – we have taken a risk-based approach across critical milestones detailed in our H&S roadmap, with a clear framework to progress
- Leadership – investment in our leadership has played a key role, we have appointed Safety, Health, Environment & Quality Coordinators (SHEQ) at every site. As well as Senior Managers, Factory Managers and SHEQs successfully completed National Examination Board in Occupational Safety and Health (NEBOSH) certificates during the year
- Investment – we have made strategic investments into dedicated safety/welfare improvement projects

Our focus on H&S has improved operational efficiency and increased employee engagement across the division. We continue to strive for improvement but we are steadily building a safety culture, which everyone believes in.

There are many examples of employees looking out for each other and we are seeing large numbers of positive observations being raised, as well as people stopping processes if something is not right or warning others if their safety behaviour does not meet our expectations. Equally, we retain our rigour in ensuring any LTI is appropriately reported.

We will continue embedding our safety culture with increased coaching, drive our H&S roadmap actions, and champion the improvement of welfare and wellbeing across our sites over the coming year.

# DELIVERING OPERATIONAL EFFICIENCY

**In the centre of our historic Leicester Estate, our SM2 Factory (soft mud), producing over 40 million bricks per annum. Wayne Belcher, Factory Manager, shares how the site has gone from strength to strength**

"I am delighted with the continuous improvement of the site which is now home to the new Albus, Niveus and Tenebris brick ranges that we launched in 2022."

We have increased operational efficiency significantly at the site over the last few years, driven by three key initiatives:

Firstly, our continued focus on safety. I am pleased to say that safety is regarded as a shared responsibility by each of our employees, and this level of engagement makes our working environment much safer.

Secondly, we have focused on ensuring that our employees receive the right training and development so that they can do their jobs to the highest standards, including safety.

Finally, we have invested resource into our operational equipment efficiency (OEE) which has resulted in a significant increase in our OEE rate. Integrating our maintenance with the brick making process has given us greater flexibility in proactively servicing our assets, whereas historically this had been performed on a reactive basis.

These initiatives have helped us improve production accuracy, speed and efficiency. We can monitor our operations and take action before a maintenance issue can impact our production, enabling us to meet production volumes, maintain kiln speeds and ultimately deliver on our business and customer commitments.

I am proud of the progress we have made on-site over the year, and pleased that the production team continues to uphold high H&S standards and push for ever higher efficiency rates.

Project: Vistry Group – Northstowe Homes  
Product: Ivanhoe Cream Original range products from our SM2 Factory.



# DELIVERING INNOVATIVE PRODUCTS FOR CUSTOMERS

As part of our delivery of innovative new products for customers, we proactively seek new solutions with improved environmental performance. An example is our new partnership with Earth Friendly Concrete



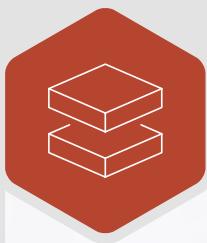
**EARTH FRIENDLY CONCRETE®**

In September 2022, our Concrete Division entered into a new partnership to create ultra-low carbon concrete products with Earth Friendly Concrete, UK. Earth Friendly Concrete (EFC) is more sustainable than traditional concrete, with around 70% less embodied CO<sub>2</sub>. It is made from a binder consisting of industrial waste products, ground granulated blast furnace slag and pulverised fly ash with no Portland Cement.

The partnership will see EFC's ultra-low carbon, zero cement technology integrated into our diverse portfolio of high performance building products including our range of products for the rail, infrastructure and UK housing markets. We are excited about the potential for offering complementary concrete product ranges with a lower embodied carbon element.

This technology offers interesting possibilities for further product development, having different properties to, and some performance advantages over, conventional Portland Cement-based products. These include improved durability, lower shrinkage, higher flexural tensile strength and increased fire resistance.

EFC is the only zero cement concrete technology that has been proven at scale in commercial projects around the world. Since it was launched in 2020, EFC has saved around 2,000 tonnes of CO<sub>2</sub> across construction projects. It has been used in several high-profile projects including High Speed 2 (HS2) and the Silvertown Tunnel.



New Ibstock haulage vehicle livery.

## DELIVERING ON CUSTOMER EXPERIENCE

Strengthening our nationwide distribution capabilities and customer service has been a focus in 2022, and we have made significant progress in this area

Great progress has been made in improving our customer service performance resulting from our continued successful enhancement of our haulage partnerships.

Within the first few weeks of 'going live' with new haulage contracts, our service delivery scores were achieving greater than 97% on time delivery consistently. We are delighted with the initial feedback from customers and plan to build on this success in developing our customer service plans.

On time delivery

**>97%**

This year we have invested in our customer service teams and new technology to improve the customer experience. Our new customer portal will further strengthen our customer offering, facilitating speedier ordering and increased flexibility for our customers.

Alongside our haulage improvements, we are investigating how we can improve environmental performance by reducing empty miles and exploring alternative fuels, whilst ensuring we manage cost and reliability. We anticipate that this will assist in reducing carbon emissions, benefitting our customers, our business and the environment.

**“Ensuring that Ibstock remains the supplier of choice is fundamental to the success of the Group, and our distribution service is a significant contributor to this.”**

**Joanne Humphrey**  
Logistics and Supply Chain Director



## DELIVERING GROWTH IN OUR CORE BUSINESS

**Redevelopment of our Atlas factory in the West Midlands is an important part of our growth strategy. Andrew Craddock, Manufacturing Development Director explains progress to date**

Our pathfinder factory on our journey to

# NET ZERO

The project to redevelop Atlas is on track to commence commissioning from the end of 2023, with production scheduled to be ramped up in 2024.

Atlas is the next crucial part of our journey to net zero and is our pathfinder factory where we are taking a test and learn approach to further reduce the embodied carbon of our products. Once operational, our Atlas product range will include our lowest embodied carbon bricks and will be verified to PAS2060 standard for carbon neutrality.

The new Atlas factory will produce significantly lower carbon emissions per product than the previous factory – estimated at 50%. This will be achieved through investment in a number of energy efficiency and heat optimisation technologies, as well as on-site renewable electricity and a shift to electric mobile plant.

During the year good progress has been made on the project. The pre-existing site has been cleared of redundant equipment, the building extension has been completed, the new foundations have been largely laid, the kiln and dryer build are well progressed, brick making equipment manufacture is well advanced, with some equipment delivered to site and people recruitment has commenced, with the site operational management team now in place. Project delivery has been supported by the close collaboration of our teams across the business, which has been a highlight of the activities to date. In line with our commitment to Health and Safety (H&S), the construction team has established a strong H&S culture on site, with no Lost Time Injuries to date.

Atlas will support our carbon reduction commitments and wider ESG ambitions. We believe that Atlas will set a new benchmark in our industry, create quality skilled jobs and add real value to the local economy.

# DELIVERING DIVERSIFIED GROWTH

Diversification into innovative forms of Façade Cladding and Glass Reinforced Concrete (GRC) began with the acquisition of assets to form Ibstock Telling, the first successful investment completed as part of our wider Futures strategy



Ibstock Telling is based in the West Midlands, where the team expertly design, develop and engineer modern methods of construction for mid- and high-rise buildings in the residential and commercial sectors. The product range includes energy efficient Façade technologies, large format panel systems and bespoke Façade total solutions.

Ibstock Telling's skilled workforce produce a wide range of GRC projects, from basic flat panel formats, to complex 3D and curved forms, prefabricated and pre-finished with ceramic or brick. All products are manufactured and assembled prior to reaching building sites, and hence provide our customers with substantial time and cost benefits.

As the leading European manufacturer of GRC, we are proud of our unique technology, leadership and manufacturing expertise offering. Our innovative approach and design of modern day Façades includes:

- Pigmented colour or natural grey or white Façades
- Textural or smooth-faced Façades
- Pre-mixed GRC cast in moulds made from GRC, rubber or timber

We are able to produce an unmatched consistency in detail and quality available across both GRC and Brick Faced GRC, all of which are tested to EN 13501-1, hold an A1 Non-combustible Euro Class Fire Rating and have a BRE certified Environmental Product Declaration (EPD). This provides an excellent platform for growth in the mid- to high-rise building sector.

Our extensive storage facilities enable panels to be manufactured in advance and stored in readiness for delivery to construction sites, enabling speed and efficiency of build.

## Our Key Performance Indicators

# Financial KPIs

<p><b>Revenue</b> £m</p> <table> <tr><td>2018</td><td>391</td></tr> <tr><td>2019</td><td>409</td></tr> <tr><td>2020</td><td>316</td></tr> <tr><td>2021</td><td>409</td></tr> <tr><td>2022</td><td>513</td></tr> </table> <p><b>Description</b> Revenue represents the value for the sale of our building products, net of local sales tax and trade discounts.</p> <p><b>Why important?</b> Revenue provides a measurement of the financial growth of the Group.</p> <p><b>Link to strategy</b> </p> <p><b>Remuneration linkage</b> No specific linkage to remuneration structures at present.</p>	2018	391	2019	409	2020	316	2021	409	2022	513	<p><b>Adjusted EBITDA<sup>1</sup></b> £m</p> <table> <tr><td>2018</td><td>112</td></tr> <tr><td>2019</td><td>122</td></tr> <tr><td>2020</td><td>52</td></tr> <tr><td>2021</td><td>103</td></tr> <tr><td>2022</td><td>140</td></tr> </table> <p><b>Description</b> Represents profit before interest, taxation, depreciation and amortisation after adjusting for exceptional items<sup>1</sup>.</p> <p><b>Why important?</b> Adjusted EBITDA<sup>1</sup> provides a key measure to assess the Group's profitability.</p> <p><b>Link to strategy</b> </p> <p><b>Remuneration linkage</b> A key financial measure within the Annual and Deferred Bonus Plan (ADBP).</p>	2018	112	2019	122	2020	52	2021	103	2022	140										
2018	391																														
2019	409																														
2020	316																														
2021	409																														
2022	513																														
2018	112																														
2019	122																														
2020	52																														
2021	103																														
2022	140																														
<p><b>Net debt to adjusted EBITDA<sup>1</sup></b> Ratio</p> <table> <tr><td>2018</td><td>0.43</td></tr> <tr><td>2019</td><td>0.74</td></tr> <tr><td>2020</td><td>1.50</td></tr> <tr><td>2021</td><td>0.40</td></tr> <tr><td>2022</td><td>0.40</td></tr> </table> <p><b>Description</b> Net debt, comprising short- and long-term borrowings less cash, over adjusted EBITDA<sup>1</sup> (as defined) prior to the impact of IFRS 16.</p> <p><b>Why important?</b> Net debt to adjusted EBITDA<sup>1</sup> provides a useful measure in assessing the Group's management of its borrowings.</p> <p><b>Link to strategy</b> </p> <p><b>Remuneration linkage</b> No specific linkage to remuneration structures at present.</p>	2018	0.43	2019	0.74	2020	1.50	2021	0.40	2022	0.40	<p><b>Adjusted ROCE<sup>1</sup></b> %</p> <table> <tr><td>2018</td><td>20.6</td></tr> <tr><td>2019</td><td>19.3</td></tr> <tr><td>2020</td><td>3.7</td></tr> <tr><td>2021</td><td>15.8</td></tr> <tr><td>2022</td><td>23.4</td></tr> </table> <p><b>Description</b> The ratio of profit before interest and taxation, after adjusting for exceptional items<sup>1</sup>, to average net assets and debt (excluding pension).</p> <p><b>Why important?</b> Adjusted ROCE<sup>1</sup> provides an indication of the relative efficiency of capital use by the Group over the year.</p> <p><b>Link to strategy</b> </p> <p><b>Remuneration linkage</b> A key measure within the current LTIP construct with a weighting of 20% of total opportunity.</p> <p><b>Adjusted EPS<sup>1</sup></b> Pence per share</p> <table> <tr><td>2018</td><td>18.8</td></tr> <tr><td>2019</td><td>18.3</td></tr> <tr><td>2020</td><td>4.0</td></tr> <tr><td>2021</td><td>13.9</td></tr> <tr><td>2022</td><td>22.7</td></tr> </table> <p><b>Description</b> Basic earnings per share adjusted for exceptional items<sup>1</sup>, amortisation and depreciation on fair valued uplifted assets and non-cash interest, net of tax (at the Group's effective tax rate).</p> <p><b>Why important?</b> Adjusted EPS<sup>1</sup> provides useful information in assessing the performance of the Group and when comparing its performance across comparative periods.</p> <p><b>Link to strategy</b> </p> <p><b>Remuneration linkage</b> A key measure within the current LTIP construct with a weighting of 30% of total opportunity.</p>	2018	20.6	2019	19.3	2020	3.7	2021	15.8	2022	23.4	2018	18.8	2019	18.3	2020	4.0	2021	13.9	2022	22.7
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2019	18.3																														
2020	4.0																														
2021	13.9																														
2022	22.7																														

<sup>1</sup> Alternative Performance Measures are described in Note 3 to the consolidated financial statements.

# Non-Financial KPIs

## Lost time injury frequency rate



### Description

The number of lost time injuries occurring in our workplace per one million hours worked.

### Why important?

The measure gives a picture of how safe a workplace is for its workers.

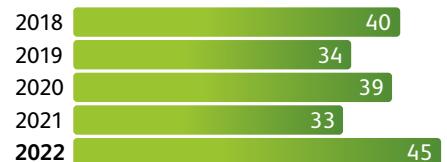
### Link to strategy



## Remuneration linkage

No specific linkage to remuneration structures at present.

## Net promoter score



### Description

As part of our annual satisfaction survey, customers are asked how likely they are to recommend the Group to friends and colleagues. Responses are between zero (unlikely) to 10 (very likely). The Net Promoter Score (NPS) is derived from the proportion of our customers scoring nine or 10 less those scoring six or lower.

### Why important?

It is used as a proxy for gauging our customer's overall satisfaction with our products, service levels and the customer's loyalty to the brand.

### Link to strategy



## Remuneration linkage

No specific linkage to remuneration structures at present.

## Carbon reduction metric



### Description

KPI shows the amount of carbon produced per tonne of finished production in the manufacture of building products.

### Why important?

Provides a key measure of our progress against our carbon reduction targets (see page 46) and demonstrates our commitment to addressing our impacts on the environment through the reduction in our use of energy.

### Link to strategy



## Remuneration linkage

Measure in LTIP with 10% weighting of opportunity.

## Share of revenue from new products



### Description

Proportion of revenue as defined above generated from new and sustainable products introduced to the market within the last five years.

### Why important?

This demonstrates our progress relative to our new product development goals.

### Link to strategy



## Remuneration linkage

Measure in LTIP with 5% weighting of opportunity.

### Key to progress:

**Sustain:** sustainable performance

**Innovate:** market-led innovation

**Grow:** selective growth

# DELIVERING ON OUR ESG COMMITMENTS



## Introduction

Environment, Social and Governance (ESG) agenda matters are central to how we operate and we are committed to leading our sector in this space. As an energy intensive user we know we have a critical role to play in shifting to a low carbon built environment that is designed and manufactured for the long-term success of local communities. This includes providing safe, strong, low carbon products for our customers that, through their integral durability and beauty, will last for generations.

## Stakeholders

To ensure our long-term success, we must take account of what is important to all our stakeholders. Pages 44 to 45 set out the details of our key stakeholder groups. This includes a snapshot of their principal areas of focus, how we engage and how we respond. Consideration of our stakeholder interests forms a significant part of Board decision-making processes. Further information on this can be found in the Section 172(1) Statement and the Corporate Governance Statement on pages 88 and 101 respectively.

## ESG 2030 Strategy launch

In 2022 we launched our ESG 2030 Strategy which embodies our structured approach to achieve our ambitions. Our ESG 2030 Strategy focuses on three key areas and is underpinned by our responsible business governance and practice:

### 1. Addressing Climate Change

The main driver is the mitigation of climate change through carbon reduction. We will decarbonise our products, processes and supply chain by focusing on carbon reduction, water efficiency and biodiversity gains. This will drive us to achieve 40% absolute carbon reduction by 2030 and to be net zero by 2040 (Scope 1 and 2).

### 2. Improving Lives

Building our social value by investing in our people, our culture and our communities. Ensuring our employees belong, thrive and grow and that we make a positive impact in the communities that we operate.

### 3. Manufacturing Materials for Life

Evolving our products, processes and services by incorporating whole life cycle design, preserving raw materials and future proofing our offer to customers through a diversified portfolio.

Each of our ESG 2030 Strategy ambitions and milestones focus on an area that has been identified as the most material to our business, through engagement with our key stakeholder groups.

## Embedding our strategy in 2022

This year, we have worked to integrate the ESG 2030 Strategy into our business. A significant part of this process has been to consider the transformational changes required to achieve our target of net zero by 2040 (Scope 1 and 2). Our work to address future energy consumption to lower process emissions within our business have been supported by increased engagement with industry partners and experts. It is clear that investing now in research and trials will bring the longer-term step changes needed to achieve our absolute carbon target.

Our carbon intensity ratio was 0.145 tonnes of CO<sub>2</sub> per tonne of production during the year. Although this was a year-on-year decline this still represents a 9% improvement relative to our 2019 baseline. Our carbon efficiency progress was behind our projection so we are addressing underlying factors to ensure we are in line with our ESG 2030 Strategy targets. Our new Atlas factory build progressed in 2022. This is our pathfinder factory on our journey to net zero and will deliver significant carbon efficiencies in its brick production.

Our commitment to manufacturing materials for life has seen strong progress this year with our concrete division leading on innovative trials and developments.

The announcement of our partnership with Earth Friendly Concrete is an example of this as we innovate to find new, lower carbon solutions for our customers. Ibstock Futures has also been accelerating our progress on more sustainable and Modern Methods of Construction (MMC). An example is Ibstock Telling, described on page 39. This business, alongside our acquisition of Generix, will support our expansion into the mid- to high-rise market over the years.

By making these longer-term commitments and embedding climate-related risk and opportunity into the business, with strong governance and internal targets, we have improved our Carbon Disclosure Project rating from C- to B in only our second year of reporting.

It is not only in carbon reduction where we are driving major change. Our social focus on improving lives includes significantly increasing female senior leader representation, to an ambitious target of 40% by 2027. Along with a range of other ambitions to improve diversity, this has pushed the business to rethink inclusivity, as part of our building belonging culture.



Joe Hudson and Emily Landsborough receiving industry awards in recognition of our net zero ambitions and progress.

## Taskforce for Climate-related Financial Disclosure (TCFD)

Understanding the transition and physical risks of climate change on our business, including our operations, infrastructure, people and customers, means taking into account the likely increase in extreme weather events and the consequent impacts on our service reliability, energy supply and our supply chain. The opportunities to mitigate these risks will vary depending on the geographic location of our facilities. During 2022, we strengthened our climate related governance processes and risk scenario analysis, alongside the completion of financial impact assessment of our most material risks and opportunities. As we continue to embed climate considerations into our operations, this will refine our understanding of risk interdependencies and guide our risk mitigation plans.

Further information on our Principal Risks and Uncertainties can be found on page 60, and our TCFD Statement can be found on page 76.

## ESG in Remuneration and Objectives

Executive remuneration continues to align to the ESG targets with three of the Group's non-financial KPIs being included in the Long-Term Incentive Plan (LTIP) performance targets. The targets regarding carbon reduction, new product development (NPD) and women in senior leadership positions will continue to be included within the 2023 LTIP framework. In addition to Executive remuneration all senior leaders were given an ESG-linked objective in 2022 supporting the embedding of our ESG 2030 Strategy.

Further information on this can be found in the Directors' Remuneration Report on page 115.

## Focus for 2023

In 2023 we will continue to deliver against our ESG 2030 Strategy. In particular we will be focusing on our carbon commitments with a drive for further efficiencies across our operations. We will continue to research new and alternative technologies to make step changes in carbon reduction, and deliver improvements in our product embodied carbon data transparency.

**Joe Hudson**  
Chief Executive Officer

# Stakeholder Engagement

The Board carefully considers the outcomes for stakeholders as part of their duty to act in the way, they consider, would be most likely to promote the success of the Company (s172 of the Companies Act 2006). This results in an approach whereby decisions are made that result in consistently high standards of business conduct and the success of Ibstock in the long-term. By understanding each key stakeholder's interests, priorities and views, the Board is able to consider these when making decisions where such interests and priorities potentially conflict. Although the Board engages directly

## Employees

### Employees that work in our business

#### Areas of focus:

- Fair pay and benefits
- Culture that cares and is inclusive
- Development for growth and resilience

#### How we engage across the Company:

- 'Fire Up' cultural transformation programme (see more on page 18)
- The Week – weekly video update from an Executive Leadership Team member posted on MyIbstock, published on digital screens and emailed to all employees
- Ibstock Informed presentations and live open Q&A panel sessions
- MyIbstock news and employee blogs Safe Start conversations
- Employees are encouraged to visit other sites and share best practice

#### How we engage at Board level:

- The Listening Post is our formal mechanism for employee engagement and sharing employee views with the Board
- Board members visit our sites and senior management join meetings for specific items for example through ESG Committee visits
- Regular direct progress reports on People and Culture from the Group People Director
- MyIbstock provides employee blogs and thought pieces which members of the Board are able to interact with

#### Outcomes:

Board oversight of employee pay and reward philosophy

Board sponsorship of the Fire Up cultural transformation programme, Fire Up share grant and cost of living adjustment, see page 21 for further information

Senior leadership gender diversity target supported by the Board

## Communities

### The people who live and work in the local communities around our sites and operations

#### Areas of focus:

- Localised environmental impacts
- Employment, education and training
- Equal opportunities
- Financial support for local Community activity

#### How we engage across the Company:

- Factory Managers link with local community
- Estates team liaison with local authorities and interest groups
- Charity Champion network
- Early Careers engagement with training and education sector
- MyIbstock community stories

#### How we engage at Board level:

- The members of the ESG Committee receive a quarterly summary of material issues or points of interest from Ibstock's community stakeholder champions including the Estates Team, Early Careers, Charity Champions and Factory Managers
- Through MyIbstock, significant content is shared by employees on our community work and charitable activities. This system enables the Board to engage with and monitor activity

#### Outcomes:

The Board were supportive of colleague preference to devolve our approach to Giving Back to support more local causes with our matched funding offer

The Board reviewed the proposed approach to measuring the social value of the business

## Customers

### The businesses and organisations that buy our products

#### Areas of focus:

- Product value, pricing and quality
- Volume and availability
- Quality of customer service
- Strong, collaborative relationships
- Visibility into embodied carbon in products

#### How we engage across the Company:

- Account Management Teams
- Customer Service Team
- Design and Specification Advisors
- Customer feedback, including focus groups for specific customer categories, for example architects and builders' merchants
- Quality and complaints team
- Social media

#### How we engage at Board level:

- The Board receives updates on the relationships with existing customers
- Customer and employee feedback is fed into Board discussions, which together with market insights shapes strategic decisions, including plans related to capital investment and innovation
- The Board receives and considers the Net Promoter Score (NPS) results

#### Outcomes:

Due to increased input costs from rising energy prices and inflation, the Board in recognition of consultation with customers, approved the pricing strategy for 2022

Futures acquisitions this year were supported by the Board following market insights

with some stakeholders, the majority of engagement takes place across various levels and teams within the business. The Chairs of the Board and the various Committees are available to engage with shareholders on their areas of responsibility on request.

The output from engagement below Board level is reported to the Board and/or Board Committees to help inform both Board and other business level decisions. During 2022 we developed our approach to monitoring stakeholder engagement, focusing

on qualitative reporting to the Executive Leadership Team (ELT) and Board, with the objective of identifying trends and emerging issues of pertinence to each stakeholder group. This enabled the ELT and the Board to readily consider stakeholder issues in decision-making. The Section 172(1) Statement can be found on page 88. Key activities and an explanation of some of the principal decisions undertaken by the Board in 2022 are detailed on page 101.

## Suppliers

### Our trusted partners provide us with materials, goods and services

#### Areas of focus:

- Continuity of supply
- Risk management
- Open dialogue in rapidly changing circumstances
- Mutually beneficial formalised agreements

#### How we engage across the Company:

- Regular supplier review meetings
- Procurement team meetings
- Supplier Sustainability Code of Business Conduct
- Knowledge sharing from key external boards and partner projects
- Supplier engagement day with 26 key suppliers

#### How we engage at Board level:

- Oversight of major supplier agreements
- Updates on supplier engagements such as supplier engagement days, and matters of interest to suppliers

#### Outcomes:

The Board supported the Group-wide haulage review which has seen successful appointment of two new haulage partners, resulting in an improved on-time delivery rate of over 97%

## Investors

### Individuals or institutions who own shares in Ibstock Plc

#### Areas of focus:

- Financial performance and progress against strategy
- ESG performance and ambitions
- Balance sheet management and approach to capital allocation
- Business resilience and prospects
- Return on investment
- Risk management

#### How we engage across the Company:

- Investor roadshows
- Results presentations
- Annual General Meeting
- One-to-one meetings and calls with investors and brokers
- Chairman and NED meetings on request

#### How we engage at Board level:

- Members of the Board including the CEO and CFO meet with shareholders and analysts as part of the regular annual cycle
- Communications are maintained with the market in accordance with all requirements and we publish results and trading updates through the year. Feedback from these meetings and communications were reported to the Board on a regular basis

#### Outcomes:

The Board considered shareholder views when assessing the share buyback. Investors were supportive, with the repurchase of shares generally considered to represent a good use of shareholders' capital when benchmarked against alternatives uses. More details on the share buyback programme can be found on page 73

## Government and Regulators

### Government bodies and agencies

#### Areas of focus:

- Workplace health and safety
- Energy and climate change
- Legal and regulatory compliance

#### How we engage across the Company:

- Industry bodies, forums and conferences
- Direct liaison with Government and Regulatory bodies where pertinent

#### How we engage at Board level:

- Updates from the Group Company Secretary at each Board Meeting
- Reports from our external advisors
- Direct liaison as required

#### Outcomes:

During the year the Board accessed subject matter expertise and training on legislative, regulatory and best practice changes and considered the impact on strategy and business activity

## Pension Fund Members and Trustees

The trustees and members of the Ibstock pension schemes:

#### Areas of focus:

- Pension scheme member interests

#### How we engage across the Company:

- Direct liaison with Trustees
- Financial oversight

#### How we engage at Board level:

- Regular reports from the finance team

#### Outcomes:

With the Company's support in 2022 the Trustees agreed a buy-in transaction covering all remaining pension liabilities

# Delivering against our ESG 2030 Strategy

Focus	ESG 2030 Strategy Ambitions	Milestones
ADDRESSING CLIMATE CHANGE	<b>Carbon reduction</b> Reduce absolute carbon by 40% (Scope 1 and 2) against a 2019 baseline	2030 – 40% reduction in carbon emissions (Scope 1 and 2)  2022 – Scope 3 carbon reduction strategy developed 2023 – Atlas factory opens 2024 – 100% of mobile plant to be hybrid and/or electric 2024 – On-site renewable energy generation review published
	<b>Biodiversity Net Gain</b> Achieve Biodiversity Net Gain (BNG) across our estate using a Biodiversity Metric (measures an area's value to wildlife)	2026 – Biodiversity Action Plans implemented across all sites
	<b>Water Efficiency</b> Reduce mains water use by 25% per tonne of production against a 2019 baseline	2030 – 25% reduction in mains water use  2023 – Water footprint and reduction strategy implemented
IMPROVING LIVES	<b>Health, Safety and Wellbeing</b> Ensure all of our employees can be at their best more of the time through our health, safety and wellbeing strategies	2023 – 50% reduction in LTIFR 2022 – Launch mental health programme 2023 – Launch wellbeing strategy
	<b>Inspiring Futures</b> Provide development and growth for all with every employee developing their skills annually and 10% in Earn and Learn positions	2030 – 10% in Earn and Learn positions 2023 – Commence ethnicity data pay gap reporting 2022 – Establish social value framework 2026 – 200 Ibstock employees as active Science Technology Engineering Maths (STEM) Ambassadors
	<b>Employee Experience</b> Increase female senior leadership representation to 40% by 2027 as part of our proactive approach to diversity and inclusion	2027 – Increase female senior leadership representation to 40% 2022 – Launch Building Belonging
MANUFACTURING MATERIALS FOR LIFE	<b>Innovation</b> Achieve 20% sales turnover from new products and solutions that deliver enhanced customer value and improved sustainability	2030 – 20% sales turnover from new products and solutions 2022 – Ibstock Futures launch 2024 – Slips factory opens at Nostell
	<b>Circular Economy</b> Embed circular economy principles into the business, prioritising zero waste and driving demand for secondary materials markets	2024 – Research into alternative and secondary materials published  2025 – Zero waste to landfill achieved 2024 – Product data transparency project
	<b>Dematerialisation</b> Reduce raw materials consumption with a focus on plastics, secondary aggregate and cementitious replacements	2022 – Impacts of clay dematerialisation project published 2025 – 40% plastic reduction achieved



## Progress in 2022

13% decrease in absolute carbon relative to 2019 baseline, 9% reduction in tonnes of carbon per tonne of production relative to 2019 baseline

Scope 3 carbon reduction strategy developed

Construction underway of Atlas our pathfinder factory

14% of mobile plant is fully electric

Solar being included at the Atlas factory, Wind power review feasibility ongoing

First site reviews of biodiversity value complete, ongoing responsible estate management

31% reduction in mains water use per tonne of production relative to 2019 baseline

Water working group established to develop water reduction strategy

61% reduction in LTIFR

Mental health programme launched

Wellbeing working group established to develop the strategy

7.5% of our employees in earn and learn positions

Baseline data gathering commenced

Most material social value indicators identified for the business

18 active STEM ambassadors

27% women in senior leadership roles

Building belonging programme for inclusion launched

13% sales turnover from new and sustainable products

Ibstock Futures launched

Development of the Nostell site underway

Research into alternative and secondary materials underway with external partners

2.4% general waste going to landfill

Investment in Environmental Product Declarations (EPDs) for key ranges

'Delivering Dematerialisation' White Paper published

16% reduction in preventable plastic achieved

## SDGs<sup>1</sup>



## Rationale for Ibstock

**Clean Water and Sanitation:** Water scarcity is a growing concern in the UK and a risk to our business

**Affordable and Clean Energy:** Self generation of renewable energy reduces our carbon impacts and reliance on the national grid

**Responsible Consumption and Production:** Production efficiency is at the heart of modern manufacturing and we continuously strive to improve by reducing energy and materials consumption

**Climate Action:** Building climate risk and opportunity into our business model and strategic planning processes supports our decarbonisation journey

**Use of Land:** All sites operate with due care and consideration for biodiversity. Moving to a net positive position will see Ibstock introduce more proactive biodiversity programmes



**Good Health and Wellbeing:** Wellbeing of our employees is paramount in enabling them to perform, develop and thrive at work and at home

**Quality Education:** Education, training and development of our people is essential for our success as is our support for future generations entering our sector

**Gender Equality:** Proactively supporting women into the construction sector helps tackle the skills shortage and brings diversity of thought to the way the sector behaves

**Decent Work and Economic Growth:** Ibstock's Modern Slavery Statement can be found on our corporate website [www.ibstockplc.co.uk](http://www.ibstockplc.co.uk)



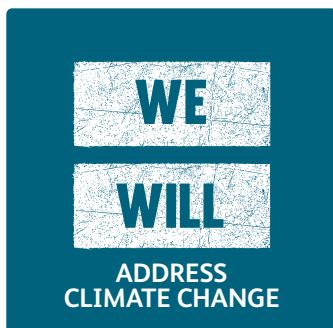
**Industry, Innovation and Infrastructure:** Innovation in building products and solutions will support the transition to a low carbon economy and transform the industry

**Sustainable Cities and Communities:** Creating sustainable products that meet the needs of our customers to build connected, integrated and healthy communities presents a growth opportunity

**Responsible Consumption and Production:** Preserving raw materials for future generations and sourcing responsibly safeguards our business and our suppliers

<sup>1</sup> United Nations Sustainable Development Goals (SDGs).

# DELIVERING ON OUR INITIATIVES TO ADDRESS CLIMATE CHANGE



As an energy intensive manufacturer, carbon reduction is our main response to mitigate climate change. In 2022 we committed to decarbonise our products, processes and supply chain by focusing on carbon reduction, water efficiency and biodiversity gains. This will drive us to achieve 40% absolute carbon reduction for Scope 1 and 2 by 2030 and to be net zero (Scope 1 and 2) by 2040. Our Scope 3 carbon emissions reduction strategy will achieve net zero before 2050.

Key to delivering carbon reduction across the business is the integration of climate change risks and opportunities into our decision-making and behaviours. We have made good progress in 2022; please see page 76 for our full TCFD disclosure, and the embedding of our carbon reduction plans across the business. This has been recognised by the Carbon Disclosure Project (CDP) Climate Change Survey where we improved our score to B in the 2022 disclosure (compared to C- in 2021). This is a great achievement in only our second year of reporting.



## Carbon

In 2022 our absolute carbon reduction was 13% relative to our 2019 baseline. Year-on-year this was a slight increase in our absolute carbon and our carbon intensity metric which was behind our projection due to a number of underlying factors. We are addressing these factors to ensure we are in line with our ESG 2030 Strategy targets. Our carbon reduction per tonne of product was 9% relative to the 2019 baseline.

## Absolute carbon reduction since 2019

# 13%

To continue our reduction in carbon per tonne of production we have employed a combination of awareness and behavioural change, capital investment and major operational improvement programmes. The step change we need to make in absolute carbon reduction will come through our investment in transformational programmes and materials science to reduce process emissions, and exploring alternative fuels and estate renewal to tackle our Scope 1 carbon emissions, specifically in the Clay division. For example we are in the second year of our materials science research with Sheffield Hallam University, exploring alternative body fuels for our products. This is a Knowledge Transfer Partnership funded by UKRI through Innovate UK.

## Scope 3 carbon emissions strategy

We have delivered on our initiative to develop a Scope 3 Carbon Emissions strategy in 2022. This involved mapping our emissions against the 15 Scope 3 categories. Our Scope 3 emissions are around 100k tonnes of carbon based on those categories most material to our business which were identified as:

- Purchased goods and services
- Fuel and energy-related activities
- Upstream transport and distribution
- Waste generated in operations
- Business travel
- Downstream transportation and distribution

Our plan is to deliver net zero for our Scope 3 emissions before 2050, this is in line with our understanding of the current journey our key suppliers are on.

Our strategy to deliver our Scope 3 carbon emissions reduction will focus on four key areas:

- Accurate and transparent data reporting from our suppliers
- Our most material suppliers based on carbon emissions
- Engagement and collaboration with suppliers
- Partnership projects

## Supply Chain Engagement Day

In 2022 we ran our second carbon focused, supply chain engagement day with 26 suppliers attending, including representatives from energy, raw materials, packaging and engineering parts sectors.

The aim of the event was to support discussions on meeting some of the sustainability challenges faced by the construction sector, in particular identifying opportunities for collaboration on carbon reduction initiatives.

**“Events like our Supply Chain Engagement Day are so important. By understanding the challenges being faced, we can co-create solutions that will lead to more rapid and effective change.”**

**Joanne Humphrey,  
Logistics and Supply Chain Director**



### Supply Chain Sustainability School

Ibstock has been a long-term member of the Supply Chain Sustainability School achieving Gold status in 2022 and became a Partner of the school, supporting the cross sector initiative and promoting the school within our own supply chain as part of our partner commitment. Ibstock has over 60 employees as active members of the school, utilising training modules to build organisational knowledge across the spectrum of sustainability subjects.

#### Water

We have continued to focus on improving data collection for our mains water usage. Our mains water usage remains low accounting for less than 20% of our overall water consumption. The majority of our water is from non-mains sources including quarry water, rain water harvesting and some borehole water. Process water recycling is functioning at the majority of our factory



The British Ceramic Confederation (BCC) presenting Michael McGowan, Ibstock Sustainability Manager, with a special recognition award for contribution to industry decarbonisation.

sites. We achieved a 31% reduction in mains water use per tonne of production in 2022 against the 2019 baseline.

#### Biodiversity

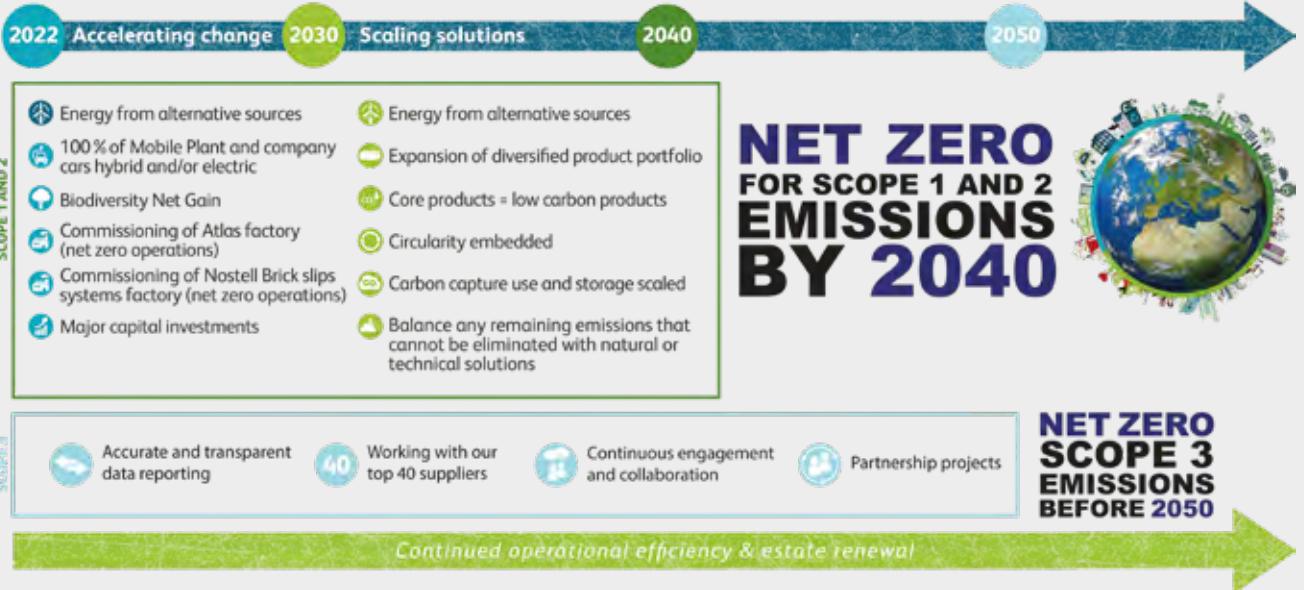
Climate change poses a great threat to habitats and wildlife across the globe and in turn the continued destruction of habitats continues to contribute to global carbon emissions. The UK Government has set out a 25-year environmental plan focused on protection and enhancement of our landscapes and habitats. Ibstock supports this and has committed to being a Biodiversity Net Gain business by 2030.

We take our responsibility to manage our estate of 3,673 acres of land very seriously. Our minerals extraction activity reduces biodiversity when a site is in use and we have always

implemented responsible management through the life of the site and at restoration. Our quarrying operations are covered by planning consents which include conditions for site restoration in accordance with the local mineral planning authority and take into consideration local and wider environmental needs. Our new commitment will encourage us to question and reassess how to maximise the potential of our sites for biodiversity improvements through the life of the site.

This year our sites have reported a fantastic range of initiatives and projects including the identification and protection of breeding Peregrine Falcons at Leicester, Great Crested Newt identification, protection and relocation at West Hoathly and rewilding at Chesterton. These initiatives demonstrate the richness of habitat our sites can provide.

## Our carbon reduction journey on our path to net zero



# DELIVERING ON OUR SOCIAL COMMITMENTS TO IMPROVE LIVES



## Health, safety & wellbeing

We are committed to building a safe, healthy and happy workplace where our employees can be at their best more of the time through our health, safety and wellbeing strategies. The Executive Leadership Team (ELT) and the wider senior leadership group take an active responsibility towards the health and wellbeing of our employees.

## Safety performance

Our ambition is to achieve zero harm for all of our people. In 2022 we continued to make good overall progress against our health and safety targets with a 61% reduction in the Loss Time Injury Frequency Rate (LTIFR) relative to our 2016 baseline. This represents a very positive step putting us ahead of our target for 50% reduction by the end of 2023. Our concrete division celebrated zero Lost Time Injuries (LTIs) in the year more information on page 34.

Safety risk exists at all sites, not least where people are interacting with industrial machinery, product handling and mobile plant so we are never complacent. Our commitment to safety is underpinned at the start of each year with our compulsory Safe Start workshops. These interactive sessions are delivered at every operational site as well as office and Group functions ensuring all employees have a clear focus on our health, safety and wellbeing processes and priorities.

We continue to review our processes and implement changes in line with our health and safety standards, sharing lessons learned across our business divisions. Last year we reported on the roll out of our more comprehensive management system to help us monitor and track health, safety, quality and environmental activities. This has led to improved monitoring over 2022, with all employees expected to track and report any concerns, areas for improvement and positive safety observations. This has provided greater reporting and oversight efficiencies.

## Health and wellbeing

As an organisation the health and wellbeing of our employees is very important to us. Use of the Employee Assistance Programme, which offers support to employees and their families, remained at 4.9% of employees using it during the year. This, together with ongoing discussions through our engagement forums and the Wellbeing Working Group highlight the value of continuing to develop our support structures to assist with our employees' wellbeing.

In 2022 we increased our focus on mental health with the launch of our mental health programme, aimed at raising awareness of its importance with all our employees. This included an increased investment in mental health training, and a series of campaigns aimed at specific topics of relevance.

“Our main priority has been breaking down the stigma associated with mental health, and really encouraging employees to recognise the signs when someone is suffering with mental health.”

**Kate Whyte,**

Learning and Development Manager, and member of the Wellbeing Working Group

There were three main mental health campaigns held during the year, as described on page 20. The awareness campaigns received positive feedback from employees, and have enabled employees across the business to connect and talk about a range of issues such as loneliness, mental health and suicide.

## Inspiring futures

As an organisation we are committed to providing development and growth for all of our employees, and to attracting new talent to the business. This links right through to our early career focus on apprentices and inspiring young people into construction and engineering career through our schools and college engagement.



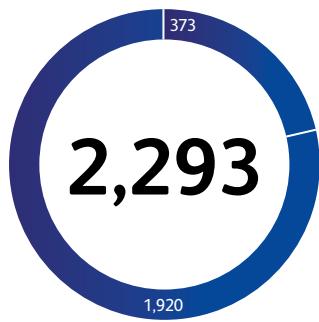
Our ESG 2030 Strategy sets out our Inspiring Futures ambition for 10% of employees to be earn and learn positions by 2030. As members of the '5% Club', an employer-led initiative dedicated to addressing employee skills shortages, we are pushing well beyond good practice with 7.5% of our employees in earn and learn roles by the end of 2022. Of this, 52 were early career positions including apprentice roles and 121 of our employees were supported as mature students.

We are encouraged by the progress we have made in ensuring we develop and retain skills in our business over the long term.



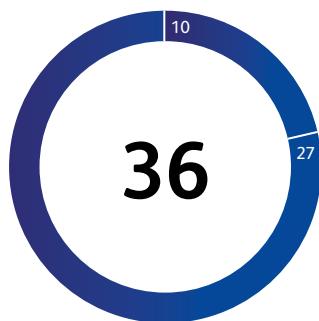
Listening Post Employee Forum, takes place three times a year. With a cross section of employees from across the business, members of the Board and Executive Committee.

## Gender Diversity



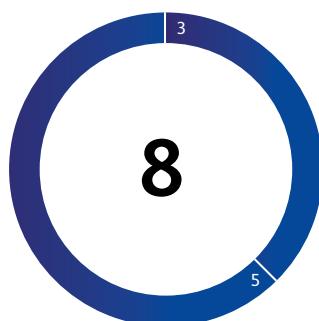
## All employees

Female 373  
Male 1,920



## Senior Management (Executive Leadership Team and Direct Reports)

Female 10  
Male 27



## Plc Board Directors

Female 3  
Male 5

## Employee experience

Employee experience is a key focus for the Improving Lives section of our ESG 2030 Strategy. As an organisation we recognise the vital role our people and culture play in the success of the organisation. Through 2022 we saw progress in key areas including inclusion, talent attraction and development, and giving back and fair reward. More detail is provided in People and Culture on page 18.

## Diversity and inclusion

Ibstock's employee population reflects the traditional nature of our industry with lower levels of diversity across a number of characteristics. This is being challenged through the Diversity and Inclusion Working Group, our commitments to increased diversity and initiatives such as our Diversity Charter.

As at the year end, due to the timings of recruitment, female senior leadership representation stood at 27%. However, following the year end and as at the date of this report, female representation stood at 29%. We are on track to meet our ambition of 40% female representation at senior leadership level by 2027.

*"I am delighted to have joined an organisation where people development and inclusion is deeply embedded in the culture."*

**Sheener Ooi,**  
Finance Director, Futures Division

## Communication and engagement

This last year has seen a further shift in how we connect and communicate with our employees.



We have been leveraging technology to assist with this and the MyIbstock intranet site is now well established within the business, enabling employees to access all Company information quickly and efficiently, and becoming a culture hub of activity with employee blogs, team stories and leader video blogs.

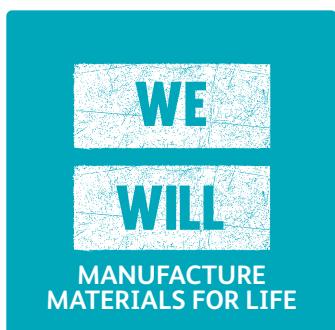
Digital display screens and weekly newsletters at our manufacturing sites provide another channel for information sharing. Interaction at our Ibstock Informed broadcast events continue to reach hundreds of employees, as well as providing an opportunity for live Q&A session with leaders.

There is a continued focus on communication and wider engagement activity, particularly in 2022 with the launch of our Ibstock story, which under the banner of 'Fire Up', connects and empowers all of our employees on our journey, more information on page 18.

Our next employee engagement survey is scheduled for 2023, in which we hope to see our continued efforts pay off and surpass our 2021 Best Companies rating of a 'good company to work for'.

The Listening Post, our forum established to facilitate two-way communication with employees, met three times during the year. This forum meets the requirements of the UK Corporate Governance Code and provides an opportunity for a number of Ibstock employees representing different parts of the business to get together with Joe Hudson, our CEO, Joanne Hodge, Group People Director and at least one independent Non-Executive Director from the Board, in order to discuss issues, ideas and concerns raised by their fellow employees. The meetings covered a range of issues including health, safety and wellbeing, business performance, business priorities, remuneration initiatives and communication and engagement approach.

# DELIVERING ON OUR COMMITMENT TO MANUFACTURE MATERIALS FOR LIFE



The challenge to reduce embodied carbon and associated negative environmental impacts of construction products through their lifetime is significant. Our core products provide durability and performance, with no or minimal maintenance requirements and are typically recyclable at the end of their life, but we know we can still make improvements.

Our ESG 2030 Strategy commits us to evolve our products, processes and services by incorporating whole life-cycle design, preserving raw materials and future proofing our offer to customers through a diversified portfolio.

## Product innovation

New product development has been maintained in 2022 with 13% of revenue coming from new and sustainable products. Our investment in research and development and our new product pipeline indicates we are on track to achieve our 20% target by 2025. See Our KPIs on pages 40 to 41 and Our Strategy sections on pages 30 to 39 for more information.

Evolving our core products to reduce carbon and improve our sustainability credentials continues in both our Clay and Concrete divisions. In September 2022, our Concrete division entered into a new partnership to create ultra-low carbon concrete products with Earth Friendly Concrete, UK (EFC). See our Strategy in action section for more details on page 36.

Ibstock Telling design and supply of innovative forms of Façade cladding and Glass Reinforced Concrete (GRC). Benefits of GRC lightweight systems include the reduced load meaning lower demand on foundation and structural strength requirements (steel and concrete) which lowers embodied carbon of the building. See Strategy in action for more information on page 39.

## Circular Economy

The circular economy presents an enormous opportunity for reducing climate change specifically through the elimination of waste in the built environment sector. Our commitment is to embed circular economy principles into the business, prioritising zero waste to landfill and driving demand for secondary materials markets.

Our focus to date has been on waste reduction but we are now shifting our attention to a broader circular economy perspective.



Delivering on Dematerialisation

Dematerialisation – published white paper in December 2022.

In 2022 Ibstock became members of the UK Green Building Council (UKGBC) whose mission is to radically improve the sustainability of the built environment.

**"UKGBC is working with its members and other stakeholders to develop practical guidance, raise awareness and influence policy to enable organisations working in the built environment to overcome the barriers to implementing circular economy principles."**

**Mihailo Simeunovitch,**  
Head of Design and Technical Services

Our target to achieve zero waste to landfill is on track. Only 2.4% of our general waste goes to landfill (total general waste in 2022 was 143 tonnes). This is an improvement of 90% against the 2015 baseline. This significant improvement is in part due to collaboration and engagement with our waste management companies through the provision of more meaningful and detailed reporting data.

We have a strong focus on reducing process waste. The waste that we do produce during manufacture does not go to landfill and we are prioritising the highest value re-use of these process materials. In our Concrete division we recycled 5k tonnes of material back into our process in 2022.

Our Concrete division has been trialling the use of basalt in several of our pre-cast concrete products to provide an alternative to steel reinforcement. One of the benefits of basalt, on top of it being inert and strong, comes at the end of life as the basalt can be broken down into a secondary aggregate without energy intensive separation required to extract steel at the demolition phase.

# 90%

Improvement in waste that went to landfill from our 2015 baseline



BeeHabitat Brick.

#### Dematerialisation

We are reducing the pressure on virgin resources, including our own reserves, by focusing on plastic reduction and secondary materials such as aggregates and cementitious replacement. As part of this commitment we published our first white paper in 2022 'Delivering on Dematerialisation' demonstrating our progress to our stakeholders but also sharing what we have learnt and the challenges we face in order to promote positive action in our sector.

Preventable plastic packaging is that by removal has no detriment to product quality, pack integrity or health and safety relating to the handling of the product. In the year under review, we achieved 16% reduction in preventable plastic packaging per tonne of production relative to a 2019 baseline as part of our drive to achieve our target of 40% reduction by 2025 against the 2019 baseline. Having reduced the thickness of our plastic packaging across our estate, our focus in 2022 was to increase the recycled content of the materials we use. Supply chain pressures continued during 2022 meaning we have not always been able to access materials with over 30% recycled content. We continue working with our suppliers to overcome these challenges.

Reducing plastics remains a high priority with our customers and we are working to eliminate plastic packaging where possible. For example, our Cast Stone factories have moved away from plastic wrapping their products unless specifically requested by a customer.

#### Raw materials reduction

One of our transformational projects in the Clay division, delivered through 2022 and ongoing, is our voids project. Changing the void pattern in our bricks enables us to reduce the quantity of clay consumed without compromising the physical performance, quality and aesthetic characteristics of the bricks. The outcomes of the project include:

- Reduced embodied carbon of each brick by up to 8% (the exact reduction varies by factory)
- Extending the life of the quarry from which our clay is sourced
- Less water is used and there is less overall mass to dry reducing energy demand in the drying stage
- Less mass to fire means less natural gas is required to heat the kiln and redesigned voids create more airflow through each brick
- Less mass enables bricks to be run through the kiln more quickly and efficiently, delivering reduced run time and cost of changing worn parts
- Lighter products reduce transport related environmental costs

# DELIVERING ESG OUTCOMES THROUGH OUR GOVERNANCE

The Governance section that begins on page 92 sets out how the Board and its Committees operate and apply the principles of the Corporate Governance Code, other regulation and best practice. This section provides an overview of the management of ESG issues specifically. Ibstock's TCFD, SECR and SASB disclosures can be found on pages 76 to 87.

## How we manage ESG at Ibstock

ESG is a key component of Ibstock's strategy and therefore oversight of ESG is critical. The governance framework not only allows the Board to understand more holistically the impact of its decisions on key stakeholders and the environment, but also ensures it is kept aware of any significant changes in the market that can be factored into the business strategy. This includes the identification of emerging trends and risks, which in turn can be factored into its strategy discussions. ESG is overseen principally by the Board, the ESG Committee and the Executive Leadership Team (ELT). Claire Hawkings, one of our Non-Executive Directors, is the designated Director with overall accountability for ESG matters. Claire oversees the review and performance of our ESG agenda work as Chair of the ESG Committee. A full report of the activities of the ESG Committee's activities can be found on page 108.

To support management and operational integration and embedding of the ESG 2030 Strategy throughout the business, a number of specific working groups have been established that are dedicated to specific areas of the strategy, with a responsibility for the delivery of specific targets.

Further information on Ibstock's sustainability activities can be found in the separate sustainability report which is available on our website, [www.ibstockplc.co.uk](http://www.ibstockplc.co.uk).

## Governance Structure

### Ibstock Plc Board

ESG matters are considered as a regular agenda item in strategy and performance discussions

### ESG Committee

Oversees the ESG Strategy, implementation and progress

### ELT

Reviews performance and manages the implementation and achievement of ESG strategy

### ESG Team

Dedicated professionals in our ESG team drive sustainability strategy and programmes, supporting integration of sustainability across the Group and divisions

### Operations

Site-level targets on resource safety, efficiency, engagement and community

### Innovation and transformation

Sustainability criteria integrated into all decision-making

### Managers and individuals

Encouraged and supported to make sustainable changes, share ideas and best practice

### Compliance with law and regulation

As the laws governing business dealings become ever more complex we need to ensure the judgements and decisions we make are taken with both the knowledge and application of the highest ethical principles.

Ibstock operates appropriate policies and procedures to ensure that risks from unethical conduct and illegal business practice are reduced and eliminated as far as possible. These underpin our Code of Business Conduct, which together with our Supplier Sustainability Code of Business Conduct, sets out the behaviours expected of our staff and the third parties we do business with.

Oversight of the operation of the Group's key policies in this area has been delegated to the Audit Committee who, in turn, make recommendations to the Board. There have been no reported breaches of the Group's Code of Business Conduct in 2022.

The Code of Business Conduct is underpinned by a number of additional standalone policies including those covering bribery and corruption, competition law and data protection. Taken together these policies ensure that we operate in an open, fair and honest manner in all of our business dealings.

### Modern Slavery

We support the Modern Slavery Act 2015.

Our Modern Slavery Policy confirms our zero tolerance approach to any potential or actual breaches of the policy and sets out the steps taken by Ibstock to prevent modern slavery and human trafficking in its business and supply chains. The Company's full Modern Slavery Statement can be accessed on the corporate website, [www.ibstockplc.co.uk](http://www.ibstockplc.co.uk).

### Whistleblowing

To help us encourage the highest standards of ethical behaviours, corporate governance and accountability in our business activities, the Group operates an anonymous whistleblowing hotline, which is available 24 hours a day, seven days a week. A summary of whistleblowing activity, together with details of related investigations, is provided to the Board on a twice-yearly basis. There were three incidents reported through the external whistleblowing line during the year (2021: 7). Each case was investigated and action taken appropriately.

### Anti-Bribery and Corruption Policy

We prohibit any inducement which results in a personal gain and is intended to influence action which may not be solely in the interests of the Code.



Employees at our Leicester Head Office.

### Sustainable Procurement Policy

We have policy and framework guidelines for all procurement activity in order to maintain the highest standards of integrity.

### Sustainability Policy

As part of our vision for sustainable growth, we continuously work to minimise our impact on the environment.

### Diversity and Inclusion Policy

We are committed to ensuring our culture is inclusive. Any type of discrimination including harassment, victimisation, favouritism and bullying is not accepted.

### Trade Association Policy

Our Trade Association Policy helps to support employees in their dealings with fellow employees, customers, suppliers, regulators and colleagues in competing businesses.

### Health and Safety Policy Statement

We are committed to ensuring the health and safety of all our employees.

For more information relating to all of the aforementioned policies please see our corporate website, [www.ibstockplc.co.uk](http://www.ibstockplc.co.uk).

### Compliance training

Ibstock's web-based compliance training is completed by appropriate employees and covers a wide range of the Group's policies and codes of practice, including anti-bribery, conflicts of interest, business ethics and diversity.

### Human rights

Ibstock is supported by the principles set out in the UK Declaration of Human Rights and the requirements of the Human Rights Act and seeks to act accordingly in all aspects of its operations.

### Tax strategy

Our tax strategy is published on the Group's website, [www.ibstockplc.co.uk](http://www.ibstockplc.co.uk). This formalises the Group's approach to conducting its tax affairs and managing our tax risks. Our vision for tax is to be a responsible corporate citizen, contributing the right amount of tax to society on time and in the right tax jurisdiction. Ibstock resides only in the UK and not in countries considered as partially compliant or non-compliant according to the OECD tax transparency report or blacklisted or grey listed by the EU in February 2023.

# Ibstock Clay Operations Review

**Ibstock Clay is the leading clay brick manufacturer in the UK, with an extensive product range, and 16 manufacturing sites across the country, strategically located near to extensive self-owned clay reserves**

The division also manufactures special brick shapes and bespoke products, including arches, chimneys and cladding solutions out of six sites in the UK, through its Ibstock Kevington business. The division is a significant supplier to the new build housing sector, the Repair, Maintenance and Improvement (RMI) market through builders' merchants and the specification sector through a number of our direct distribution channels

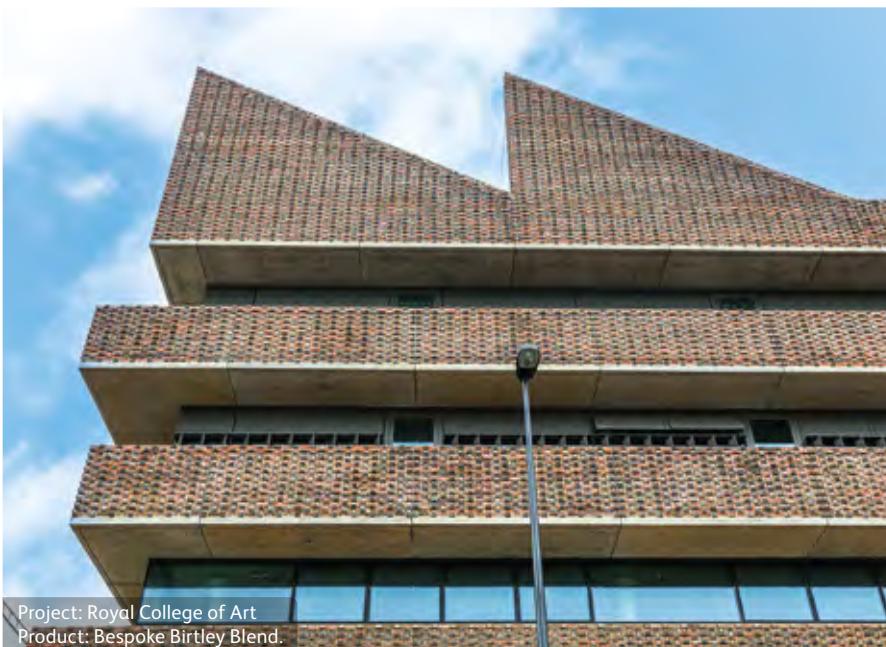
Reported sales in 2022 of £369 million were 32% higher than 2021 (£280 million), driven by price growth, reflecting our dynamic commercial strategy. Sales volumes were in line with the prior year, although activity slowed in the final quarter in response to a more cautious demand environment.

The impact of the Ukrainian war meant energy costs were subject to significant volatility in 2022, although the combination of our energy forward purchasing strategy and dynamic pricing approach enabled us to manage this situation well. We applied a commercial approach that moved selling prices dynamically in response to in-year inflationary impacts. We will maintain a disciplined approach to capacity management, costs and commercial execution as we navigate through the 2023 year.

As a business, we continue to benefit from significant levels of self-owned clay reserves located strategically across the UK providing our manufacturing sites with longevity of supply. We own 18 active quarries with around c.71 million tonnes of proven freehold clay reserves alongside a committed interest in c.4 million tonnes of proven leasehold clay reserves, which, when combined, would serve the current business for over 40 years. In addition, we have access to 145 million tonnes (estimated) of clay resources, subject to the receipt of acceptable planning permissions being granted at a point in the future when further resources are required and we continue to assess strategic opportunities as they arise to further enhance our clay reserve portfolio.

As part of our logistics strategy, we successfully migrated five sites to a new haulage provider from 1st July with a new, dedicated core vehicle fleet being put in place across the second half of the 2022 year. This change ensures that our business can access industry-leading technology, pursue greener fuel alternatives and optimise the efficiency of our haulage routes.

In response to the cost of living impact on our colleagues, in addition to the annual wage award, we paid in the 2022 year a one-off "cost of living allowance" of £2.5 million targeted at employees most affected by the cost of living crisis. We also took action to respond to elevated wage inflation within skilled engineering roles, to ensure that we remain competitive and can retain key skills within the division that drive forward our plans around asset transformation and reliability.



Project: Royal College of Art  
Product: Bespoke Birtley Blend.

Our clay brands



► See our website for more details



Project: 197 High Street, Kensington  
Product: Otterburn Antique.

The strategic growth investments at our Atlas and Aldridge factories are progressing well and are on track to start commissioning as expected from the end of 2023. These facilities will provide the Clay division with efficient, low-cost capacity, support the diversification of our unrivalled product range, and produce the UK's first carbon neutral brick.

At the same time, we are progressing with the refurbishment and enhancement of our brick kiln at Parkhouse. We also continue to invest at appropriate levels towards achieving our ESG commitment. Progress has been made this year in research and development for alternative energy sources that support decarbonisation, as well as our continued focus in dematerialisation within our core brick making process.

Overall, the total UK market consumed c.2.5 billion bricks in the year (2021: 2.4 billion bricks), with the split of domestic and imported bricks of c.77% and c.23% respectively.

Inventory levels remain low, representing 12% of total market in line with 2021.

Operational cash generation and deployment remained in sharp focus in 2022, with c.£51 million total capital expenditure invested, including c.£34 million on our major redevelopment projects. Cost inflation drove a c.£13 million inventory investment across raw materials, stores and spares and finished goods. Overall trade working capital continued to be a key strength, with a material improvement in cash collection delivered in 2022.

Finally, as part of our surplus asset divestment pipeline and recycling of our land assets, we completed the disposal of land in Sussex (a former brick factory closed in 2020) achieving proceeds of c.£8 million.

## Divisional Results

Revenue

**£369m**

2021: £280m

Adjusted EBITDA

**£127m**

2021: £91m

Statutory profit before tax

**£105m**

2021: £67m

Divisional revenue totalled £369 million in 2022, 32% up year-on-year. Adjusted EBITDA\* was £127 million in 2022, 40% up year-on-year (2021: £91 million). This strong underlying performance reflected the dynamic commercial actions taken during the year, which ensured full cost inflation recovery. The clay division included £5 million of cost (2021: £nil) relating to the Ibstock Futures business, reflecting a small loss of around £1 million from the acquired businesses and £4 million of operational investment in research and development, building in-house innovation and commercial capability. Overall adjusted EBITDA\* margin moved forward during the year to 34.3%, (2021: 32.3%), also supported by network efficiencies and fixed cost control in the core business. Divisional statutory profit before tax was £105 million (2021: £67m).



## How we are integrating ESG

Our factories in the clay division have carbon reduction targets integrated into their operational reporting process. Our day to day focus is on operational efficiency through process improvement and capital investment.

The roll out of our clay voids project is reducing the amount of raw material in our products, with results indicating that some factories could reduce embodied carbon by up to 8%. This is one of the many initiatives that we are rolling out across the division to reduce the carbon intensity of our products.

The clay team worked with a number of external partners, through the year, including the British Ceramics Confederation on 'Demonstrating Hydrogen in the Ceramics Sector'.

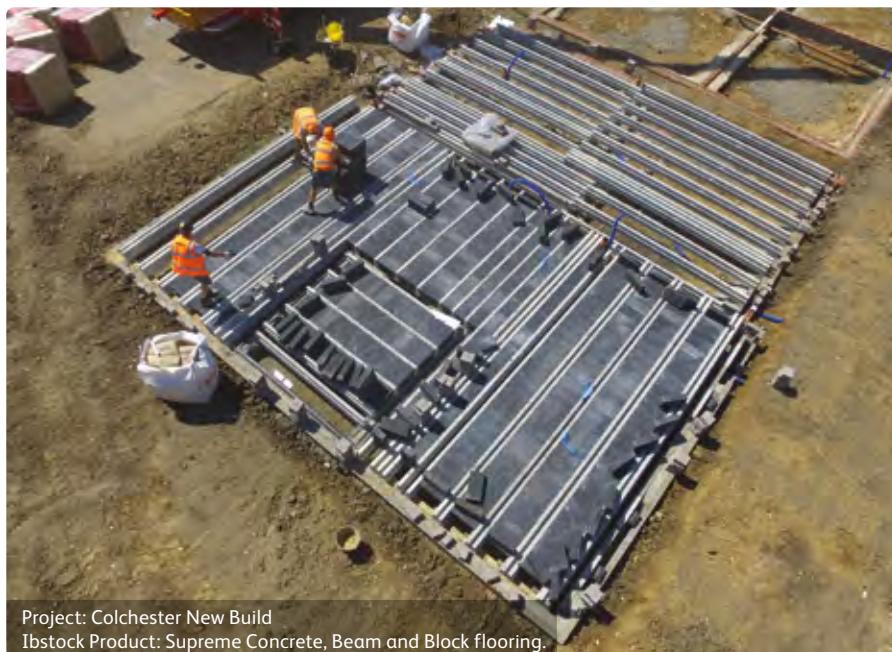
We also went into the second year of our work with Sheffield Hallam University exploring alternative body fuels for our products, this is a Knowledge Transfer Partnership funded by UKRI through Innovate UK.

**BRITISH  
ceramic  
CONFEDERATION**

# Ibstock Concrete Operations Review

**Ibstock Concrete is one of the largest specialist manufacturers of concrete construction products in the UK, occupying strong positions in the new build housing, repair maintenance and improvement (RMI) and infrastructure markets**

Ibstock Concrete consists of four well-established and strong brands, Forticrete, Supreme, Anderton and Longley, organised into three product groups, Pre-cast Building and Landscaping, Pre-stressed Flooring, and Rail and Structural products. Ibstock Concrete operates across 14 manufacturing sites geographically spread across the UK



While the nature of these markets differs from those of our larger Clay business, the products remain principally within our core business and strategic focus area of the residential building envelope. The business benefits from the same fundamental growth drivers and produces similar returns on capital as the Clay division through the cycle. During 2022, the Concrete division continued to benefit from strong structural demand within its markets.

The division saw stable market conditions in the majority of categories during 2022 as the recovery post the COVID-19 pandemic continued. Volumes as expected decreased in the final quarter versus the comparative period. Overall, the Concrete division delivered strong sales growth of 12% versus 2021.

This performance was achieved against a backdrop of supply chain challenges, unstable labour availability, and inflationary cost pressures, which the business managed dynamically. The business faced isolated operational challenges in the early part of the year at our roof tile factory at Leighton Buzzard, which were overcome through focused action and improvement activities.

During 2022 the Board approved a small growth investment of £2.8m to expand our Walling business and we also continued to invest selectively in enhancing our capital base. This included adding capacity and capability to our Pre-cast and Fencing product categories.

Whilst the industry continues to face more cautious market conditions, we are well positioned to maintain our momentum in the year ahead. We expect demand in the early part of 2023 to remain subdued, but currently anticipate this to improve as the year progresses.

Our strategy is underpinned by our strong market positions, established brands and focused investment plans to drive operational improvement. We remain confident that this will continue to deliver profitable long-term growth and that we will be able to continue to manage inflation through effective dynamic pricing management.

Our concrete brands

► See our website for more details





## How we are integrating ESG

Our factories in the Concrete division implemented a number of environmental initiatives during 2022 these include:

- Our Anderton factory in Northwich has used rainwater harvesting to capture over 200k litres of water which goes into the manufacturing process avoiding mains water use, further mains water reduction is being explored across our division
- All product and process waste material at our Anstone, Thornley and Sittingbourne sites is reprocessed as secondary aggregate for resale or use in our own product range
- Across the concrete factories, concrete additives are being delivered in bulk tankers rather than Intermediate Bulk Containers (IBCs) reducing transport and waste
- At our Forticrete walling stone sites, in Anstone and Shearstone, plastic shrink wrap has been removed from all products as part of Ibstock's commitment to reducing plastic shrink wrap across the business

This year our concrete factory managers demonstrated how they support their local communities with a number of local schools visits and careers talks as part of our inspiring futures agenda.



Project: Crossrail, Maidenhead  
Ibstock Product: Anderton Rail Trough.

## Divisional Results

### Revenue

**£144m**

2021: £128m

### Adjusted EBITDA\*

**£24m**

2021: £22m

### Statutory profit before tax

**£12m**

2021: £11m

Ibstock Concrete revenue was £144 million in 2022, representing a 12% increase on 2021 (£128 million). Activity levels remained resilient across most product categories, with supplies of Walling, Cast stone and Rail products showing strong growth year-on-year, coupled with dynamic pricing responding to the inflationary cost pressures faced by the sector.

In our smaller infrastructure business, the spend cycle in the rail industry resulted in strong levels of demand for our products and we secured significant contracts in 2022, resulting in a healthy order book as we enter 2023. Investment in new products, focused on both sustainable solutions and operational efficiency, are expected to underpin further growth in the years ahead.

Adjusted EBITDA\* of £24 million in 2022 was 9% higher than 2021 (2021: £22 million) reflecting resilient activity levels and dynamic price management.

Adjusted EBITDA\* margins of 16.4% were marginally below the level achieved in 2021 (2021: 16.9%), reflecting operational inefficiencies within our roof tile business in the early part of the year. As expected, we saw divisional margins improve during the second half of the year towards our medium-term ambition of 18%.

Divisional statutory profit before tax was £12 million (2021: £11 million) reflecting the more favourable trading conditions in 2022.

# An established risk management framework

## Risk and risk profile

The Group's activities expose it to a variety of risks that could impact the business. The Board has established a risk management and internal control framework that supports the effective identification, assessment and mitigation of risk and has completed a robust assessment of the Company's emerging and principal risks as required by the Code for the year ended 31 December 2022. It has also carried out a review of the effectiveness of these controls. The assessment includes those risks that would threaten Ibstock's business model, its future performance, solvency or liquidity.

To support the discharge of these responsibilities, the Audit Committee reviews the Company's internal control and risk management systems including internal financial controls and reports the outcome of this review to the Board. Further information on the role of the Audit Committee and details of the Group's system of internal controls can be found in the Corporate Governance Statement on pages 97 to 104.

## Risk management framework and risk appetite

The Board has overall responsibility for ensuring that the Group has an appropriate risk management framework encompassing the nature and level of risk it is willing to accept to achieve its strategic objectives.

The Board has oversight of the Group's operations ensuring that internal controls are in place and operating effectively. Management are responsible for effective design, implementation and operation of controls and risk mitigation plans.

Risks are identified by individuals across our businesses and functions by identifying what could stop us achieving our objectives or impact the sustainability of our business model. Risk owners assess the risk's likelihood and impact, taking into account current mitigating control activities and identifying where additional actions may be needed to bring the risk within our risk appetite. Risk owners bring the results of their assessment, current status and action plans to business and functional reviews, for support, challenge and oversight.

During the year, the Board reviewed and challenged the Group's assessment of risks as presented by management. This was the final stage in a process that included the review of the divisional and functional registers by senior management prior to the Executive Leadership Team's (ELT) approval of the Group's principal risks and uncertainties for presentation to the Audit Committee and the Board.

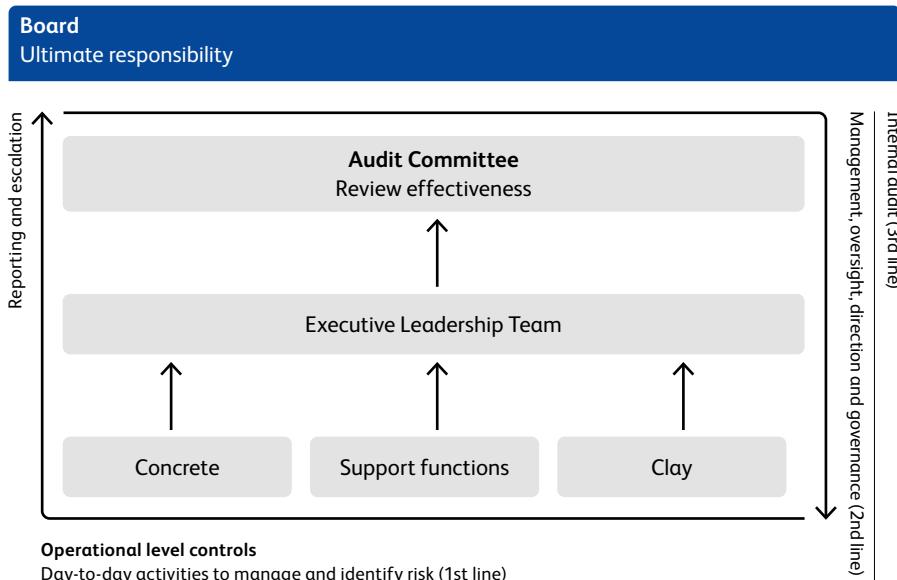
Ibstock has set an overall low tolerance to risk, which informs its approach and the Board's risk appetite. When considering the principal risks and uncertainties, in the context of the Board's low appetite for risk, the Board seeks to ensure that each risk is mitigated in terms of likelihood and potential impact as far as possible, within the confines of reasonability and proportionality.

Management operate a 'three lines of defence' structure to its internal controls (see diagram below). The first line of defence is operated by management and covers the day-to-day risk management activities of implementing and executing internal controls. The second line (health and safety, quality control and other central functions) works alongside the risk owners to support the design and implementation of the controls framework, whilst the independent third line is operated by our outsourced Internal Audit provider, RSM UK Risk Assurance Services LLP (RSM).

The Board is committed to a continual process of improvement and embedding of the risk management framework within the Group. This ensures that the business identifies both existing and emerging risks and continues to develop appropriate risk mitigation strategies and action plans.

## Climate change risk

We have an ambition to be the most sustainable manufacturer of clay and concrete products in the UK, and to lead our sector in the disclosure and transparency around ESG issues. We have invested significant capital over the last decade across the Group contributing to a reduction in the carbon intensity of our manufacturing processes. At the beginning of last year we launched our ESG 2030 Strategy which





## Find out more

### Our Markets

► See pages 24-27

### Our Purpose and Business Model

► See pages 28-29

### Our Strategy

► See pages 30-39

### Our Key Performance Indicators

► See pages 40-41

### Responsible Business

► See pages 42-55

established a stretching set of goals to achieve our ambition of net zero by 2040 (Scope 1 and 2), which is discussed in further detail on pages 42 to 55.

At the same time, in order to assess the resilience of our business model, we have modelled the impact of both transition and physical risks of climate change on the financial performance and position of the Company. Details of impacts are disclosed in the TCFD Statement on page 76.

We consider climate change to be a principal risk given the Group's material commitments with regard to its ESG 2030 Strategy and target to be a net zero operation by 2040. This carries significant reputational risk and is a material focus for the Group. Details on risks and opportunities related to climate change are detailed in the TCFD report on page 76, but to date these are not considered principal risks in their own right.

#### Principal risks and uncertainties

A principal risk and uncertainty is one that is currently impacting the Group or could impact the Group over the next 12 months. Our principal risks are not an exhaustive list of all risks facing the Group but are a snapshot of the Group's main risk profile as at 31 December 2022. All risks carry equal importance and weighting for the Board, however, additional focus and priority may be given to specific risks for a period of time in certain circumstances.

The Group's principal risks are broadly categorised as strategic, operational or financial in nature. Strategic risks arise from decisions taken by the Board and management concerning the Group's strategy and concern the positioning of the Group within the building products market. Operational risks result from the failure of internal processes and controls or external events. Financial risks arise from movements within the financial markets in which the Group operates or the inefficient allocation of the Group's capital resources.

Our principal risks are identified and managed in the same way as other risks. Principal risks are owned by at least one member of the ELT and subject to a review at an ELT meeting at least once each year, before a review by the Board or relevant Board Committee.

We have reviewed our principal risks over the course of the year and have updated them to reflect changes to the external environment and our strategy.

The full list of what the Board considers to be those current principal risks and uncertainties facing the Group can be found from page 63. Our disclosure for each principal risk includes the mitigating actions for each and, where applicable, updates on any change in the profile of each risk during the past year.

The principal risks and uncertainties should be read in conjunction with the Operations Reviews (page 56) and the Financial Review, (page 70). Additional risks and uncertainties of which Ibstock is not currently aware or are believed not to be significant may also adversely affect strategy, business performance or financial condition in the future.

#### Emerging Risks

We continue to review additional emerging risks that could significantly impact or challenge our current strategy and business model and these will be considered by the Board in 2023. Examples of emerging risks that were considered during the year included:

#### Geo political environment

Whilst Ibstock is a UK business, the continuing conflict in Eastern Europe creates broad macroeconomic uncertainty, the effects of which have been experienced throughout the UK and have an impact the Group's operations. We are mindful of changes in the geo political environment, and seek to mitigate potential impact where possible.

#### Product substitution

The construction industry is dynamic and evolving in its use of materials, construction methods and products. Failure to keep pace with market demand and trends has been an ever-present risk to the Group, and we pride ourselves in ensuring our product offering is the best available. We are seeing the emergence of new and cheaper building products, albeit we believe with inferior properties, taking a place in the market; an example being concrete blocks. This creates a risk of alternative substitute products displacing demand of Ibstock product and services. We are mitigating this risk through the delivery of our strategy (see pages 30 to 39), which is designed to ensure that our products remain superior in quality, aesthetic and longevity, whilst investing in diversified markets and product innovation.

#### The digital agenda

A failure to embrace innovative technologies to deliver efficiencies and enhanced ways of working to the Group and its customers. We are mitigating this risk through increased investment, see page 15.

#### Key Achievements in 2022

During the year, as part of our commitment to improving Ibstock's risk management approach, management and processes, we further incorporated risk management into the routine performance management cycle. A brief summary of some of the key achievements during the year, along with priorities for the coming year have been set out below.

Progress in FY 2022	Priorities for FY 2023
Key risks reviewed monthly by divisional management at performance reviews	Development of Ibstock Futures risk register and approach
Programme of deep dive presentations into specific risks agreed including cyber risk which was considered by the Board in November 2022	Deep dives into additional, specific risk areas
Strengthening of risk management processes under ownership of CFO	

# Mapping risk to our strategy

1. Climate change	O	S										
2. Material Operational Disruption	O											
3. Market Uncertainty	O											
4. Anticipating Product Demand	S											
5. Financial Risk Management	F											
6. Regulatory and Compliance	O	S										
7. Maintaining Customer Relationships and Market Reputation	O											
8. People and Talent Management	O											
9. Product Quality	O											
10. Cyber and Information Security	O											
11. Major Project Delivery	O											

Key	<b>S</b> Strategic	<b>O</b> Operational	<b>F</b> Financial
	◆ Sustain: Sustainable performance	◆ Innovate: Market-led innovation	◆ Growth: Selective growth

## 1. Climate Change

Owner: Group Company Secretary & ESG Director

Risk trend: 

Strategy:  

Link to Business Model:  
Sales, Manufacturing, Procurement

Stakeholder Groups impacted: Communities, Investors, Employees, Customers, Suppliers, Pension Fund Members

### Detail

- Delivery of ESG commitments and targets
- An inability to manage energy demand needs against these ESG targets
- Changes in consumer demand may reduce our competitive advantage
- Failure to respond to climate change risks may result in reductions in investor interest and support
- Changes to laws and regulations that could require significant capital investments or result in increased costs and/or material liabilities
- Increasing focus on reporting, data assurance and monitoring of ESG measures, targets and performance from all stakeholders

### Mitigation

- Compliance with International and British standards including environmental, energy, responsible sourcing and quality. ESG disclosures (see page 76 onwards) provide visibility and assurance to all stakeholders
- Continued investment to improve the sustainability of our operations and monitoring of internal sustainability KPIs to track progress
- Introduction of a carbon reduction KPI in FY 2020 and its inclusion in our LTIP. A revised ESG measure, incorporating three targets linked to the new ESG strategy was included as a performance measure for LTIP awards from 2022 onwards
- Investment in the latest systems, plant, machinery and technology to address the need for enabling conditions to address climate change concerns
- Investment in longer-term strategic supplier partnerships in order to deliver longer-term sustainable products to our customers
- Proactive management of the sustainability descriptions associated with the Group's products
- Provision of clear and strategic oversight of the Group's ESG strategy by the ESG Committee

Risk trend key:

 Increase

 Decrease

 No change

Strategy key:

 Sustain

 Innovate

 Grow

## 2. Material Operational Disruption

Owner: **Chief Operating Officer**

Risk trend: 

Strategy:  

Link to Business Model:  
**Extraction, Manufacturing, Distribution**

Stakeholder Groups impacted: **Communities, Investors, Employees, Customers**

### Detail

- Material disruption, caused by extreme weather which could increase in severity or frequency given the impact of climate change, power outages or a global pandemic, at one of the Group's manufacturing facilities or quarries, or at one of the Group's suppliers' facilities could prevent Ibstock meeting customer demand
- Dependence on efficient and uninterrupted operation of Group information and communication technology for continued operation
- Failure to deliver capital enhancements on a timely basis could extend planned closures and adversely impact the Group's production capabilities
- Exposure to the impact of unexpected or prolonged periods of bad weather, which could adversely affect construction activity and, as a result, demand for the Group's products
- Targeting Group's businesses by activists, including those with environmental interests, due to nature of operations resulting in impacted ability to manufacture or despatch product or receive supplies

### Mitigation

- Transfer of some production across manufacturing network
- Engagement of subcontractors to reduce the impact of certain production disruptions
- Alternative third party suppliers have been identified who can maintain service in the event of a disruption
- We plan and practise IT disaster recovery, business continuity and crisis management exercises
- We invest in capacity, equipment and facilities
- We undertake supplier diligence
- We take out relevant and appropriate insurance
- Physical security measures together with real-time monitoring of social media to identify threats of environmental activism

### Trend change

Increased incidence of more extreme weather events and temperatures have been experienced during the year, we anticipate that these types of weather patterns will continue in future years. As part of our operational resilience planning we are developing climate resilience plans for each facility which encompass extreme weather events.

Risk trend key:

 Increase

 Decrease

 No change

Strategy key:

 Sustain

 Innovate

 Grow

### 3. Market Uncertainty

Owner: Chief Executive Officer

Risk trend: 

Strategy: 

Link to Business Model: Sales

Stakeholder Groups impacted: Investors, Employees, Customers, Pension Fund Members

#### Detail

- Material impact on the Group's business as a result of changes in the wider macroeconomic environment in the UK
- Correlation of demand with residential construction and renovation activities and non-residential construction, together with the supply chain's attitude to stock levels, which are cyclical
- Negative impacts on economic conditions and business climate through global geo political events

#### Mitigation

- Analysis of trends, market demand and future market forecasts in corporate trends, demand and other dependencies in our financial forecasts
- Ability to adjust capacity and cost base where possible during economic downturns to allow more of the Group's manufacturing plants to remain open and viable, maintaining skills, development and training
- Active engagement with industry bodies to ensure the promotion of housebuilding and construction, whilst seeking to promote the differentiating qualities of our business in the core markets in which we compete
- Diversification of end use exposure providing greater resilience in light of changing market demand in any of its end-use markets

#### Trend change

Changes in the macro environment have contributed to more uncertain economic outlook. We mitigate changes in the macro environment through our market forecasting, strategic planning and financial management strategies.

### 4. Anticipating Product Demand

Owner: Chief Executive Officer

Risk trend: 

Strategy: 

Link to Business Model: Product Design, Sales

Stakeholder Groups impacted: Communities, Investors, Employees, Customers, Suppliers

#### Detail

- Failure to identify opportunities and emerging trends in the housing market or construction sector and missing chances to maximise or exploit opportunities ahead of our competitors
- Loss of position as perceived market leader with resulting impact on reputation and ability to expand market share
- Loss in market position or customers resulting in declining revenue or margins
- A lack of new product development and innovation and a failure to optimise our supply chain to support our customers could be detrimental to the long-term achievement of the Group's strategy

#### Mitigation

- Consideration of relevant market data and trends highlights emerging risks, providing management with the information required to make considered and fact-based decisions
- Innovation culture embedded through organisational structure, including suitably qualified and experienced product managers
- Horizon scanning for emerging innovation and other competitive threats
- Launch of Ibstock Futures business unit

## 5. Financial Risk Management

Owner: **Chief Financial Officer**

Risk trend: 

Strategy:  

Link to Business Model: **Procurement, Sales**

Stakeholder Groups impacted: **Communities, Investors, Employees, Customers, Suppliers, Pension Fund Members**

### Detail

The Group is subject to the following financial risks:

- Foreign exchange risk: As the Group transacts in currencies other than Sterling, exchange rate fluctuations may adversely impact the Group's results
- Credit risk: Through its customers, the Group is exposed to a counterparty risk that accounts receivable will not be settled leading to a financial loss to the Group
- Liquidity risk: Insufficient funds could result in the Group being unable to fund its operations
- Interest rate risk: Movements in interest rates could adversely impact the Group and result in higher financing payments to service debt Input costs: The Group's business may be affected by volatility in extraction expenses and raw material costs. Risks exist around our ability to pass on increased costs through price increases to our customers
- Energy and Carbon pricing: The Group's business may also be affected by volatility in energy costs or disruptions in energy supplies. Significant changes in the cost or availability of transportation could affect the Group's results

### Mitigation

- Our internal control framework is designed to reduce financial reporting risks
- We develop, review and communicate a Group-wide treasury policy
- Foreign exchange risk: The Group undertakes limited foreign exchange. Some capital expenditure requires foreign exchange purchases and management undertakes foreign exchange hedging strategies where significant exposures arise
- Credit risk: The Group principally manages credit risk through management of customer credit limits. The credit limits are set for each customer based on the creditworthiness of the customer and the anticipated levels of business activity. These limits are initially determined when the customer account is first set up and are regularly monitored thereafter
- Liquidity risk: The Group's policy is to ensure that it has sufficient funding and facilities in place to meet any foreseeable peak in borrowing requirements and liabilities when they become due, and monitors this regularly
- Interest rate risk: The Group finances its operations through a mixture of retained profits, bank borrowings and private placement loan notes. No interest rate derivative contracts have been entered into during the year or at the year end
- Input cost: Significant input costs are under constant review, with continuous monitoring of raw material costs, energy prices and haulage expenses
- Energy and Carbon pricing: The Group operates forward purchasing to mitigate the impact of sudden price increases and monitors the markets on an ongoing basis and has modelled the impact of such rises to assess the financial implications in light of potential impact from Climate change (see Viability Statement on page 90)
- Sales pricing: appropriate pricing policies to remain competitive within our markets and pass on significant increases in input costs

### Trend change

Input costs linked to energy prices, and energy prices have risen materially in 2022, exacerbated by the conflicting conflict in Ukraine. We have incorporated this change risk into our financial planning and modelling with a view to minimising the impact of these changes on our business.

Risk trend key:

 Increase

 Decrease

 No change

Strategy key:

 Sustain

 Innovate

 Grow

## 6. Regulatory and Compliance

Owner: **Group Company Secretary & ESG Director**

Risk trend: 

Strategy:  

Link to Business Model: **All**

Stakeholder Groups impacted: **Communities, Investors, Employees, Customers, Suppliers, Pension Fund Members**

### Detail

- Group activities are subject to environmental, health and safety laws and regulations and these may change. These laws and regulations could require the Group to make modifications to how it manufactures and prices its products
- Greater regulation with an increased risk of fines, sanctions and liability exposures could impact the Group's financial results, together with any associated negative reputational damage

### Mitigation

- Monitoring of the law across relevant markets to ensure the effects of changes are minimised and Ibstock remains compliant with applicable laws
- Alignment of Group-wide policies and procedures with training on mandatory topics and compliance requirements
- Appropriate health and safety policies combined with the regular monitoring of compliance through internal and external auditing activity
- Restructuring of the health and safety function to provide more coordinated, central oversight to ensure alignment and consistency throughout the business
- Investment in employee training across our manufacturing processes
- Investment in safe systems and facilities to protect our employees. Health and wellbeing practices and safety requirements, are embedded in our approach

## 7. Maintaining Customer Relationships and Market Reputation

Owner: **Chief Operating Officer**

Risk trend: 

Strategy:  

Link to Business Model: **Sales**

Stakeholder Groups impacted: **Communities, Investors, Customers**

### Detail

- The loss of any key customer through our failure to evolve effectively and meet the changing needs of our customers could result in a significant loss of revenue and cash flow
- Constriction in activity levels within the construction industry introduces a risk that price levels cannot be maintained, resulting in dilution of margins or level of market share and adversely impacting the Group's financial results
- The Group does not have long-term contracts with its customers and the Group's revenue could be reduced if its customers switch some or all of their business with the Group to other suppliers or if we are unable to leverage our customer relationships effectively

### Mitigation

- Service led ethos with many top customer relationships lasting over 40 years
- Differentiation through the continued quality of its products and service levels with NPS surveys completed to build customer relationships through proactive response to customer requirements
- Sales and production teams are highly integrated to ensure that production aligns with customers' needs
- In-depth technical training for sales teams
- Sales teams assist design support service team as well as targeted marketing materials to assist with specification and selection
- Divisional sales teams provide focus on key decision-makers and customers
- Key account management is supervised at a senior level
- Organisational structure enables us to understand and respond more effectively to the evolving needs of our customers
- Access to c. 218 million tonnes of clay reserves, Ibstock Clay's primary raw material, ensures an ability to satisfy customer demand
- Comprehensive ESG 2030 Strategy, robust policies and procedures including Business and Supplier Codes of Conduct

## Our Principal Risks and Uncertainties continued

### 8. People and Talent Management

Owner: **Group People Director**

Risk trend: 

Strategy: 

Link to Business Model:  
**All (especially Extraction and Manufacturing)**

Stakeholder Groups impacted: **Communities, Employees**

#### Detail

- Dependency on qualified personnel in key positions and employees having special technical knowledge and skills. Any loss of such personnel without timely replacement could disrupt business operations, damage customer relationships or result in the loss of corporate knowledge
- Aging demographic in key employee groups may result in loss of knowledge
- Difficulties in attracting and retaining staff in production roles, which are labour-intensive and potentially less attractive to the younger population

#### Mitigation

- Launch of 'Fire Up' Ibstock cultural programme, and 2022 cost of living allowance and Free Share Award
- Focused action plans put in place as a result of the 'Great place to work' employee engagement survey in 2021 aimed at further building on employee satisfaction
- Improved methods of employee engagement including MyIbstock and Ibstock Informed
- Investment in people through training and development programmes
- Maintenance of succession plans to ensure a managed transfer of roles and responsibilities
- Operation and management of apprenticeship schemes with a yearly intake across the business (engineering and technical based)
- Identification of high potential individuals and development plans formulated
- External recruitment to bridge skill gaps and to enhance the talent pool

### 9. Product Quality

Owner: **Chief Operating Officer**

Risk trend: 

Strategy: 

Link to Business Model:  
**Manufacturing, Product Design, Sales**

Stakeholder Groups impacted: **Communities, Investors, Customers**

#### Detail

- Exposure to warranty claims and to claims for product liability, construction defects, project delay, property damage, personal injury and other damages
- Failure to maintain accurate product data could place end user at risk
- Damage to the Group's brands, including through actual or alleged issues with its products, could harm our business, reputation and the Group's financial results

#### Mitigation

- Maintenance and management of detailed product information
- Operation of comprehensive quality control procedures across Ibstock sites with both internal and external audit reviews of product quality completed to ensure conformance with internationally recognised standards
- Training programmes on quality for appropriate employees
- Completion of regular testing of all products to provide full technical data on our product range
- Maintenance of appropriate insurance cover against product liability related claims

Risk trend key:

 Increase

 Decrease

 No change

Strategy key:

 Sustain

 Innovate

 Grow

## 10. Cyber and Information Security

Owner: Chief Financial Officer

Risk trend: 

Strategy: 

Link to Business

Model: Manufacturing, Sales, Distribution

Stakeholder Groups impacted: Investors, Employees

### Detail

- Damage caused to the Group, its customers, suppliers through unauthorised access, manipulation, corruption or destruction of data or systems or reputational damage as a result of negative publicity associated with control lapses in this area
- Changes in employees' working patterns and use of technology along with the resulting risks to information security have materially increased cyber risks

### Mitigation

- Achievement of the UK Government's Cyber Essentials accreditation, which is subject to independent audit annually
- We regularly train our employees on cyber threats including phishing
- All IT equipment deployed is compliant with Ibstock policies and standards
- Use of new industry-leading VPN services to handle hybrid working arrangements
- Use of new applications such as Microsoft Teams/OneDrive with up-to-date security features enable virtual meetings and collaboration
- The disablement of existing vulnerable applications and processes ensure the business can continue to operate effectively and efficiently

### Trend change

We perceive cyber risk as a growing threat. During the year we recruited a new Chief Information and Digital Officer to lead us on our digital security enhancement, and we continue to invest in our technology teams and estate to mitigate this risk.

## 11. Major Projects Delivery

Owner: Chief Executive Officer and Chief Financial Officer

Risk trend: 

Strategy: 

Link to Business Model:

Product Design, Manufacturing

Stakeholder Groups impacted: Investors, Employees, Customers

### Detail

- Failure to deliver major projects such as Atlas and Nostell
- Reputational damage resulting from a part or complete failure to deliver major projects
- Fines and penalties as a result of delay or regulatory infringements
- Budgetary overspend and impacts on financial position of the Group
- Impacts on Company valuation as a result of a failure to deliver against growth ambitions

### Mitigation

- Formalised project governance process and procedures
- Clear and robust project management encompassing monitoring and reporting to ensure projects remain on track

# DELIVERING STRONG PERFORMANCE WITH SIGNIFICANT GROWTH IN MARGINS

**A continued disciplined focus on cost management underpinned an improved margin performance, with EBITDA margins increasing by 200 basis points to 27.2%**

**Chris McLeish**  
Chief Financial Officer



## Introduction

The Group delivered a strong financial performance in 2022, with both profit and operating cash flows materially ahead of the comparative period. Demand in our end markets was firm, although we experienced lower volumes in the final quarter of the year, reflecting a more cautious demand environment.

The Group managed supply chain and inflationary challenges well, and the dynamic pricing approach taken in both the clay and concrete divisions was successful in recovering cost inflation during the year. A continued disciplined focus on cost management underpinned an improved margin performance, with adjusted EBITDA\* margins increasing by 200 basis points to 27.2% in the 2022 year (2021: 25.2%).

Alongside this strong trading performance, the Group maintained its intense focus on capital management, delivering a good cash flow performance for the year. This was instrumental in enabling the Group to maintain a strong balance sheet, with closing net debt<sup>1</sup> of £46 million at 31 December 2022 resulting in leverage<sup>1</sup> of 0.4 times (Dec 2021: 0.4 times).

In line with our dynamic approach to capital allocation, we deployed around £38 million of capital investments in the service of future growth (over and above our sustaining investments), and completed a £30 million share buyback. With our strong financial position, and inherently cash generative

business, we expect to generate significant further cash to support growth and shareholder returns over the medium-term.

During the final quarter of the year, the Group took the opportunity to extend its Revolving Credit Facility, in accordance with the terms of its 4+1 year agreement completed in November 2021, thereby extending by a further 12 months its debt maturity profile on terms aligned to the existing agreement. At 31 December 2022, the Group had £125 million of undrawn committed facilities in place.

In December 2022 the Group also agreed a buy-in transaction for the main defined benefit pension scheme, involving the purchase of an insurance contract with a specialist pensions provider which will cover all remaining pension liabilities. This transaction, which involved no initial cash payment by the Company, is expected to substantially complete during the 2023 financial year. We are delighted to have completed this significant further step towards removing pensions risk from the Group's balance sheet.

### Climate Change & TCFD

As a long-term business, a commitment to environmental sustainability and social progress is central to the Company's purpose. We have invested significant capital over the last decade, with investment projects across the Group's plant network contributing to a material reduction in the carbon intensity of our manufacturing processes. Having achieved strong progress against our

previous targets, during 2021 we reviewed our ESG strategy and ambitions in order to drive progress and continue to show industry leadership in this area.

At the same time, in order to assess the resilience of our business model, as part of our strategic planning process we have modelled the impact of both transition and physical risks of climate change on the financial performance and position of the Company. The outputs from this exercise are detailed in our TCFD disclosures on page 76.

The Group is committed to increasing the transparency of reporting around climate impacts, risks, and opportunities. This year we have progressed to achieve full compliance with the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD).

### Alternative performance measures

This results statement contains alternative performance measures ("APMs") to aid comparability and further understanding of the financial performance of the Group between periods. A description of each APM is included in Note 3 to the financial statements. The APMs represent measures used by management and the Board to monitor performance against budget, and certain APMs are used in the remuneration of management and Executive Directors. It is not believed that APMs are a substitute for, or superior to, statutory measures.

## Group results

The table below sets out segmental revenue and adjusted EBITDA<sup>1</sup> for the year

Year ended 31 December 2022	Clay £m	Concrete £m	Central costs £m	Total £m
Total revenue	369.2	143.7	–	512.9
Adjusted EBITDA <sup>1</sup>	126.7	23.6	(10.6)	139.7
Margin	34.3 %	16.4 %		27.2 %

### Year ended 31 December 2021

Total revenue	280.2	128.4	–	408.7
Adjusted EBITDA <sup>1</sup>	90.6	21.7	(9.3)	103.1
Margin	32.3 %	16.9 %		25.2 %

<sup>1</sup> Alternative Performance Measures are described in Note 3 to the consolidated financial statements. Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

#### Revenue

Group revenue for the 2022 year increased by 26% to £512.9 million (2021: £408.7 million). Performance benefited from strong pricing management, and reflected a robust demand backdrop for the majority of the year, although market activity slowed in the final quarter, reflecting a more cautious demand environment.

In our Clay division, revenues of £369.2 million represented an increase of 32% on the prior year period (2021: £280.2 million). Performance reflected a material price benefit, delivered through a dynamic commercial approach. Volumes were in line with the comparative period, despite lower volumes in the final quarter as activity slowed in response to a reduction in end-market demand. Our Futures business contributed around £4 million of revenue (2021: nil).

In our Concrete division, revenue increased by 12% year-on-year to £143.7 million (2021: £128.4 million), with marginally lower volumes more than offset by a strong pricing benefit, which recovered in full the impact of significant cost inflation. Infrastructure sales volumes increased year-on-year, and walling stone volumes also increased as the Group grew share in certain key regional territories. This helped offset lower sales volumes in flooring and roof tiles.

Whilst we expect market conditions in 2023 to be more challenging, we continue to monitor cost impacts closely and remain committed to taking the actions necessary to protect unit margins.

#### Adjusted EBITDA\*

Management measures the Group's operating performance using adjusted EBITDA\*. Adjusted EBITDA\* increased materially year on year to £139.7 million in 2022 (2021: £103.1 million).

Performance in 2022 benefited from resilient end markets, alongside strong commercial execution to recover in full significant variable cost inflation. These actions, combined with the disciplined management of cost, resulted in a material improvement in adjusted EBITDA\* margins, which increased by 200 basis points to 27.2% (2021: 25.2%). In response to the challenges faced by our employees, we made a one-off cost of living payment, totalling a cost of around £4 million, during the 2022 year.

Within the Clay division, adjusted EBITDA\* totalled £126.7 million (2021: £90.6 million), representing an adjusted EBITDA\* margin of 34.3% (2021: 32.3%). The improvement in adjusted EBITDA\* reflected a combination of significant pricing benefits, solid operational performance and disciplined cost management. The division recognised a loss of £5.3 million in respect of Ibstock Futures, as the business continued to invest in research and development, in-house innovation and commercial capability.

Adjusted EBITDA\* in our Concrete division increased to £23.6 million (2021: £21.7 million), as the division continued to benefit from its exposure to a broad range of residential and infrastructure markets. Adjusted EBITDA\* margins of 16.4% were marginally below 2021 levels (2021: 16.9%), reflecting principally the impact of operational challenges during the first half of the year at our roof tile factory in Leighton Buzzard. As expected, adjusted EBITDA\* margins moved forwards during the second half of the year.

Central costs increased to £10.6 million (2021: £9.3 million) reflecting higher variable remuneration costs and the initial impact of the Fire Up share award to all employees below the Senior Leadership Team level.

#### Exceptional items\*

Based on the application of our accounting policy for exceptional items\*, certain income and expense items have been excluded in arriving at adjusted EBITDA\* to aid shareholders' understanding of the Group's underlying financial performance.

The amounts classified as exceptional\* in the period totalled a net gain of £6.3 million (2021: £5.2 million gain), comprising:

1. Exceptional net cash credit of £6.9 million (which were substantially cash settled in the period):
  - a) £7.0 million of exceptional cash profits arising from the disposal of a surplus property in Sussex during the 2022 year;
  - b) £0.1 million charge of other one-off operating costs;
2. An exceptional non-cash charge of £0.6 million comprising of an impairment associated with the Group's closure of sites as part of its single co-ordinated restructuring plan.

Further details of exceptional items\* are set out in Note 5 of the financial statements.

#### Finance costs

Net finance costs of £2.7 million were below the level of the prior year (2021: £5.0m) with lower interest cost on our borrowings (reflecting the favourable debt refinancing completed in November 2021) and increased interest income from the Group's main defined benefit pension scheme. The Group incurred costs of around £0.3 million during the second half of the 2022 year related to the 12-month extension of its Revolving Credit Facility.

#### Profit before taxation

Group statutory profit before taxation was £104.8 million (2021: £64.9 million), reflecting stronger trading, with the current year result including an exceptional credit\* of £6.3 million (2021: credit of £5.2 million).

#### Taxation

The Group recorded a taxation charge of £17.9 million (2021: £33.1 million) on Group pre-tax profits of £104.8 million (2021: £64.9 million), resulting in an effective tax rate ("ETR") of 17.1% (2021: 51.0%) compared with the standard rate of UK corporation tax of 19%. The lower statutory tax charge and ETR are primarily due to no taxable gain arising on the land disposal during the year as well as a prior year deferred tax credit being recognised as a result of reassessing the deferred tax balance relating to property, plant and equipment.

The adjusted ETR\* (excluding the impact of the deferred tax rate change and exceptional items) for the 2022 year was 16.5% (2021: 18.1%). The reduction in adjusted ETR from the prior year was due primarily to the higher level of permanent benefit arising from the super deduction which provides statutory tax relief on 130% of qualifying capital expenditure. The other main item affecting the adjusted ETR is the prior year deferred tax credit referred to above.

#### Earnings per share

Group statutory basic earnings per share (EPS) increased to 21.6 pence in the year to 31 December 2022 (2021: of 7.8 pence) principally as a result of the Group's increased profit after taxation, reflecting the stronger trading result.

Group adjusted basic EPS\* of 22.7 pence per share increased significantly from the 13.9 pence reported last year, reflecting the increased adjusted EBITDA\* achieved in the year and a modest reduction in the adjusted effective tax rate. In line with prior years, our adjusted EPS\* metric removes the impact of exceptional items\*, the fair value uplifts

resulting from our acquisition accounting and non-cash interest impacts, net of the related taxation charges/credits. Adjusted EPS\* has been included to provide a clearer guide as to the underlying earnings performance of the Group. A full reconciliation of our adjusted EPS\* measure is included in Note 11.

**Table 1: Earnings per share**

	2022 pence	2021 pence
Statutory basic EPS –		
Continuing operations	<b>21.6</b>	7.8
Adjusted basic EPS*		
– Continuing operations	<b>22.7</b>	13.9

#### **Cash flow and net debt\***

Adjusted operating cash flow increased by £32 million to £108.0 million (2021: 76.0 million), principally due to a material increase in adjusted EBITDA\*. The Group reported a modest increase in working capital totalling £1.8 million outflow (2021: £5.4 million inflow) as a small increase in finished goods inventory levels was substantially offset by robust management of trade receivables, reflecting the continuing progress made by the organisation in reducing DSO.

Net interest paid in 2022 reduced to £4.3 million (2021: £5.6 million) reflecting the lower interest coupon following the refinancing of the Group's debt in November 2021. Tax payments totalled £11.7 million (2021: £10.0 million), on higher levels of taxable profit compared to the prior year. Other cash outflows of £12.1 million (2021: £15.1 million outflow) included amounts totalling £5.6 million in respect of carbon emission credits purchased during the year (2021: £6.4 million), with the balance being principally operating leases payments.

With Adjusted Operating Cash Flows\* in 2022 increasing materially from the prior year, the Cash conversion\* percentage increased to 77% (from 74% in 2021), reflecting strong balance sheet discipline and working capital focus.

Adjusted free cash flow\* decreased marginally in the year to £49.7 million (2021: £51.0 million), as capital expenditure of £58.4 million increased by £33.4 million on 2021 (£25.0 million). The 2022 figure comprised around £21 million of sustaining expenditure, £33 million on the Atlas and Aldridge redevelopments and around £4 million on other growth projects. In the 2023 year, sustaining expenditure is expected to be around £20 million, with growth investments in Atlas, Aldridge and Futures expected to total approximately £55 million.

During the 2022 year, we completed a £30 million share buyback programme, demonstrating our ability to deliver enhanced returns to shareholders whilst continuing to invest in our future growth.

**Table 2: Cash flow (non-statutory)**

	2022 £m	2021 £m	Change £m
Adjusted EBITDA <sup>1</sup>	<b>139.7</b>	103.1	36.6
Adjusted change in working capital <sup>1</sup>	(1.8)	5.4	(7.1)
Net interest	(4.3)	(5.6)	1.3
Tax	(11.7)	(10.0)	(1.7)
Post-employment benefits	(1.8)	(1.8)	–
Other <sup>2</sup>	(12.1)	(15.1)	2.9
Adjusted operating cash flow <sup>1</sup>	<b>108.0</b>	76.0	32.0
Cash conversion <sup>1</sup>	<b>77%</b>	74%	+3ppts
Total capex	(58.4)	(25.0)	(33.4)
Adjusted free cash flow <sup>1</sup>	<b>49.7</b>	51.0	(1.4)

1 Alternative Performance Measures are described in Note 3 to the consolidated financial statements.

2 Other includes operating lease payments and emission allowances purchases in all years.

The table above excludes cash flows relating to exceptional items\* in both years. During 2022, the Group completed the sale of surplus property, generating cash inflows of £7.8 million (2021: £2.9 million), which was classified as an exceptional item. We continue to focus on recycling capital from the Group's property portfolio, and anticipate further surplus land disposals over the medium-term.

Net debt\* (borrowings less cash) at 31 December 2022 totalled £45.9 million (31 December 2021: £38.9 million; 30 June 2022: £35.7 million). The movement during the 2022 year reflected the benefit of strong operating cash flows offset by around £58.4 million of capital expenditure and the impact of a £30 million share buyback.

During the final quarter of the year, the Group extended by a further 12 months its Revolving Credit Facility, in accordance with the terms of its 4+1 year agreement completed in November 2021, on terms aligned to the existing agreement. At 31 December 2022, the Group had £125 million of undrawn committed facilities in place.

#### **Return on capital employed\***

Return on capital employed\* (ROCE) in 2022 increased to 23.4% (2021: 15.8%). The substantial improvement compared to the prior year reflected both a significant

increase in adjusted operating profit and a small increase in the capital base, as both working and fixed capital were well controlled.

#### **Capital allocation**

The Group's capital allocation framework remains consistent with that laid out in 2020, with the Group committed to allocating capital in a disciplined and dynamic way.

Our capital allocation framework is set out below:

- Firstly, we will invest to maintain and enhance our existing asset base and operations;
- Having done this, we will look to pay an ordinary dividend. We are committed to paying dividends which are sustainable and progressive, with targeted cover of approximately 2 times underlying earnings through the cycle;
- Thereafter, we will deploy capital for growth, both inorganically and organically, in accordance with our strategic and financial investment criteria;
- And, finally, we will return surplus capital to shareholders.

Our framework remains underpinned by our commitment to maintaining a strong balance sheet, and we will look to maintain leverage at between 0.5 and 1.5 times net debt\* to adjusted EBITDA\* excluding the impact of IFRS 16, through the cycle.

During the 2022 year, we completed a £30 million share buyback programme, purchasing around 17 million shares, and equivalent to around 4% of the Group's issued share capital.

We expect to deploy significant growth capital in the business during the 2023 year and beyond, with a growing pipeline of both organic and inorganic opportunities. The Board expects there to be capital generated in excess of that required for its investment requirements and remains committed to returning surplus capital to shareholders as part of its dynamic and disciplined capital allocation strategy. The potential for additional returns of capital will be kept under active review.

#### **Dividend**

Reflecting the very strong profit performance of the business, the Board is pleased to recommend a final dividend of 5.5p per share (2021: 5.0p), for payment on 12 May 2023 to shareholders on the register on 21 April 2023. This will bring the full year dividend to 8.8p per share (2021: 7.5p), an increase of 17%. In recommending this level of dividend, the

Board remains mindful of its objective to deliver a sustainable and progressive ordinary dividend over time.

#### Pensions

At 31 December 2022, the defined benefit pension scheme ("the scheme") was in an actuarial accounting surplus position of £15.2 million (31 December 2021: surplus of £57.8 million). Applying the valuation principles set out in IAS19, at the year end the scheme had asset levels of £373.6 million (31 December 2021: £618.0 million) against scheme liabilities of £358.4 million (31 December 2021: £560.3 million).

On 20 December 2022, the Scheme completed a full buy-in transaction with a specialist third-party provider, which represented a significant step in the Group's continuing strategy of de-risking its pensions exposure. Together with the partial buy-in transaction in 2020, this will insure all of the Group's defined benefit liabilities. This transaction, which involved no initial cash payment by the Company, is expected to substantially complete during the 2023 financial year.

The net decrease in balance sheet surplus over the period is primarily due to asset performance which has been largely offset by a significant actuarial gain arising on the liabilities from a change in market conditions, particularly the rise in corporate bond yields, coupled with the asset loss from the full Scheme buy-in which transacted in December 2022.

Based on an existing funding agreement, a contribution level of £1.75 million per annum has applied from February 2022, increasing to £2.0 million from 1 December 2023 and then to £2.25 million from 1 December 2024. In light of the fact that the pension scheme was in a net surplus position after the full buy-in, the Trustees and the Group have agreed that the Group would suspend paying regular contributions with effect from 1 March 2023.

#### Related party transactions

Related party transactions are disclosed in Note 31 to the consolidated financial statements. During the current and prior year, there have been no material related party transactions.

#### Subsequent events

In light of the fact that the Ibstock Pension Scheme was in a net surplus position after the full pension buy-in, the Group and the Trustees of the Ibstock Pension Scheme agreed on 27 February 2023 that the Group would suspend regular contributions into the pension scheme with effect from 1 March 2023.

Except for this pension contribution agreement and the proposed ordinary dividend, no further subsequent events requiring either disclosure or adjustment to these financial statements have arisen since the balance sheet date.

#### Going concern

The Directors are required to assess whether it is reasonable to adopt the going concern basis in preparing the financial statements.

In arriving at their conclusion, the Directors have given due consideration to whether the funding and liquidity resources are sufficient to accommodate the principal risks and uncertainties faced by the Group.

Having considered the outputs from this work, the Directors have concluded that it is reasonable to adopt a going concern basis in preparing the financial statements. This is based on an expectation that the Company and the Group will have adequate resources to continue in operational existence for at least twelve months from the date of signing these accounts.

Further information is provided in Note 2 of the financial statements.

**This section of the Strategic Report constitutes the Non-Financial Information Statement in compliance with Sections 414CA and 414CB of the Companies Act 2006.**

The information listed in the table below is incorporated by cross reference to the relevant parts of the Annual Report.

Requirement	Policies	Additional information	
<b>Environmental matters</b>	<ul style="list-style-type: none"> <li>• ESG 2030 Strategy reports</li> <li>• Sustainable Procurement Policy</li> </ul>	Responsible Business	pages 42 to 55
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Health and Safety Policy Statement</li> <li>• Diversity and Inclusion Policy</li> <li>• Anti-bullying and Harassment Policy</li> <li>• Code of Business Conduct</li> <li>• Whistleblowing Policy</li> </ul>	Responsible Business	pages 54 to 55
<b>Human rights</b>	<ul style="list-style-type: none"> <li>• Modern Slavery Statement</li> <li>• Data Protection Policy</li> </ul>	Responsible Business	pages 54 to 55
<b>Social matters</b>	<ul style="list-style-type: none"> <li>• ESG 2030 Strategy and Framework</li> </ul>	Responsible Business	pages 42 to 55
<b>Anti-corruption and bribery</b>	<ul style="list-style-type: none"> <li>• Anti-bribery and Corruption Policy</li> <li>• Competition Law Compliance Policy</li> <li>• Supplier Sustainability Code of Business Conduct</li> </ul>	Responsible Business Corporate Governance Statement	pages 54 to 55 page 92
<b>Description of the Business Model</b>		Our Purpose and Business Model	pages 28 to 29
<b>Principal risks and impact of business activity</b>		Our Principal Risks and Uncertainties	pages 60 to 69
		Corporate Governance Statement	page 92
		Audit Committee Report	pages 110 to 114
		Responsible Business	pages 54 to 55
		TCFD Statement	page 76 to 85
<b>Non-financial key performance indicators</b>		Strategic Report	pages 3 to 91
		Our KPIs	pages 40 to 41

The policies mentioned above provide the link between our purpose and values and how Ibstock is managed and does business.

# Task Force on Climate-related Financial Disclosures (TCFD)

The Task Force on Climate-related Financial Disclosures (TCFD) was established by the Financial Stability Board in 2015 and published its final report entitled “Recommendations of the Task Force on Climate-related Financial Disclosures” in June 2017. This year we report in compliance with Rule 9.8.6R(8), which sets out the continuing obligations for climate related disclosures reporting for premium listed companies in annual reports.

Pursuant to this rule the Board of Directors confirm the following:

- a) Ibstock has made disclosures that are consistent with the four recommendations and eleven recommended disclosures set out in section C of the TCFD Final Report in their Annual Report. Management considers that they have given sufficient information to be consistent with the TCFD framework in the current year.
- b) These disclosures are set out below and in the relevant sections of this Annual Report (where stated).

In 2022 we enhanced our disclosures on the physical and transition risks that climate change poses to our business. The following sections address how climate change is incorporated into our corporate governance processes, its potential impact on our strategy and financial planning, its treatment in our risk management procedures, and the relevant climate related KPIs for our business. The following sections and subsection headings correspond with the pillars of the TCFD framework. Ibstock Plc is committed to transitioning to net zero carbon emissions (Scope 1 and 2) by 2040.

## Governance framework

### Ibstock Plc Board

page 94

#### Meeting frequency in 2022: 7

Considers climate change as a fundamental part of planning in the following:

- Group Strategy
- Oversees climate change risk
- Ensures the interests of all stakeholders considered in decision-making
- Approves Annual Budget
- Oversees major capital expenditures, acquisitions, and divestitures

Informing

Reporting

### ESG Committee

page 108

- ESG Committee Chair, Claire Hawkings
- Meeting frequency in 2022: 4
- Monitors ESG 2030 Strategy implementation
- Reviews strategies, policies and performance against target KPIs
- Promotes understanding of Group environmental impact
- Informs the Board on processes and mechanisms used to engage key stakeholders on ESG
- Oversees ESG governance framework
- Receives advice and training from ESG specialist RSM

Informing

### Audit Committee

page 110

- Audit Committee Chair, Justin Read
- Meeting frequency in 2022: 4
- Risk Management process
- Internal Controls
- Financial Statements and disclosures

### Remuneration Committee

page 115

- Remuneration Committee Chair, Tracey Graham
- Meeting frequency in 2022: 4
- Alignment of LTIP performance targets to ESG KPIs

Reporting

### Chief Executive Officer and Executive Leadership Team

Overall responsibility for the ESG 2030 Strategy remains with the Chief Executive Officer, Joe Hudson. The Group Company Secretary & ESG Director, Becky Parker, leads the Group ESG Team, a dedicated team of subject matter experts, and has responsibility for the Climate Change Principal Risk (see page 63). The Executive Leadership Team (ELT) met ten times during the year, and reviews performance and manages the implementation and progress of the ESG 2030 Strategy.

Informing

Reporting

### ESG Team and Business Divisions

#### ESG Team

- Drives the ESG 2030 Strategy and programmes
- Supports integration of sustainability across the Group and divisions
- Team works in constant collaboration with operational management and the operations themselves

Informing

#### Operational Management

- Quarterly Factory Managers Meetings
- Disseminates ESG performance information
- Raises issues
- Enables practical implementation



Reporting

### Operations

Local business units implement initiatives, policies and share best practice, and consider targets on resource efficiency, engagement and community. They raise issues directly with management which are escalated both through regular management meetings and through the operational management hierarchy.

## Governance

### Recommended Disclosures

#### Describe the Board's oversight of climate-related risks and opportunities

The Board has ultimate oversight of climate related risks and opportunities. These are discussed at strategy meetings and routinely at Board meetings, alongside business performance and risk. The Board delegates the oversight and monitoring of progress to the ESG Committee (see ESG Committee Report on page 108 for further information on its role and responsibilities). The ESG Committee is chaired by Claire Hawkings, who has significant experience in the energy sector notably executive responsibility for sustainability issues. The Board receives updates from this Committee following each meeting and input is provided on specific issues to the Audit and Remuneration Committees, including confirmation of the achievement of remuneration linked KPIs and to provide assurance over processes and progress relative to climate related metrics and targets. During the year the Board and its Committees received specific training on climate related issues from RSM UK Risk Assurance Services LLP, (RSM), our external consultants, details of which can be found on page 109.

Ibstock has integrated climate related considerations into the discussions and considerations of the Board, the ELT and the senior management of Ibstock. A detailed governance structure describing information flows throughout the organisation is provided on page 77.

Further information of the Company's risk management processes can be found in the Principal Risks and Audit, Risk and Internal Control sections on pages 60 and 104 respectively.

Last year we reported on our priorities for 2022. The table below details how our priorities were addressed, our priorities for the coming year and our plans to address them:

Priorities for 2022	How they were met
The Board and the ESG Committee will be focusing on implementation of the new ESG strategic framework and net zero commitment	The Board and the ESG Committee met regularly during the year (details can be found in the table on page 77 and in the Governance Report on page 97), monitoring and making recommendations on the implementation of the ESG 2030 Strategy. The Board was satisfied with progress against the associated targets
Training on key climate related topics has been added to the Board calendar for 2022	Training has been provided by dedicated advisors RSM, covering key and emerging climate related topics. Specific training is discussed in the ESG Committee report on pages 108 to 109
Priorities for 2023	Our plans
The Board and ESG Committee will continue focusing on delivery of the ESG 2030 Strategy, and closely monitor the effectiveness of the ESG Governance framework	The Board and the ESG Committee will ensure that sufficient time and resource is allocated to ensuring the successful delivery of the ESG 2030 Strategy against its targets
Continue upskilling the Board and its Committee with respect to the ongoing development of the Climate change landscape	Focused training sessions will be arranged with RSM to undertake 'deep dives' into specific and emerging topics in the climate agenda

### Recommended Disclosures

#### Describe management's role in assessing and managing climate related risks and opportunities

The assessment and management of climate related risks and opportunities issues below Board level is the responsibility of the Chief Executive Officer, who through the Executive Leadership Team (ELT) implements the Group's climate related strategy. Progress against the strategy is reported back to the ESG Committee and the Board. The reporting structure for management is detailed in the governance structure on page 77.

The ELT are assisted in this function by the ESG team, a team of dedicated subject matter specialists, led by the Group Company Secretary & ESG Director. Ibstock has in place a number of dedicated teams that are responsible for reducing Ibstock's operational impacts on the climate, the vulnerability of facilities to physical climate risk, and transitional risks related to climate. These teams are coordinated by and regularly report to the ESG Team, which in turn reports into the ELT and the ESG Committee. These are grouped by strategic responsibility and are detailed in the table below.

Further information on role in assessing and managing climate related risks and opportunities can be found in the Responsible Business section on page 42, the Principal Risks and Uncertainties section on pages 60 to 69 and the Viability Statement on page 90.

Strategic Pillar	Focus	Exec Sponsor	Action & Monitoring Responsibility
Addressing Climate Change	Carbon	Chief Operations Officer	Net Zero Working Group, mixed representation of operational and subject matter specialists
	Water	Chief Operations Officer	Operations Director, Clay
	Biodiversity	Chief Executive Officer	Operations Director, Concrete
Manufacturing Materials for Life	New Product Development	Managing Director of Futures	Futures business, Clay Growth Engine, Concrete Growth Engine

<b>Doing Business Responsibly (Governance)</b>	TCFD	Company Secretary & ESG Director	TCFD Working Group, chaired by the Group Financial Controller and formed of subject matter specialists
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Last year the Company reported on our priorities for 2022. The table below details how our priorities were addressed, our priorities for the coming year and our plans to address them:

Priorities for 2022	How they were met
We will look to enhance cross functional collaboration on climate issues and greater climate risk training across departments within Ibstock during 2022 and continue to strengthen our governance in this area	Cross functional collaboration has been facilitated through our governance structure and division of responsibilities. Operations directors hold regular meetings to facilitate embedding of climate initiatives within their departments and share best practice
A suite of internal climate know how resources will be developed that will be accessible by all of our colleagues which will operate alongside training sessions on all areas of climate related risk and opportunity	The ESG 2030 Strategy documents form the foundation of the Group's approach to climate change. These have been made accessible through the Group intranet for easy access. The ESG team have been instrumental in upskilling areas of the business through targeted training sessions
Priorities for 2023	Our plans
Continued focus to embed climate change initiatives within the business so that management of climate related risks becomes part of the Group's culture	We will continue to use our ESG 2030 Strategy as this forms the foundation of the Group's approach to climate change. We will embed more regular reporting and set more detailed targets across our operations
Further climate change risk analysis and mitigation training	Deliver targeted climate risk training sessions to increase awareness and aid horizon scanning for developing and emerging risks

## Strategy

### Recommended Disclosures

#### Describe the climate related risks and opportunities the organisation has identified over the short, medium, and long term

As part of our on-going development of scenario planning, Ibstock completed a comprehensive scenario analysis for climate related physical and transitional risks, including relevant geographical analysis in line with TCFD recommendations. Material risks and opportunities are evaluated by considering their potential impact, for example financial or reputation, together with their likelihood. These have been judged in reference to the Representative Concentration Pathways (RCPs) as determined by the Intergovernmental Panel on Climate Change (IPCC), which provide scenarios of climate change by average temperature in varying degrees of severity. Ibstock has used these models to evaluate the impact on identified transitional and physical climate change risks and opportunities, so that plans can be made to ensure the resilience of our business operations. The RCPs considered in our planning are detailed in the table below.

In line with the above, and in accordance with the recommendations of the TCFD, we have detailed our climate related risks and opportunities together with materiality and strategic response and resilience in the table below taking into consideration RCP 2.6 (2.0°C) and RCP 8.5 (4.3°C):

Scenario	Description
<b>RCP2.6 (2.0°C)</b>	The IPCC's RCP2.6 scenario represents a pathway that is likely to limit global warming to below 2°C. CO <sub>2</sub> emissions remain constant until early this century, then decline, becoming negative by the end of the century
<b>RCP4.5 (2.4°C)</b>	The IPCC's RCP4.5 scenario represents slowly declining emissions where warming may reach 2.4°C. There is a slight increase in CO <sub>2</sub> emissions until mid century, then it declines.
<b>RCP8.5 (4.3°C)</b>	The IPCC's RCP8.5 scenario represents a high emissions scenario where warming may exceed 4°C. By the end of the century, CO <sub>2</sub> emissions will be three times higher than present.

We carried out a maturity assessment based on guidelines within the four reporting areas as identified by TCFD, and a gap analysis was conducted to identify areas of focus. Broader climate-related risks and opportunities can manifest themselves beyond those described in the principal risk. Therefore our assessment is based on the risks and opportunities set out in the TCFD guidance and our view of the material risks and opportunities with input from across the business and external sources. We identified relevant specific climate-related transitional and physical risks and opportunities to the business, categorised under the following headings, Transitional Risks – Policy and Legal, Technology, Market and Reputation and Physical Risks – Acute and Chronic. We then carried out an assessment to identify most material physical and transitional risks and opportunities based on a probability and impact assessment using input from internal stakeholders and external parties.

A financial model based on our strategic plan was then developed which allows the modelling of the potential financial impacts of the identified most material risks and opportunities across the short-, medium- and long-term time horizons. This modelling specifically looked at the financial impacts in terms of revenue and adjusted EBITDA\* of the scenarios against the base case financial plan under our two chosen RCP scenarios, RCP2.6 and RCP8.5.

The assessment and financial impact of our identified risks and opportunities was an integral part of our strategic planning process in 2022, and consideration was given to potential impact on business strategy. The assessment also provided an input into our indicators of impairment assessment and the useful economic lives of our assets review. At each stage in the process we considered relevant best practice guidance and recommendations and input from our ESG advisors.

## Summary of our most material risks and opportunities

The table below illustrates the material risks and opportunities identified and their associated impact and our strategic response.

TCFD category	Climate related risks and opportunities	Potential financial impacts
<b>Transition: Policy &amp; Legal</b>	<b>Risk:</b> As an energy intensive business we require carbon allowances. Changes in the regulatory or legislative environment could result in the reduction or removal of free carbon allowances, or increased cost of allowances	Increased costs related to compliance
<b>Transition: Technology</b>	<b>Risk:</b> Customers switching to alternative products with lower embodied carbon	Reduced demand for products and services
<b>Transition: Technology</b>	<b>Opportunity:</b> Develop more sustainable products and services to satisfy customer demand and willingness to pay for low carbon solutions	Increased revenue through demand for lower emissions products and services through volume or pricing
<b>Transition: Market</b>	<b>Risk:</b> Transition to new building technologies and approaches results in requirement for different materials and manufacturing processes for our businesses	Increased production costs due changing input prices, for example carbon, energy and water
<b>Transition: Market</b>	<b>Opportunity:</b> Changes in customers preference and building practices result in new and emerging markets developing	Increased revenues through access to new and emerging markets
<b>Transition: Reputation</b>	<b>Risk:</b> Ibstock credibility and brand is damaged if unable to keep up with changing customer behaviour and societal change	Reduced revenue from decreased demand for products and services
<b>Physical Risk Acute</b>	<b>Risk:</b> Increased severity of changes in precipitation patterns and extreme variability in weather patterns such as storms, cyclones and floods	Reduced revenue from decreased production capacity

<sup>1</sup> Potential materiality conducted for RCP 2.6 and RCP 8.5. The assessed financial impacts for both RCPs were the same, therefore the materially indicators represent both RCPs.

## Impact on adjusted EBITDA\*:

- Low <10%
- Medium 10%-20%
- High >20%

In last year's Annual Report and Accounts, we reported on short-, medium-, and long-term time horizons as less than one year and one to five years and more than 5 years respectively, which aligned with Ibstock's five-year strategic plan. Through further analysis, as conducted by our internal teams supported by external advisors, we have reassessed our short, medium, and long-term time as 2020 to 2030, 2031 to 2040 and 2041 to 2050. These timeframes closely reflect our risk profile, our measured approach to climate change planning, and realistic timeframes in which we will deliver systemic change.

Temperature range RCP 2.6 – RCP 8.5 <sup>1</sup>	Potential Materiality <sup>1</sup>			Strategic response and mitigation
	2023–2030 (Short-term)	2031–2040 (Medium-term)	2041–2050 (Long-term)	
<2°C – 4.3°C	<span style="color: #663399;">○</span>	<span style="color: #9999FF;">○</span>	<span style="color: #9999FF;">○</span>	ESG 2030 Strategy in place committing to carbon emissions reduction by 40% and an increased share of renewable energy generated by 2030
<2°C – 4.3°C	<span style="color: #663399;">○</span>	<span style="color: #330066;">○</span>	<span style="color: #330066;">○</span>	Transition to low carbon technologies and increased diversification (for example launch of Ibstock Futures), target of 20% revenue from new and sustainable products by 2030
<2°C – 4.3°C	<span style="color: #9999FF;">○</span>	<span style="color: #330066;">○</span>	<span style="color: #330066;">○</span>	Transition to low carbon technologies and increased diversification (for example launch of Ibstock Futures), target of 20% revenue from new and sustainable products by 2030
<2°C – 4.3°C	<span style="color: #9999FF;">○</span>	<span style="color: #9999FF;">○</span>	<span style="color: #9999FF;">○</span>	Continued investment in research and development of production processes and materials
<2°C – 4.3°C	<span style="color: #9999FF;">○</span>	<span style="color: #330066;">○</span>	<span style="color: #330066;">○</span>	Launch of Ibstock Futures business to address emerging trends such as Modern Methods of Construction (MMC)
<2°C – 4.3°C	<span style="color: #663399;">○</span>	<span style="color: #330066;">○</span>	<span style="color: #330066;">○</span>	Delivery of the ESG 2030 Strategy, development of new products or services through research and development and innovation, target 20% revenue from new and sustainable products by 2030
<2°C – 4.3°C	<span style="color: #9999FF;">○</span>	<span style="color: #9999FF;">○</span>	<span style="color: #9999FF;">○</span>	Development of preventative measures including resilience enhancements of the facilities located in the areas at the highest risk

## Environmental Reporting Disclosures continued

Priorities for 2022	How they were met
We will revisit and refine the set of perceived risks and opportunities in the short, medium- and long-term to provide a more detailed set of data with which to integrate these results into our ongoing financial analysis and modelling processes	The process for identifying and quantifying risks and opportunities has been refined through the work of the TCFD Working Group in conjunction with external advisors. This has resulted in the quantification of the impacts of material risk and opportunities as discussed on page 80
Our strategy implementation will be developed through a combination of strengthening climate risk assessment requirements, considering climate risk in supplier/provider selection, pursuing transition finance opportunities, and evaluating sector exposures to reduce portfolio emissions over time	We have strengthened our climate change risk assessments, and continue to refine our approach with respect to our climate risk within the business
Priorities for 2023	Our plans
Continued horizon scanning and enhancing risk planning process	We will continue to build on our existing framework, working with our external advisors to continually refine our processes and ensure our resilience. We will deliver targeted climate risk training sessions to increase awareness and aid horizon scanning for developing and emerging risks across our business. We will also consider our planning with respect to climate risk in supplier/provider selection, pursuing transition finance opportunities, and evaluating sector exposures to reduce portfolio emissions over time
Supply chain visibility and resilience	An area of focus will be the development of a reporting platform to facilitate greater visibility into Scope 3 emissions. We will continue to collaborate closely with our suppliers to ensure supply chain visibility. We will also be holding our annual supplier collaboration day in the second half of 2023 with a focus on carbon reporting and reduction, supply chain resilience, and the journey to net zero through collaboration and partnerships

### Recommended Disclosures

#### Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy, and financial planning

##### Transitional Risk Impacts

No high financial impacts are anticipated with regard to identified transitional risks in the short term. In the medium-term our expectation is increasing financial impact from transitional risks as regulations increase and customer knowledge and preference for more sustainable products and services increase. We also anticipate stricter design standards and requirements, particularly those applicable to the construction of homes, will become more prevalent.

##### Physical Impacts

There is an expectation of the rising frequency of extreme weather events in the medium-term coupled with the severity of flooding and surge precipitation increasing. This could result in damage or prolonged outages at our operational facilities. This year, we commissioned JBA Risk Management Limited (JBA) to assess baseline and climate change flood risk for all our manufacturing and office locations, to inform our climate mitigation plans. We have modelled the financial impact of our material risk and opportunities, which informed our indicators of impairment review and our assessment of useful economic lives of our assets.

Our ESG 2030 Strategy focuses on three distinct areas with clear ambitions, targets and milestones in order to ensure we meet our objectives. Part of this is our commitment to reduce the level of absolute carbon in the business by 40% by 2030 and to be net zero (Scope 1 and 2) by 2040. Full details can be found in the Responsible Business section on page 42, and in the ESG 2030 Strategy which can be found on [www.ibstockplc.co.uk](http://www.ibstockplc.co.uk).

Priorities for 2022	How they were met
We will look in more detail at the impacts of climate related risks using previously identified scenarios with a specific emphasis on the organisation's acute and chronic physical risks	All material risks and opportunities have been reviewed and updated including physical risks
Priorities for 2023	Our plans
Continue to develop our approach to impact assessment and scenario analysis	We will continue to refine our scenario analysis approach reflecting emerging best practice and guidance

#### Recommended Disclosures

**Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario**

As part of the strategic planning process we have considered the possible transitional and physical risks and opportunities to Ibstock with regard to several RCP scenarios including the below 2°C sustainable development scenario. In the short- and medium-term the impacts vary depending on the identified risk and opportunity, ranging from less than 10% to greater than 20% impact on adjusted EBITDA\*. Further information on the specific scenario is included in the table on pages 80 to 81.

The consequences of a significant production facility being unable to manufacture for a prolonged period and also an outage at factories identified in our third party flooding assessment as high risk for a period of one month as a result of water stress, storms or flooding, would represent around 30% of production.

We have also considered the potential impact of identified climate change risk and opportunities through our indicators of impairment reviews and also assessment of useful economic lives of assets.

Priorities for 2022	How they were met
The outputs from the consideration of risks relative to the three scenarios will be used to input into more detailed modelling of the organisation's longer-term viability and resilience in 2022	We considered the International Energy Agency's World Energy Model climate risk scenarios of 1.5°C, <2°C and a >2°C used in the prior year. We decided that the RCP scenarios of <2°C and >4°C allowed for more robust risk planning. This has formed the basis of our detailed planning for viability and resilience this year

## Risk Management

#### Recommended Disclosures

**Describe the organisation's processes for identifying and assessing climate related risk**

Climate change is a Principal Risk for Ibstock. The process for identifying and managing risk is described in detail on pages 60 to 69.

Climate related risks are identified as part of the existing risk management process through the review and updating of our operational risk registers in order to capture new existing and emerging risks. These registers separate climate change and ESG issues on both an individual basis and from the perspective of their impact and influence on other Group risks. Climate is considered and prioritised with equal significance to other risks.

Assessment of the impact and probability of climate related risks is undertaken before and after the effect of mitigating controls in order to understand the implications of such risks to the business.

The Group's existing risk management process encapsulates climate risk. A specialist TCFD climate related risk assessment process provides the strategic framework for identifying material climate related risks and opportunities, ensuring that climate risk considerations are reviewed appropriately but that outputs and considerations are fed into the broader risk management processes of the Group.

#### Recommended Disclosures

**Describe the organisation's processes for managing climate related risks**

Following the completion of the risk management review, each risk is considered relative to its residual rating having taken into account all existing controls. Each risk is assessed in order to establish appropriate actions, to be delivered by the risks owners so that each risk is managed to a level that is consistent with Ibstock's risk appetite. These are then monitored on a regular basis.

#### Recommended Disclosures

##### Describe how processes for identifying, assessing, and managing climate related risks are integrated into the organisation's overall risk management

Climate change risks are considered as part of the review of operational risk registers at the half and full year with the results being reviewed and mapped to the Group's principal risk register by the ELT prior to their presentation to the Audit Committee and the Board. Risk management is a top down and bottom up process, with risk reviews originating at operational level, and risk registers populated and refined through the various operational and management committees as demonstrated in the Governance structure detailed above on page 77.

Priorities for 2022	How they were met
Risk management processes to be further developed to provide more detailed and specific consideration of climate risks and opportunities	We have developed specific climate change risk register covering transitional and physical risks. This has formed the basis of the identification of material risk and opportunities which we have assessed for financial impact on the business
The 2021 Carbon Disclosure Project (CDP) corporate climate questionnaire scores on Ibstock's submission indicated an opportunity to improve how we report on identification and management of climate related risks and opportunities	Having analysed the results and identified improvements with the assistance of our internal experts and external advisors, disclosures were addressed in 2022 resulting in an improved CDP score from 'C-' to 'B'. We expect incremental increases in the future as Scope 3 emission reporting is developed

## Metrics and Targets

#### Recommended Disclosures

##### Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

The metrics the Group uses to assess climate-related risks and opportunities include the financial evaluation of risks and opportunities, as discussed in the 'summary of our most material risks and opportunities' table on page 80, the metrics described in our SECR and SASB reporting on pages 86 and 87, and the metrics and targets described in the ESG 2030 Strategy as described on pages 46 to 47. In determining our metrics we have considered all-sector and industry-specific guidance. As a business that uses a large amount of energy, carbon reduction is a key metric and KPI of the business. Executive remuneration in the form of the LTIP performance conditions has been tied to carbon reduction performance since 2021.

#### Recommended Disclosures

##### Disclose Scope 1, Scope 2, and, if appropriate, Scope greenhouse gas (GHG) emissions, and the related risks

We publicly report on our Scope 1, 2 and 3 GHG emissions and the carbon intensity of electricity generated. These have been calculated in accordance with the GHG reporting protocol methodology. Comparatives for prior periods have been included where available. The risks associated with our emissions are discussed on page 80 in the summary of our most material risks and opportunities, and also within our principal risks and uncertainties. Our Streamlined Energy and Carbon Reporting Disclosure (SECR) can be found on page 86.

#### Recommended Disclosures

##### Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets

A full list of our targets to manage climate risk can be found in the Responsible Business section on page 42. The ESG 2030 Strategy summarises these under our three ambitions and we have provided tables setting out our 2022 performance against our targets on pages 46 and 47, and against a range of SASB aligned metrics on page 87.

Priorities for 2022	How they were met
Consider the need for any additional metrics, notably those relating to the measurement of the impact of certain physical risks	The metrics detailed in the following table were identified as those against which we will report going forwards, and measuring against these will occur in 2023
Priorities for 2023	Our plans
Deliver our augmented suite of reporting metrics	A key focus for the TCFD team in 2023 will be to review, agree and publish relevant metrics as described above to support our climate change initiatives

## Reporting Metrics going forwards

Work is underway to increase our underlying metrics for climate change performance, which will in future include the dashboard metrics shown in the table below:

Category	Measure	Metric/Target
<b>GHG Emissions</b> Scope 1 & 2	Absolute tonnes of carbon reduction	40% reduction in absolute carbon by 2030 based on 2019 benchmark year and net zero carbon by 2040 (Scope 1 and 2)
<b>GHG Emissions</b> Scope 3	Absolute tonnes of carbon reduction	Net zero carbon before 2050
<b>Transition risks</b> Number of sites vulnerable to transition risks	% of total number sites	% of sites highly exposed to transition risk Metric being developed throughout 2023 with plan to have a target published in 2024
<b>Physical risks</b> Number of sites vulnerable to physical risks	% of total number sites	Proportion of estate in UK at risk to flooding, heat stress, or water stress % of sites with climate resilience plans Metric being developed throughout 2023 with plan to have a target published in 2024
<b>Climate related opportunities</b> Proportion of revenue, assets, or other business activities aligned with climate-related opportunities	% of revenues	20% of revenue from new and sustainable products by 2030
<b>Capital deployment</b> Amount of capital expenditure and investment deployed toward climate-related risks and opportunities	% of revenues	Percentage of annual revenue invested in R&D of low-carbon products/services Investment in climate adaptation measures Metric being developed throughout 2023 with plan to have a target published in 2024
<b>Internal carbon price</b> Price of each tonne of GHG emissions used internally	£/tonne	Metric being developed throughout 2023 with plan to have target published 2024
<b>Water usage</b> Volume of mains water used in the production process at manufacturing sites	M <sup>3</sup> of mains water used per tonne of production	25% reduction in mains water usage by 2030 based on 2019 benchmark
<b>Waste management</b> Volume of waste generated from manufacturing sites to include hazardous and non-hazardous	Tonnes of waste to landfill per tonne of production	Zero waste to landfill by 2025
<b>Remuneration</b> LTIP performance assessed on a broader ESG metric, including an element based on carbon reduction.	Carbon Emissions reduction % Female leadership % Sales revenue coming from new and sustainable products	20% of LTIP performance assessed on a broader ESG

# ESG Data and Reporting

## Data assurance

Lucideon CICS Limited (a global assurance provider) are providing independent 3rd Party Assurance to the ISAE 3000 standard over a number of the metrics reported in this section. The full assurance statement will be available on the Company's corporate website from the end of May 2023.

## ESG 2030 Strategy KPIs

	ESG 2030 Strategy KPIs	2022	Target
<b>Carbon (Scope 1 and 2)</b>	% Absolute carbon reduction Tonnes CO <sub>2</sub> (relative to 2019 baseline)	13 %	40 % by 2030 Net Zero by 2040
	% reduction in CO <sub>2</sub> per tonne of production (relative to 2019 baseline)	9 %	15 % by 2025
<b>Water</b>	% reduction in mains water use per tonne of production (relative to 2019 baseline)	31 %	25 % by 2030
<b>Product innovation</b>	% of sales turnover from new and sustainable products	13 %	20 % by 2030
<b>Waste</b>	% general waste to landfill (relative to 2019 baseline)	90 %	Zero by 2025
<b>Plastic packaging</b>	% reduction in preventable plastic packaging per tonne of production (relative to 2019 baseline)	16 %	40 % by 2025
<b>Health and Safety</b>	% reduction in LTIFR (relative to 2016 baseline)	61 %	50 % by 2023
<b>Earn and Learn positions</b>	% of employees in earn and learn positions	7.5 %	10 % by 2030
<b>Women in senior leadership</b>	% of women in senior leadership positions	27 %	40 % by 2027

These targets were set in 2022 so comparisons to previous years are not shown – see SASB for more detail on page 87.

## Streamlined Energy and Carbon Reporting (SECR) disclosure

	2015	2019	2020	2021 <sup>2</sup>	2022 <sup>1</sup>
Scope 1 Tonnes of CO <sub>2</sub> e combustion of fuel and operation of facilities	329,749	349,200	223,229	299,698	<b>303,173</b>
Scope 2 Tonnes of CO <sub>2</sub> e	48,530	28,429	16,429	19,912	<b>17,514</b>
Electricity TWh used per annum	0.11	0.11	0.07	0.09	<b>0.09</b>
Solar generated electricity TWh used per annum <sup>3</sup>	N/A	N/A	0.0000021	0.002	<b>0.004</b>
Gas TWh used per annum	1.14	1.23	0.78	1.05	<b>1.08</b>
Scope 3 Tonnes of CO <sub>2</sub> <sup>4</sup>	N/A	N/A	N/A	N/A	<b>103,000</b>
Intensity Ratio Tonnes of CO <sub>2</sub> e per tonne of production	0.170	0.159	0.160	0.141	<b>0.145</b>

<sup>1</sup> All emissions and energy are consumed in the UK. For reporting purposes, Ibstock defines its organisational boundary on an operational control basis, and our Scope 1 and 2 emissions and other ESG metrics are reported on this basis (i.e. account for 100 per cent of such emissions from operations over which Ibstock Plc has operational control). 'Scope 3' is the term used to describe the indirect GHG emissions resulting from activities in our value chain but outside of our operational control.

<sup>2</sup> Following full verification the 2021 figures have been amended as follows:

Scope 1 carbon previously stated figure 288,557;

Scope 2 carbon previously stated figure 19,648; and

Intensity Ratio Tonnes of CO<sub>2</sub>e per tonne of production previous stated figure 0.138.

<sup>3</sup> Measurements for Solar generated electricity TWh used per annum started in 2020.

<sup>4</sup> We started measurement in 2022 as part of our Scope 3 emissions strategy, using the spend-based approach as permitted in the GHG Protocol Value Chain Reporting Guidance for Scope 3.

Throughout 2022 Ibstock procured 100% of its electricity through Total Gas & Power's Pure Green energy tariff. This enables us to report zero emissions for electricity under the GHG Protocol Corporate Standards, Scope 2 as the electricity can be matched to Renewable Energy Guarantee of Origin (REGO) certificates. Scope 1 and 2 emissions are calculated in accordance with the methodology set out in the GHG Protocol (January 2015 revised edition). In January 2015, the GHG Protocol published a guidance document on method used to account for Scope 2 greenhouse gas emissions, which introduces dual reporting:

- Location-based reporting, which reflects emissions due to electricity consumption from a conventional power grid. It therefore uses primarily an average emissions factor of the country's energy mix
- Market-based reporting, which reflects emissions from energy consumption taking into account the specific features of the energy contacts chosen, and also considers the impact of the use of energy from renewable sources
- Electricity emissions factors allow the hierarchy defined in the new Scope guidance document of the GHG Protocol for market-based reporting
- Suppliers specific factors must be certified by instruments that prove the origin of electricity (guarantee of origin certificates)

# Sustainability Accounting Standards Board (SASB) table

The following table covers our wider sustainability metrics, which is 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.

Topic	Metric	2020	2021	2022
<b>CO<sub>2</sub>e Emissions and Energy</b>				
<b>Scope 1 emissions</b>	Tonnes of CO <sub>2</sub> e combustion of fuel and operation of facilities	223,229	299,698	<b>303,173</b>
<b>Scope 2 emissions</b>	Tonnes of CO <sub>2</sub> e electricity	16,429	19,912	<b>17,514</b>
<b>Scope 3 emissions</b>	Tonnes of CO <sub>2</sub>			<b>103,000</b>
<b>Intensity ratio</b>	Tonnes of CO <sub>2</sub> e per tonne of production	0.160	0.141	<b>0.145</b>
<b>Other fuels for mobile plant and company cars</b>	Litres of fuel used per annum	2,085,811	2,956,121	<b>1,531,593</b>
<b>Company cars</b>	Low emission cars as a % of the total fleet	Not available	45 %	<b>55%</b>
<b>Water</b>				
<b>Mains water</b>	M <sup>3</sup> mains water use per annum	165,983	197,883	<b>127,544</b>
<b>Intensity ratio</b>	M <sup>3</sup> mains water use per tonne of production	0.110	0.092	<b>0.072</b>
<b>Recycled water</b>	M <sup>3</sup> non-mains water use per annum	834,832	962,560	<b>652,391</b>
<b>Total water</b>	M <sup>3</sup> total water use per annum	1,000,815	1,160,443	<b>779,935</b>
<b>Waste</b>				
<b>Tonnes of waste to landfill</b>	Tonnes of general waste sent to landfill	1,888	278	<b>143</b>
<b>Tonnes of hazardous waste (landfill)</b>	Tonnes of hazardous waste sent to landfill	204	178	<b>48</b>
<b>Intensity ratio</b>	Tonnes of waste sent to landfill per tonne of production	0.001	0.0002	<b>0.0001</b>
<b>Tonnes of waste recycled</b>	Tonnes of waste recycled and diverted from landfill	3,709	3,034	<b>5,605</b>
<b>Total tonnes of waste</b>	Total tonnes of waste generated by the business	5,801	3,490	<b>5,945</b>
<b>Plastic</b>				
<b>Packaging</b>	Total tonnes of plastic packaging	998	1,476	<b>1,447</b>
<b>Intensity ratio</b>	Kg of preventable plastic per tonne of production	0.69	0.72	<b>0.69</b>
<b>Customer</b>				
<b>Revenue from new and sustainable products</b>	% of Products	11.7 %	13.0 %	<b>13.0%</b>
<b>Net Promoter Score</b>	% of customers likely to recommend Ibstock	39.0 %	33.0 %	<b>45.0%</b>
<b>Social</b>				
<b>Health and Safety – LTIFR</b>	No. of accidents per million of man hours worked	2.2	2.1	<b>1.47</b>
<b>Number of employee deaths</b>	Number of deaths recorded for employees on our sites	0	0	<b>0</b>
<b>Number of contractor deaths</b>	Number of deaths recorded for contractors on our sites	0	0	<b>0</b>
<b>Employee engagement</b>	Best companies score %	N/A	61.2 %	<b>N/A</b>
<b>Earn and Learn positions</b>	% of employees in formal earn and learn training	N/A	N/A	<b>7.5%</b>
<b>Apprentices</b>	Total number of apprentices	35	38	<b>47</b>
<b>Employee population</b>	Total number of employees	2,064	2,119	<b>2,293</b>
<b>Employee Diversity – Gender</b>	% of women	15.7 %	15.0 %	<b>16%</b>
<b>Board Diversity – Gender</b>	% of women	28.5 %	37.5 %	<b>37.5%</b>
<b>Senior Leader Diversity – Gender</b>	% of women	18.5 %	19.0 %	<b>27%</b>
<b>Charitable Contributions</b>	product donations (brick)	Not available	83,094	<b>&gt;140,000</b>

# Section 172(1) Statement

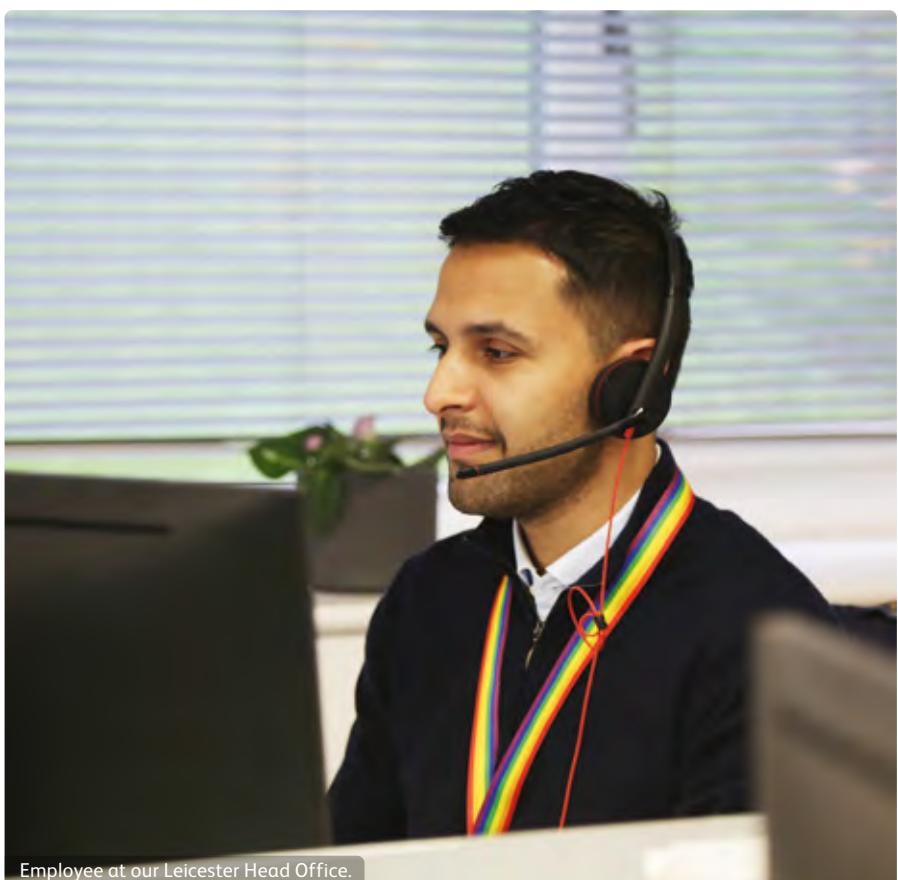
**The purpose of this Strategic Report is to inform current and potential members of the Company and help them assess how the Directors have performed their duty under section 172 of the Companies Act 2006 (s172)**

This s.172 Statement incorporates information from other areas of the Annual Report to avoid unnecessary duplication.

The Board of Directors confirms that during the year under review, it has acted in good faith to promote the long-term success of the Company for the benefit of its members as a whole, whilst having due regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006.

Examples of matters discussed in the year by the Board and their impact on our stakeholders are included in the table below and discussed throughout the Strategic Report and in the Corporate Governance Statement on page 92. The table also identifies where, in the Annual Report, information on the issues, factors and stakeholders the Board has considered in respect of s172 can be found.

It is acknowledged that it is not possible for all of the Board's decisions to result in a positive outcome for every stakeholder group. When making decisions, the Board considers the Company's purpose, vision and values, together with its strategic priorities and takes account of its role as a responsible business. By doing this, the aim is to ensure that decisions are robust and sustainable and drive long-term success for the Company. Further information about how we engage with our stakeholders and their needs can be found on pages 44 to 45.



Employee at our Leicester Head Office.

s172(1) factor	Where to find out more
<b>(a) the likely consequences of any decisions in the long term;</b> <b>Example:</b> During the year the Board continued to ensure that the Group's strategy remained appropriate to deliver the long-term success of the Company, and oversaw Management's execution of the strategy. The Board carefully evaluated the likely consequences of its decisions, challenging management where necessary to ensure that the impact of any decisions over the long-term would be of benefit to the Company. An example of this is the Board's oversight of strategic acquisitions to support the growth of the Futures business, positioning the Group to take advantage of opportunities in fast growing and emerging adjacent markets, supporting the long-term success of the Group.	<b>Strategic Report</b> Chairman's Statement Page 8 Chief Executive Officers' review Page 10 Our Markets Page 24 Futures Page 22 Our Purpose and Business Model Page 28 Our Strategy Page 30 Our KPIs Page 40 Our Principal Risks and Uncertainties Page 60  <b>Governance</b> Board Leadership and Company Purpose Page 97
<b>(b) the interests of the Company's employees;</b> <b>Example:</b> Particularly through the work of the ESG Committee, the Board retained oversight of the formulation and delivery of the Group People Strategy. The Board ensured that the People Strategy remained true to the core values of Teamwork, Trust, Care and Courage, and that our employees were appropriately supported. The Board also approved a Cost of Living Adjustment (COLA) payment this year. The Board received and considered feedback from the Group's employees through the Listening Post.	<b>Strategic Report</b> Our Purpose and Business Model Page 28 Our Strategy Page 30 Responsible Business Page 42  <b>Governance</b> Board Leadership and Company Purpose Page 97 ESG Committee Report Page 108
<b>(c) the need to foster the Company's business relationships with suppliers, customers and others;</b> <b>Example:</b> Reaching mutually agreeable and pragmatic solutions to supply chain challenges and increasing input costs has been a key aspect of the Board's decisions when having regard to this factor. An example of this is the Board's oversight and support of new haulage contracts during the year resulting in significantly improved on-time delivery rates for our customers.	<b>Strategic Report</b> Our Markets Page 24 Our Purpose and Business Model Page 28 Our Strategy Page 30 Responsible Business Page 42  <b>Governance</b> Board leadership and company purpose Page 97
<b>(d) the impact of the Company's operations on the community and environment;</b> <b>Example:</b> The Board and ESG Committee have supported and are driving Ibstock's ambition to be sector leading in its approach to ESG issues and approved the ESG 2030 Strategy to maintain this position through to 2030, as well as a commitment to be a net zero business (Scope 1 and 2) by 2040. Through the work of the ESG Committee, the Board has overseen progress relative to our targets under the ESG 2030 Strategy, whilst supporting and encouraging the Group's efforts in this area.	<b>Strategic Report</b> Responsible Business Page 42 ESG Committee Report Page 108
<b>(e) the desirability of the Company maintaining a reputation for high standards of business conduct;</b> <b>Example:</b> The Board remains committed to ensuring the business operates with the highest standards of integrity, and continually reviews and tests the compliance arrangements in place. A significant part of the Board's leadership responsibility is to ensure that the Company's purpose, strategy and culture remain aligned, and it recognises that a robust and transparent culture is a solid foundation for maintaining the Group's reputation for high standards of business conduct. Over the course of the year the Board has overseen and supported the initiatives undertaken on culture.	<b>Strategic Report</b> People and Culture Page 18 Responsible Business Page 42  <b>Governance</b> Audit Committee Report Page 110
<b>(f) the need to act fairly between shareholders and the Company.</b> <b>Example:</b> The Board seeks to ensure that communications are clear and its actions are in accordance with the Group's stated strategic aims to promote the long-term success of the Company. All of our shareholders have the opportunity to engage with the Board and ask questions at the Company's Annual General Meeting. When considering the share buyback and dividend payments during the year, the Board carefully considered the interests and needs of both institutional and retail shareholders, ensuring these were carefully balanced prior to making recommendations.	<b>Strategic Report</b> Chairman's statement Page 8 Responsible Business Page 42  <b>Governance</b> Board Leadership and Company Purpose Page 97 Directors' Report Page 135

# Viability and Going Concern

### Background

The Board's assessment of the longer-term viability of the Group is an integral part of our business planning processes. These processes include financial forecasting and risk and opportunity management, as well as longer-term scenario planning incorporating potential future economic conditions, market trends, emerging opportunities or threats and the potential impact of climate change. The output of the Group's business planning processes reflects the best estimate of the future prospects of the business based on a range of possible future scenarios. To make an assessment of viability, these forecasts are rigorously stress-tested based upon potential adverse impacts arising from the Group's principal risks and uncertainties which are outlined on pages 60 to 69, in severe but plausible scenarios which test the Group's resilience.

### Assessment

Management's viability exercise, reviewed by the Audit Committee on behalf of the Board, has robustly assessed the market conditions, risks and the liquidity and solvency of the Group, including consideration of the heightened economic uncertainty. The Group has leading positions within the markets in which it operates, as noted on pages 24 to 27, and its business strategy (see page 30) is aimed at continuing to strengthen its position in those markets, create value for its shareholders and ensure its operations and finances are sustainable.

### Lookout period

The Group may use longer-term time horizons for the purposes of capital investment and capital allocation given its markets and construction timeframes. However, the Directors believe that a three-year period provides the most appropriate horizon over which to assess viability. The performance of the building products industry is sensitive to the level of macroeconomic activity, which is influenced by factors outside of the Group's control, including demographic trends, the state of the housing market, mortgage availability, interest rates and changes in household income, inflation and Government policy, which currently is experiencing a period of increased uncertainty.

The Group's financing which matures post the lookout period consists of £100 million of private placement notes from Pricoa Private Capital, with maturities between 2028 and 2033 and a £125 million Revolving Credit Facility (RCF) with a syndicate of five banks, which is undrawn and matures in Q4 2026.

### Stress testing

Although each of the Group's principal risks has a potential effect and has been considered as part of the assessment, only those that result in a severe but plausible scenario have been modelled. The Group's viability modelling has stress tested the annual budget and strategic plan in the following scenarios both individually and in combination. This included the Group experiencing two compound scenarios of reputational damage during a period of economic downturn and also business disruption during an economic downturn.

The Group's viability modelling also included a sensitivity involving a reverse stress test to understand the Group's resilience through establishing the financial headroom that exists before viability is threatened. This was conducted by reducing profitability through reducing industry demand for the Group's products and therefore sales.

### Assumptions

In determining the viability of the Group, the Board made the following assumptions:

- The economic climate in which the Group operates remains in line with a broad consensus of external forecasts;
- There is no material change in the legal and regulatory frameworks with which the Group complies;
- There are no material changes in construction methods used in the markets in which the Group operates;
- The Group's risk mitigation strategies continue to be effective; and
- The Group's past record of successfully mitigating significant construction industry declines can be replicated.

### SCENARIO 1

Economic downturn

#### Link to risk

Risk 3 market uncertainty, Risk 4 anticipating product demand

The impact of a severe and prolonged reduction in demand for its products on the basis of reduced house building activity arising from either a macroeconomic down-turn or negative impacts of geo political events; unexpected changes to Government policy resulting in reduced volume of product sold or future impacts on customer activities as a result of COVID-19 or other pandemic, as well as a benign environment of prolonged price stagnation on sales. This considered a demand reduction of 34% and 30% for the Clay and Concrete divisions respectively in 2023 versus 2022, recovering to a 10% in 2024 and 5% reduction versus 2022 in both divisions thereafter, representing a gradual recovery after the first year.

Given the current systemic under supply of housing stock, the Directors believe any reduction in underlying demand above these levels would lead to Government stimulus to underpin levels of new build housing. The Group has proven mitigating strategies including the mothballing or closure of production facilities, together with negotiation of workforce Voluntary Alternative Arrangements, which could reduce operating costs whilst minimising redundancies, allowing the retention of our highly skilled workers through such a potential economic downturn.

### SCENARIO 2

Production cost increases

#### Link to risk

Risk 5 financial risk management, Risk 6 regulatory and compliance, Risk 1 climate change

A situation whereby the cost of production for all products increases by 20% and 25% specifically for carbon and energy costs (recognising the material increase included in the budget and strategic plan) as a result

of inflationary input cost rises across the Group arising from economic uncertainty, geo political events, or additional regulatory costs imposing additional cost within the production process arising from climate change related increases or tariffs, in the remote scenario whereby the Group is unable to pass on these costs to customers. This is based on historical cost inflation and price volatility seen in wholesale energy markets.

The Group seeks to mitigate and improve resilience to this scenario, through operating a policy of forward purchasing its energy requirements to lock in the costs of production to inform price negotiations with its customers, adopting a dynamic pricing strategy in relation to inflationary cost increases. Further, production plans could be flexed to reduce the available product range, either to focus upon more energy efficient products or to reduce changeovers at factories, which would provide mitigating production efficiencies.

## SCENARIO 3

### Disruption in business activities

#### Link to risk

Risk 2 material operational disruption, Risk 10 cyber and information security, Risk 1 climate change

The impact of an event, such as prolonged weather events as a result of climate change (such as mean temperature changes, water stress, storms or flooding), a cyber attack, local/national restrictions on the ability to work or other unanticipated event, which prevents production at one or more of the Group's facilities and therefore prevents customer demand being met. This specifically models the consequences of a significant production facility (Eclipse) being unable to produce for a prolonged period and also an outage at factories in the South East for a period of one month as a result of temperature, water stress, storms or flooding, which have been assessed as high risk through the Group climate change physical risk study. The impact of which would represent around 30% of production.

The Group aims to mitigate the risk associated with disruption through its business continuity and climate change resilience plans, which operate at a factory level, and its ability to transfer some of its production across its network of facilities.

## SCENARIO 4

### Reputational damage

#### Link to risk

Risk 7 Maintaining customer relationships and market reputation, Risk 8 people and talent management, Risk 9 product quality

A scenario whereby the Group's reputation is damaged, as a result of customer relationship breakdown, significant employee disengagement or product quality issues, resulting in a sudden reduction in sales activity. The scenario modelled includes a reduction in revenue of 10% for a period of three years, representing potential impact or price reduction to maintain customers.

The Group seeks to mitigate the risks of reputational damage on an ongoing basis with its internal control framework and series of independent reviews and audit.

The Group's viability assessment also considered two compound scenarios whereby the Group experienced reputational damage during an economic downturn and business disruption during an economic downturn.

The scenarios also consider the covenants with respect to the Group's borrowings, ensuring these thresholds are met.

The scenarios are hypothetical and severe for the purpose of creating situations that have the ability to threaten the Group's viability.

The results of the stress testing demonstrate that due to the Group's cash generative nature and access to its RCF, it would be able to withstand the impacts of these scenarios and remain cash generative.

## Viability Statement

Based on their assessment of prospects and viability above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period ending March 2026.

## Going Concern

The Directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in the basis of preparation paragraph in Note 1 to the financial statements.

## Strategic Report

The Strategic Report on pages 2 to 91 has been approved and signed by order of Board by:

**Becky Parker**

Group Company Secretary

7 March 2023

## Introduction to Governance



**Jonathan Nicholls**  
Chairman

### Dear Shareholders,

I am pleased to introduce the Governance section of this year's Annual Report. As in previous years, the Governance section has been structured to provide a clear and transparent overview of the Board's oversight of Ibstock's governance framework. To further our drive to improve corporate reporting, we have reviewed our disclosures in line with the various reporting best practice recommendations published throughout the course of the year, and as ever welcome feedback and suggestions from all of our stakeholders on our continuing development in this area.

This section includes the Corporate Governance Statement, the reports of the main Board Committees, including the Directors' Remuneration Report and a number of other disclosures that we are required to make by law. Taken together and including cross references to relevant parts of the Strategic Report, they contain all of the information that is required to demonstrate how we have applied the principles and complied with the provisions of the UK Corporate Governance Code (the Code).

#### Review of the year

In another challenging year, our Board has continued to fulfil its stewardship of the Company, promoting the long-term sustainable success of the Company, and overseeing the Group's value generation for shareholders, and its contribution to wider society. In doing so we have ensured that our purpose, strategy and culture remain fully

aligned. All of the Directors take pride in the discharge of our Board duties and responsibilities in a transparent, open and honest manner, and we are heartened that this continues to be reflected by senior management and across the Group.

As a Board we have continued to oversee management's drive and performance to deliver the strategy and business performance despite the significant headwinds of economic uncertainty, high energy costs and price inflation. The unprecedented changes in the external environment experienced by all businesses over the past few years has underlined the essential qualities of flexibility and adaptability to changing conditions, which are key attributes of our Board.

The Board is answerable to shareholders for the successful delivery of the Group's strategy and financial performance; for the efficient use of resources having regard to social, environmental and ethical matters; and for taking account of the interests of all our other stakeholders. We approve the Group's governance framework, taking into account contributions from Board Committees in their specialist areas such as remuneration policy, internal controls and risk management and succession planning. On a regular basis we review our level of oversight and the monitoring of risks over a variety of areas including strategy, acquisitions and disposals, capital expenditure on new projects, finance, people, and ESG matters. This process will continue to adapt to meet the evolving needs of Ibstock. Our aim is to ensure that good governance extends beyond the Boardroom and is continually borne in mind as part of the successful delivery of the Group's strategic pillars over both the short and long term.

#### Culture

Ibstock has always had a strong, collegiate culture and this is promoted by the Board. This year, the Board has been particularly impressed by the work undertaken to develop the Group's culture and engage meaningfully with the Group's employees. This has not only furthered the Board's ambitions for the Group in this area, but has provided new feedback mechanisms for monitoring culture. The Board has been fully supportive of these initiatives, and we are particularly proud of the Group's approach to investing in the Company's employees, especially in this challenging economic climate. Further information on the Group's culture initiatives can be found on page 18.

#### Board changes and Diversity

With respect to changes on the Board, Tracey Graham will step down as a Non-Executive Director at the conclusion of the 2023 Annual General Meeting (AGM). Tracey discharges the Senior Independent Director and Chair of the Remuneration Committee roles, and has served on the Board since February 2016. On behalf of the Board, I would like to take this opportunity to thank Tracey for her invaluable contribution over the years. After a carefully managed selection process, Louis Eperjesi will assume the role of Senior Independent Director from the conclusion of the AGM, and we have commenced the search for an additional Non-Executive Director to join the Board as Chair of the Remuneration Committee.

The Board, with the support of the Nomination Committee, has continued to work with management to support and develop the Group's approach to diversity within our workforce. A number of discussions on this topic have taken place over the course of the year, and focus continues to be on the Group's initiatives to drive performance in this area, see page 51 for further details. With respect to Board diversity, the Board remains cognisant of the need for an appropriately diverse Board, and has formalised its policy in this area.

Becky Parker was appointed Group Company Secretary & ESG Director on 27 January 2023, following the resignation of Nick Giles effective as at the same date. The Board welcomes Becky, and extends its thanks to Nick for his valuable contribution during his tenure.

#### Remuneration Policy

The Board was pleased that the Remuneration Policy, put to a shareholder vote at the AGM held 21 April 2022, received overwhelming support from our shareholders. This followed extensive engagement with our shareholders, the feedback from which was valuable in informing the decisions and conclusions of the Remuneration Committee in its finalisation of the Policy. Details on how the Policy has been applied during the year can be found in the Directors' Remuneration Report on page 115.

## ESG



This year was the first full year of operation of our new ESG 2030 Strategy which we announced in last year's Annual Report. The ESG Committee has continued to monitor and support the delivery of the strategy, and I am pleased to report that the Committee itself and consequently the Board has made significant strides in its understanding of and engagement with some of the most pressing challenges of our time, most notably how we as a Group can contribute to limiting the effects of climate change. As a Board we have devoted more time to ESG Committee meetings, and to boost our collective understanding of this key area. Those members of the Board that are not Committee members have made efforts to attend ESG meetings and associated training where existing commitments have allowed. Further information on the work of the ESG Committee can be found on page 108, and performance against the ESG strategy on page 46.

Progress to meeting the Group's commitment to make Ibstock a Scope 1 and 2 net zero business by 2040 is going well, with performance against our Carbon Reduction KPI on track. Last year we reported on the introduction of a new performance condition for LTIP awards encompassing three separate elements that were linked to the ESG strategy, in order to assist in driving our performance against these targets. The elements include carbon reduction, female representation in senior management and new sustainable product development. Further information on this can be found in the ESG Committee Report and the Directors' Remuneration Report on pages 108 and 115 respectively.

## Compliance and other statements

### Application and compliance with the UK Corporate Governance Code 2018 (Code)

The principles set out in the Code emphasise the value of good corporate governance to the long-term sustainable success of listed companies. These principles, and the supporting provisions, cover five broad themes and the Board is responsible for ensuring that the Company has appropriate frameworks in place to comply with the requirements of the Code. The Board believes that throughout 2022, the Company has applied the principles and complied with the majority of the relevant provisions of the Code with one exception set out below:

#### Provision 38 – Alignment of pension rates with the workforce

During the year in review the CEO received a cash payment in lieu of pension contribution of 20% of base salary. This was reduced to 10% of salary in alignment with the wider workforce and the Code on 31 December 2022, in accordance with the timings stipulated in the Investment Association's Principles of Remuneration.

The Code is available on the Financial Reporting Council website at [www.frc.org.uk](http://www.frc.org.uk).

### Application of the Code Principles

References to those parts of the Annual Report and Accounts (Annual Report) that demonstrate how we have applied the main principles of the Code can be found below:

#### Board Leadership and Company Purpose

Information on how the Board led the Company, establishing and overseeing the purpose, values, strategy and integration of culture, ensuring that necessary resources are in place and that stakeholder engagement was effective can be found on page 97.

#### Division of Responsibilities

The roles and responsibilities of key aspects of the Group's governance framework can be found on page 102.

#### Composition, Succession and Evaluation

Page 103 and the Nomination Committee Report on page 105 contain information on Board composition, the process for appointments to the Board and wider succession planning, the Board evaluation and effectiveness review procedures and the approach to induction, training and development.

### Audit, Risk and Internal Control

Page 104 and the Audit Committee Report on page 110 contain information on financial and business reporting, risk management, internal control and the internal and external audit functions. The Audit Committee Report summarises the activities of the Committee for the year including areas of significant judgement.

### Remuneration

The Directors' Remuneration Report on page 115 contains information on the Company's Remuneration Policy as well as its application in 2022 and for the coming financial year.

### Viability and going concern

Statements in respect of viability and going concern are set out on pages 90 to 91.

### Robust assessment of emerging and principal risks

The Board confirms that it has carried out a robust assessment of the emerging and principal risks facing the Group (including those which would threaten the business model, future performance, solvency, liquidity or reputation), its appetite with respect to those risks and the systems required to mitigate and manage them. Details on the review process are set out on page 113. Further details on the emerging and principal risks and uncertainties can be found on page 60.

### Annual review of systems of risk management and internal control

The Board monitored the Group's systems of risk management and internal control and carried out a review of their effectiveness. The Board concluded that, whilst there remained opportunities to improve in certain areas, overall these systems were effective. Details regarding this review process are set out on page 114.

### Fair, balanced and understandable

The Directors consider that, taken as a whole, this Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. Details on the process for arriving at this conclusion are set out on page 112.

### Section 172(1)

The Directors have performed their duty under s172(1) of the Companies Act 2006. The statement on how this duty has been fulfilled is contained in the Strategic Report on page 88.

## Board of Directors and Company Secretary



**Jonathan Nicholls** BA (Hons), ACA, FCT

**Chairman**

**Date appointed to the Board:**  
22 September 2015  
(Chairman since 24 May 2018)

**Tenure on Board:**  
7 years 5 months

**Committee memberships:**

**Chairman:**  
N R

**Independent:**  
On appointment

**Relevant skills and experience:**  
Degree in Economics and Accounting awarded by Manchester University. Member of the Institute of Chartered Accountants in England and Wales, having qualified with KPMG in 1982. Fellowship member of the Association of Corporate Treasurers. Over 20 years' experience at the senior management or director level of businesses, including those in brick manufacturing, roofing and construction, and property development. Significant experience as CFO and other senior finance roles in public companies.

**Current external appointments:**  
Chairman of Shaftesbury PLC.

**Past board roles include:**  
Non-Executive Directorships: SIG plc, DS Smith plc, Great Portland Estates plc. CFO of Hanson plc, CFO of Old Mutual plc.



**Joe Hudson** BA (Hons), FCIPD

**Chief Executive Officer**

**Date appointed to the Board:**  
2 January 2018  
(CEO since 4 April 2018)

**Tenure on Board:**  
5 years 2 months

**Committee memberships:**

**Chairman:**  
E

**Independent:**  
No

**Relevant skills and experience:**  
BA (Hons) Degree in Education awarded by the University of Exeter. General Management programmes at INSEAD and London Business School. Fellow of the Chartered Institute of Personnel and Development. Varied international career in general management, operations and strategic human resources in Europe, North America and Africa. Operational line management experience in cement, plasterboard, concrete products and construction materials. Experience of large scale business combinations.

**Current external appointments:**  
Director of the Construction Products Association.

**Past board roles include:**  
Managing Director, Cement & Concrete Products, Aggregate Industries UK. Chief Executive Officer, Lafarge Africa plc.



**Christopher McLeish** BSc, ACA

**Chief Financial Officer**

**Date appointed to the Board:**  
1 August 2019

**Tenure on Board:**  
3 years 7 months

**Committee memberships:**  
None

**Independent:**  
No

**Relevant skills and experience:**  
BSc (Hons) Business Economics awarded by the University of Salford. Member of the Institute of Chartered Accountants in England and Wales. Wealth of experience in key finance leadership roles with a broad background in manufacturing, media and technology sectors. Extensive experience of Group finance and controls, as well as global shared services operations. Demonstrable success in a range of senior operational, corporate and financial communication roles.

**Current external appointments:**  
None.

**Past board roles include:**  
Finance Director, Tate & Lyle North American Sugars.



**Tracey Graham**

**Senior Independent Director**

**Date appointed to the Board:**  
3 February 2016

**Tenure on Board:**  
7 years 1 month

**Committee memberships:**  
R A N

**Independent:**  
Yes

**Relevant skills and experience:**  
Experience of MBO and M&A activity. Led the management buyout of Talaris Limited from De La Rue. Proven track record of creating successful growth in a wide variety of businesses. Significant experience gained in senior positions in banking and insurance with HSBC and AXA Insurance.

**Current external appointments:**

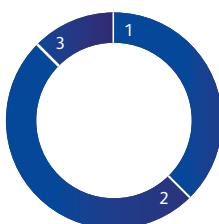
**Non-Executive Directorships:**  
Nationwide Building Society, Close Brothers Group plc, discoverIE Group plc, Link Scheme Limited. Chair of LINK Consumer Council.

**Past board roles include:**

**Non-Executive Director of Royal London Group.** Chief Executive of Talaris Limited.

**Key to Committee Membership:**

- N Nomination Committee
- R Remuneration Committee
- A Audit Committee
- E ESG Committee
- Chair



**Board tenure**

1 >6 years	3 Directors
2 3-6 years	4 Directors
3 0-3 years	1 Director

**Justin Read** MA, MBA**Non-Executive Director**

**Date appointed to the Board:**  
1 January 2017

**Tenure on Board:**  
6 years 2 months

**Committee memberships:**

**R A N**

**Independent:**  
Yes

**Relevant skills and experience:**  
Educated at Oxford University and holds an MBA from INSEAD. Nine years as a CFO of FTSE-listed companies. Financial and management experience working across a number of different industry sectors, including real estate, support services, building materials and banking. Experience of managing businesses across multiple jurisdictions. Experience of strategy, M&A, business development, investor relations and capital raising.

**Current external appointments:**  
Non-Executive Directorships: Grainger PLC, Affinity Water Limited, Marshall of Cambridge (Holdings) Ltd.

**Past board roles include:**  
Non-Executive Director of Carillion plc (for a six-week period from 1 December 2017). Group Finance Director of Segro plc. Group Finance Director at Speedy Hire plc.

**Louis Eperjesi****Non-Executive Director**

**Date appointed to the Board:**  
1 June 2018

**Tenure on Board:**  
4 years 9 months

**Committee memberships:**

**R A N E**

**Independent:**  
Yes

**Relevant skills and experience:**  
Experience of manufacture and supply of building products in international markets. 11 years' experience in UK roofing or brick markets. Experience of strategy development, change management programmes and M&A activity. Strong commercial, marketing and product background. 13 years' experience in UK capital markets.

**Current external appointments:**  
Non-Executive Directorships: Accsys Technologies PLC, Trifast Plc. Chairman of Trustee of The Cheltenham Trust.

**Past board roles include:**  
Executive Director of Kingspan Group plc. Chief Executive Officer of Tyman plc. Chairman of CMS Windows Ltd.

**Claire Hawkings** BSc (Hons), MBA**Non-Executive Director**

**Date appointed to the Board:**  
1 September 2018

**Tenure on Board:**  
4 years 6 months

**Committee memberships:**

**E R A N**

**Independent:**  
Yes

**Relevant skills and experience:**  
BA (Hons) Degree in Environmental Studies awarded by Northumbria University. MBA from Imperial College Management School. Fellow of the Energy Institute. Sustainability leadership and management expertise. Experience in developing and delivery of organisational strategies including business process transformation, leadership succession, and diversity and inclusion. Significant experience (30 years) in the energy sector in a variety of international leadership positions including: P&L responsibilities, M&A, portfolio management and leading complex commercial transactions.

**Current external appointments:**  
Non-Executive Directorships: Defence Equipment and Support, James Fisher and Sons Plc, FirstGroup plc.

**Past board roles include:**  
Director, Tullow Oil Netherlands. Director, Tullow Oil Bangladesh. Director, Gujarat Gas Co. Ltd. Director, British Gas India Pvt. Ltd.

**Peju Adebajo****Non-Executive Director**

**Date appointed to the Board:**  
26 November 2021

**Tenure on Board:**  
1 year 4 months

**Committee memberships:**

**R A N E**

**Independent:**  
Yes

**Relevant skills and experience:**  
CEO with experience across a number of industrial sectors including building materials, renewables, consulting and banking. Over 13 years' experience in commercial expansion and development of products and services. Experience in sustainability leadership, as well as corporate communications. Educated at Imperial College London and holds a Bachelors and Masters Degree in Engineering (Chemical Engineering). MBA from Harvard University and alumna of INSEAD.

**Current external appointments:**  
Non-Executive Director of Wolseley Jersey Limited. Advisory board member of Lagos Business School, and the Renewable Energy Association of Nigeria.

**Past board roles include:**  
Chair of Traxi Limited (Nigeria). CEO/MD of Major State Agricultural Department, Nigeria. MD of Lafarge Africa PLC. CEO of Mouka Ltd (Nigeria). Non-Executive Director of Ladgroup Limited (Nigeria).

**Becky Parker** BSc (Hons), MSc, ACMA/  
CGMA, GradCG**Group Company Secretary<sup>1</sup>**

**Date appointed:**  
27 January 2023

**Relevant skills and experience:**  
Undergraduate degree in Management Sciences and a Master's degree in Management Science and Operational Research awarded by the University of Warwick. Member of the Chartered Institute of Management Accountants and a graduate of the Chartered Governance Institute UK and Ireland.

10 years' experience in FTSE 100 listed governance, compliance and senior finance roles. Broad range of commercial experience across a range of sectors from early career as a Management Consultant at The PA Consulting Group.

<sup>1</sup> For the year under review, Nick Giles served as Group Company Secretary.

# Executive Leadership Team



**Joanne Hodge** BA (Hons), MCIPD  
**Group People Director**  
**Joined the business in January 2022**  
**Relevant skills and experience:**  
BA Degree in Business and Finance awarded by University of Coventry. Member of Chartered Institute of Personnel and Development. Career which started as an Apprentice and progressed through a number of operational management roles before moving to HR within a Global FMCG organisation. Since worked across Finance and Logistics sectors and led sizeable organisational and cultural transformation programmes.



**Jeremie Rombaut** BA, BTech (Hons.)  
**Managing Director, Ibstock Futures**  
**Joined the business in January 2022**  
**Relevant skills and experience:**  
MBA (Distinction) Degree in General Management awarded from IMD, Lausanne and a Bachelor of Technology degree from Roorkee (India) and HES, Switzerland. Diversified and international experience in innovation, business development (new market entry with industrial investment, as well as startup ventures) and general management roles in Europe and fast-growing emerging markets. Experience in construction industry including Cement, Aggregates, Concrete and Plasterboard.



**Joe Hudson** BA (Hons), FCIPD  
**Chief Executive Officer**  
See page 94 for skills and experience.



**Christopher McLeish** BSc ACA  
**Chief Financial Officer**  
See page 94 for skills and experience.



**Becky Parker** BSc (Hons), MSc, ACMA/CGMA, GradCG  
**Group Company Secretary & ESG Director**  
See page 95 for skills and experience.

## Governance framework



### Board attendance during the year

The number of scheduled meetings of the Board and its Committees and the attendance by the Directors at meetings that they were eligible to attend during the year is disclosed in the following table:

Name	Board	Audit Committee	Remuneration Committee	Nomination Committee	ESG Committee
<a href="#">Jonathan Nicholls</a>	7/7	–	4/4	3/3	–
<a href="#">Joe Hudson</a>	7/7	–	–	–	4/4
<a href="#">Chris McLeish</a>	7/7	–	–	–	–
<a href="#">Tracey Graham</a>	7/7	4/4	4/4	2/2 <sup>1</sup>	–
<a href="#">Justin Read</a>	7/7	4/4	4/4	3/3	–
<a href="#">Louis Eperjesi</a>	7/7	4/4	4/4	3/3	4/4
<a href="#">Claire Hawkings</a>	7/7	4/4	4/4	3/3	4/4
<a href="#">Peju Adebajo</a>	7/7	4/4	4/4	3/3	4/4

<sup>1</sup> Tracey Graham was recused from the Nomination Committee concerning the recruitment of her successor.

### Governance framework

The Board holds seven or eight scheduled meetings during the year, one of which will be an off-site strategy session. To facilitate Board engagement with our employees and operations, the Board and its Committees hold meetings at various locations across the business during the year. If Directors are unable to attend a meeting because of exceptional circumstances, they continue to receive the papers in advance of the meeting and have the opportunity to discuss with the relevant Chair or the Group Company Secretary any matters on the agenda which they wish to raise. Feedback is also provided to the Director on the decisions taken at the meeting.

### Board Leadership and Company Purpose

#### An effective Board

The Board is collectively responsible for the effective and entrepreneurial leadership of the Group in order to ensure its long-term sustainable success, including the generation of value for Ibstock's shareholders and society as a whole. It achieves this by doing business that is consistent with its purpose, vision and values whilst remaining clear on the interests of its key stakeholders as well as its impacts on the environment. Each member of the Board acts in a way which they consider to be in the best long-term interests of the Group and in compliance with their duties under sections 170 to 177 of the Companies Act 2006. Both the Stakeholder Engagement section on page 44 and the Section 172(1) Statement on page 88 provide further information. The main activities of the Board are set out on page 100

including information as to which stakeholder groups were considered as part of different agenda items during the year.

Shareholders look to the Board for the successful delivery of the Group's strategy and financial performance so the Board has established a framework of prudent and effective controls that enable risk to be assessed and managed. More information on the risk management and risk control framework can be found in the Principal Risks and Uncertainties section on page 60 and the Audit, Risk and Internal Control section on page 104. On a regular basis, the Board reviews its level of oversight and the monitoring of risks over a variety of areas including strategy, acquisitions and disposals, capital expenditure on new projects, finance, people, and ESG matters.

### Our purpose, values, strategy, and culture

The construction industry plays a vital part in the UK economy. Ibstock has a clear and simple purpose to be at the heart of building and helping to shape homes, places and spaces that help people live better lives, with its range of clay, concrete and diversified building products, as we have been doing for over 200 years. We have a clear strategy that is informed by our purpose and aligned with our responsible business ambitions, underpinned by a culture that is defined by our core values of Teamwork, Trust, Care, and Courage.

The Board and its Committees monitor culture throughout the year, receiving updates on new initiatives and the development of plans provided by the CEO and the Group People Director. In addition, the attending Non-Executive Director updates the Board following meetings of The Listening Post, our chosen method of workforce engagement (referenced) below, as this serves as a good monitoring tool for views within the wider business.

The Board is assisted in monitoring the culture of the Group through reference to numerous indicators, including those set out in the table below:

The Board aims to ensure that our values are integrated into decision-making and that the policies and procedures we put in place are consistent with and support our culture. Where behaviour is not aligned with these values, the Board and Management seek to ensure that appropriate action is taken. The Board has not needed to seek corrective action during 2022.

During the year the Board has been impressed by and has fully supported the initiatives of management to bring culture to the forefront of employee experience at Ibstock. Details of these initiatives can be found in the People and Culture section on pages 18 to 21.

### Stakeholder interests

The Board has a good understanding of its key stakeholders and recognises the interests, importance and value of each relative to the Group's business and strategy. This is based on regular engagement with these groups over a number of years. An overview of the Group's key stakeholders including a summary of the methods of engagement and information on how their interests have been taken into account in Board decision-making can be found on page 44 of the Strategic Report. Some examples of principal Board decisions that were discussed during the year, and how the Board considered these stakeholder groups, can be found on page 101.

### Workforce engagement

The Listening Post, an employee forum comprising Claire Hawkings our Chair of the ESG Committee, the CEO, Group People Director and employee representatives, is our method of engagement with the workforce. Whilst not one of the methods set out in the Code, The Listening Post is a combination of being a workforce advisory panel with Non-Executive Director representation. This method of employee engagement provides a safe space for our employees, and encourages open and honest discussion. Four sessions were held during the year, in which a cross-section of employees from around the business attended to share insights and views from the workforce. In addition to Claire Hawkings, other Non-Executive Directors attend the meetings. Meeting agendas comprise management updates and employee-led topics. Discussions covered a broad spectrum of topics including:

- The Listening Post and its part in Ibstock's culture
- The 'Fire Up Ibstock' initiative and associated recognition schemes
- Health and Safety performance and updates
- Business and operational performance
- Employee experience, communication and development
- Employee Value Proposition, Wellbeing, Diversity and Inclusion
- Site facility improvements

The outcomes of discussions were reported to the Board and informed the Board as to employee issues and interests, providing an additional feedback mechanism for the Board on employee sentiment. An example of the Listening Post's contribution to the Board's decision-making during the year was its part in informing the Board of the desirability to make a cost of living adjustment payment to employees, and latterly how the Board's actions were positively received by employees.

### Shareholder engagement

#### Investor meetings

As part of the Group's annual financial calendar, the CEO and CFO conduct a round of meetings with analysts and investors following the announcement of the Full Year and Half Year results. Other meetings are arranged as and when required. During the 2022 financial year, we held over ten meetings with groups of existing and potential investors.

The Chairman seeks regular engagement with the Company's major shareholders in order to understand their views on governance and performance against the strategy whilst the Committee Chairs also engage on significant matters related to their area of responsibility.

Tracey Graham, our Senior Independent Director (SID), was available to shareholders throughout the year if they have concerns that contact through the normal channels has failed to resolve or for which such contact is inappropriate.

### Shareholder feedback

The Chairman ensures that the whole of the Board has a clear understanding of the views of shareholders. There is an effective flow of communication between the Board and all shareholders, particularly with regard to business developments and financial results. The Board aims to communicate on a regular basis and at present the Company utilises news releases, investor presentations and Company publications, and will expand communication channels as appropriate.

Health and Safety	People	Compliance	Customers and Suppliers	ESG
<ul style="list-style-type: none"> <li>• Lost time injury frequency score</li> <li>• Safety audits and results</li> <li>• Progress against the Health and Safety Roadmap</li> </ul>	<ul style="list-style-type: none"> <li>• Results of employee engagement survey</li> <li>• Gender pay gap disclosures</li> <li>• Diversity and inclusion statistics</li> </ul>	<ul style="list-style-type: none"> <li>• Internal audit reports</li> <li>• Fraud and misconduct updates</li> <li>• Issues raised via the Group's whistleblowing system</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier days</li> <li>• Feedback through the Chief Executive Officer</li> </ul>	<ul style="list-style-type: none"> <li>• Progress against the ESG 2030 Strategy</li> <li>• Charitable contributions and initiatives</li> </ul>

The Company's brokers prepare a report that provides anonymised objective feedback received from investors following those meetings. The report is shared with all members of the Board who act upon the feedback as necessary. The Executive Directors also provide feedback on their conversations with investors which provides an opportunity for all Non-Executive Directors to develop a better understanding of the views of Ibstock's major shareholders. Further information on engagement with shareholders can be found in the Stakeholder engagement section on page 44.

#### Investor visits

Interested institutional investors are provided with opportunities to visit the Group's operational sites and are encouraged to do so in order to increase their understanding of Ibstock's business.

#### Annual General Meeting (AGM)

Ibstock's AGM will be held on 27 April 2023. Any shareholder who wishes to ask a question can do so in advance of the meeting. Please email [company.secretariat@ibstock.co.uk](mailto:company.secretariat@ibstock.co.uk) with any questions prior to the start of the AGM. We endeavour to answer as many questions as possible and will respond by email if we are unable to answer your question during the meeting.

Details of the arrangements together with the resolutions to be proposed at the AGM can be found in the Notice of Meeting (Notice). The Notice, together with explanatory notes on the resolutions to be proposed and full details of the deadlines for appointing proxies will be circulated to all shareholders at least 20 working days before the AGM, together with this Annual Report. This document will also be available on our website [www.ibstockplc.co.uk](http://www.ibstockplc.co.uk). Results of voting at the AGM are announced to the London Stock Exchange following the meeting and are then published on the Company's website.

#### Annual Report

Our Annual Report is available to all shareholders and we aim to make our Annual Report as accessible as possible. Shareholders can opt to receive a hard copy in the post, a PDF copy via email or download a copy from our website. In line with our sustainability ethos we encourage you to view a digital copy of our Annual Report where possible, however, if you require a hard copy of the Annual Report please contact the Link Group, our Registrars. Contact details can be found on the inside back cover of this Annual Report.

#### Corporate website

Our corporate website has a dedicated investor section with Company information and results, our Annual Reports, results presentations (including webcasts) and an investor news section including information which may be of interest to our shareholders. We recognise that continual improvement is necessary and in recognition of feedback received around the current website's suitability and ease of use we have begun a project to upgrade and refresh the website to take account of these comments and to make it more useful and intuitive to all users going forward.

#### Conflicts of interest

A register of conflicts of interest is maintained by the Group Company Secretary and considered by the Board twice a year. The Company's Articles of Association, which are in line with the Companies Act 2006, allow the Board to authorise potential conflicts of interest that may arise and to impose limits or conditions, as appropriate, when giving such authorisation. During the year, and as at the date of this report, no conflicts had been reported to the Board.

Any concerns of the Directors around the operation of the Board or the management of the Company that cannot be resolved are recorded in the Board minutes. Directors are asked to provide a written statement to the Chairman for circulation to the Board should they have such concerns when they resign from the Board.

#### Whistleblowing

Although the Audit Committee reviews the operation of Ibstock's whistleblowing arrangements, the Board retains responsibility and receives a consolidated report setting out those material incidents that have been reported under the Company's Whistleblowing Policy on a half-yearly basis. This provides appropriate oversight of the arrangements in place for our employees to raise legitimate concerns, in confidence, about any matter including those related to financial reporting, health and safety or other improper conduct. Having reviewed these reports, the Board concurred with the actions taken by management and were satisfied that this provided an appropriate level of assurance that confirmed the system was working and that all members of the workforce were familiar with the procedures in place, and that no further action from the Board was required.

#### Activities of the Board in 2022

The key activities considered by the Board during the year are set out on the page overleaf. The Board recognises the value of maintaining close relationships with its stakeholders, understanding their views and the importance of these relationships in delivering our strategy and the Group's purpose. The Group's key stakeholders and their differing perspectives are taken into account as part of the Board's discussions. You can read more in our Section 172(1) Statement on page 88 and our Section 172(1) approach on page 101.

Board meetings follow a clear agenda that is agreed in advance by the Chairman, in conjunction with the CEO and Group Company Secretary. Each meeting will start with a review of the Group's progress against its Health and Safety Roadmap and include a number of standing elements such as reports on operational and financial performance from the CEO and CFO and legal and governance updates.

Details of the Directors' attendance at the scheduled meetings can be found on page 97.

### Strategy



There is a dedicated session assigned to consideration and review of the Group's strategy on an annual basis. During this time the Board will receive inputs from its key advisors, the Executive Directors and members of the senior management teams.

### Health and Safety



The Board considers the health and safety report from the Group's Head of Health and Safety covering progress relative to targets, updates on new projects and initiatives and analysis of any incidents. A more detailed summary round up of incidents is presented once a year.

### Operational



The CEO provides regular reports to the Board providing information on Ibstock's performance in the preceding period with updates on all areas of the business including people, major projects, sustainability initiatives and stakeholder engagement.

### Financial



The Board receives a pack of financial data on a regular basis that provides sufficient information on Ibstock's trading and financial position for historic periods as well as forward-looking forecast and budgets. Longer-term plans and information on the Group's banking relationships is also provided.

### Legal and Governance



Formal annual updates on governance are received from the Group's advisors between which the Board receives regular updates on other major legal and governance developments from the Group Company Secretary. Papers regarding compliance with the Board's administrative procedures are also provided.

### Key Stakeholder Groups

- Customers
- Communities
- Investors
- Employees
- Suppliers
- Regulators and Government
- Pension Fund Members and Trustees

### Section 172(1) Approach

The needs of our different stakeholders as well as the consequences of any decision in the long term are well considered by the Board. This includes those decisions which involve the competing interests and priorities of our key stakeholders. We remain clear on the overriding duty to promote the success of the Company placed on the Board and other senior managers within the Group, and recognise that conflicts between differing interests will often arise. More information on section 172(1) can be found on page 88.

### Principal decisions during 2022

The main areas of Board activity can be found on page 100. All of these areas involve a range of inputs from stakeholders which are communicated to the Board in a variety of different ways. We detail below how the Board factored stakeholders, and the information we received through engagement, into four principal decisions in 2022. When making each decision, the Board carefully considered how it promoted the long-term success of the Group, its financial and non-financial impacts, and had due regard to the other matters set out in s172(1)(a) to (f) of the Companies Act 2006.

Stakeholder Group		
Share Buyback	Investors, Pension Fund Members and Trustees	The Board approved the repurchase of up to £30million worth in aggregate of Ibstock Plc 1p Ordinary Shares during the year. In reaching its decision, the Directors considered the capital needs of the Group, the position of our defined benefit pension schemes and canvassed the opinions of our investors. It was determined that a share buyback was the most efficient use of surplus capital and would provide the greatest benefits to stakeholders overall, and align with the capital allocation framework, which seeks to maintain leverage at approximately 0.5 -1.5x EBITDA.
Investments	Investors, Employees, Customers, Communities	A number of investments were made over the year to support the growth of the Futures business and these are discussed in greater detail on page 15. The Board considered the interests of our customers with respect to product range, investors in ensuring the long-term value of the investments, and the impact on the employees of the associated workforces to ensure they were treated fairly and equitably. Satisfied that the needs of the business and stakeholder interests had been suitably balanced and that impacts on stakeholder groups had been mitigated as far as possible, the Board supported the investments.
Cost of living Allowance (COLA)	Employees, Communities, Investors	The Board considered the pressures on the workforce as a result of inflation and rising energy costs. In doing so, the Board weighed the interests of our employees, our local communities and the need to be a responsible employer, and the interests of our investors in our long-term sustainable performance, with the short-term cost impact of COLA payments to our employees. In contemplation of these matters, and the Group's other stakeholders, the Board decided that it was in the best interest of all stakeholders to ensure that the workforce was well placed to meet the extra financial costs placed upon them and awarded COLA payments as detailed on page 17.
Dividend	Investors, Pension Fund Members and Trustees	The Board is conscious of the importance of the ordinary dividend as an income stream for many of our shareholders and, taking into account the financial position of the Company, and underpinned by the continued confidence in the financial strengths and prospects of the business, the directors decided it was appropriate to pay interim and final dividends totalling 8.8p per share. The Board will keep the dividend policy under review to ensure it remains appropriate and continues to be in the interests of shareholders, with due regard paid to the interests of the Company's other stakeholders.

## Corporate Governance Statement continued

### Division of Responsibilities

The Board has clearly defined the roles of the Chairman, CEO and SID and, as required by the Code, the roles of Chairman and CEO are not being exercised by the same individual. Full details of the roles and responsibilities of all parts of the Group's governance arrangements including those concerning the Chairman, CEO and SID can be found on the Company's website.

The Board	There are a number of key areas that are specifically reserved for the decision of the Board and a list of these can be found on our website <a href="http://www.ibstockplc.co.uk">www.ibstockplc.co.uk</a> . Other matters, including the day to day management of the Group, may be delegated to the Executive Directors. Although a wide range of the Board's powers and authorities are delegated to the CEO, the Board retains ultimate responsibility and authority for their exercise. Details of the number of meetings held during the year can be found on page 97. The Board approves the Group's governance framework, taking into account contributions from Board Committees in their specialist areas such as remuneration policy, internal controls and risk management and succession planning. The Board is content with the level of external directorships held by the Chairman and the independent Non-Executive Directors, as these do not impact on the time that any Director devotes to the Company. The Board is satisfied that Directors have sufficient time to perform their duties and furthermore, the Board believes that this external experience serves to enhance the capability of the Board.
Board Committees	The Board has five main committees: the Nomination Committee, Remuneration Committee, Audit Committee, ESG Committee and the Disclosure Committee. The terms of reference for each Committee are available on the Group's website <a href="http://www.ibstockplc.co.uk">www.ibstockplc.co.uk</a> .
Executive Leadership Team (ELT)	The ELT has been established to support the CEO in his management of the business on a day to day basis and exercise of any authority delegated to him by the Board. Members of the ELT include the Chief Financial Officer, the Chief Operations Officer, Managing Director of Ibstock Futures, Group People Director and the Group Company Secretary & ESG Director. Meetings are held on a monthly basis.
Chairman	The Chairman is responsible for the leadership and effectiveness of the Board. The Chairman, with assistance of the CEO and the Group Company Secretary, sets the agenda for Board meetings, manages the meetings (in conjunction with the Group Company Secretary) and facilitates open and constructive dialogue during those meetings. He also holds meetings without the CEO and CFO being present.
Chief Executive Officer (CEO)	The CEO has specific responsibility for recommending the Group's strategy to the Board and for delivering the strategy once approved. In undertaking such responsibilities, he is supported by the ELT and other Board colleagues. The CEO and CFO monitor the Group's operating and financial results and directs the day to day business of the Group. The CEO is also responsible for the recruitment, leadership and development of the ELT.
Chief Financial Officer (CFO)	The CFO is responsible for the financial matters in the Group. He supports the CEO in the achievement of the Group's strategic objectives and manage the relationships with Ibstock's investors and analysts. Further information can be found in the Financial Review on page 70.
Senior Independent Director (SID)	The SID provides advice to the Chairman and serves as an intermediary for the other Directors and shareholders. The Non-Executive Directors meet without the Chairman present at least annually to appraise the Chairman's performance, and on other occasions as necessary.
Independent Non-Executive Directors	The Non-Executive Directors provide an external perspective, sound judgement and objectivity to the Board's deliberations and decision-making. With their diverse range of skills and expertise, they support and constructively challenge the Executive Directors and monitor and scrutinise the Group's performance against agreed goals and objectives. The Non-Executive Directors are also responsible for determining appropriate levels of executive remuneration, appointing and removing Executive Directors, and succession planning through their membership of the Remuneration and Nomination Committees. The Non-Executive Directors together with the Chairman meet regularly without any Executive Directors being present.
Board support and the Group Company Secretary	The Group Company Secretary supports and works closely with the Chairman, the CEO and the Chairs of the Board Committees in setting agendas for meetings of the Board and its Committees. She ensures accurate, timely and clear information flows to and from the Board and the Board Committees, and between Directors and senior management. In addition, she supports the Chairman in designing and delivering Directors' induction programmes and the Board and Committee performance evaluations, advises the Board on corporate governance matters and Board procedures, and is responsible for administering the Share Dealing Code and the AGM.  The Directors of all Group companies, as well as the Board, have access to the advice and services of the Group Company Secretary although independent external legal and professional advice can also be taken when necessary to do so. Furthermore, each Committee of the Board has access to sufficient and tailored resources to carry out its duties. The appointment and the removal of the Group Company Secretary is a matter for the Board as a whole.
Independence	The independence of the Non-Executive Directors is considered on an annual basis by the Nomination Committee on behalf of the Board and following this year's review, it was concluded that all of the Non-Executive Directors continue to remain independent in character and judgement and are free from any business or other relationships that could materially affect the exercise of their judgement. The balance of skills and experience ensures that no one individual or small group of individuals dominates the Board's decision-making processes. The Board and Nomination Committee also review Committee membership annually to ensure that undue reliance is not placed on individuals.

# Composition, Succession and Evaluation

## Nomination Committee

The Board has established a Nomination Committee to which it has delegated a number of responsibilities. Information on the Committee's composition, together with the principal activities carried out during the year are included in the Nomination Committee Report on page 105.

## Board composition

The Board comprised eight Directors at the year end: two Executive Directors, five Non-Executive Directors and the Chairman. Over half of our Board (excluding the Chairman) are deemed independent Non-Executive Directors and the composition of all Board Committees complies with the Code. Additionally, the Chairman was considered independent on his appointment.

The Nomination Committee is responsible for regularly reviewing the composition of the Board. The Board and its Committees benefit from a combination of skills, experience and knowledge drawn from across several industries and functional roles. Length of tenure and the range of skills and experience of the Board can be found in the Directors and Company Secretary section on page 94.

## Appointments and succession

The Nomination Committee leads the process for the appointment of new Directors to the Board. Appointments are made on merit and measured against objective criteria set with regard to the benefits of a diversified Board. The process is a formal, rigorous and transparent procedure. Effective succession plans are maintained for Board and senior management.

The Board and the Nomination Committee considered Board succession and that of the wider Executive Leadership Team during the course of the year to ensure that the Board has the right mix of skills and experience, as well as the capability to provide constructive challenge and promote diversity. Further details on the activity of the Nomination Committee during the year can be found on page 105.

The Board is mindful the Chairman's tenure is coming up to nine years in September 2024, and will consider appropriate succession planning.

## Evaluation

### Process and methodology

The Board undertook an evaluation of its own performance, and that of its Committees and the individual Directors in respect of the year under review. The format and method of the evaluation was agreed, approved and overseen by the Nomination Committee in line with its duties. When conducting its annual evaluation, the Board considers its composition, diversity and how effectively members work together to achieve the Group's objectives. The Chairman conducts individual evaluations of the Non-Executive Directors to determine whether they have made an effective contribution to the Board.

Having completed an external evaluation during the 2020 financial year, the 2022 evaluation was internally facilitated and supported by the Group Company Secretary. To enable this, in continuity with the evaluation conducted in 2021, a questionnaire was completed by all members of the Board which included questions around the Group's strategy, effectiveness and accountability. The process provided the Board with the opportunity to make specific comments in response to a series of 'open' questions. The results were collated by the Group Company Secretary and a report provided to the members of the Board for review.

### Individual evaluation

The Senior Independent Director met with the Non-Executive Directors, in the absence of the Chairman, to appraise the Chairman's performance, taking into account the views of Executive Directors. The review concluded that the Chairman's performance continued to be effective and that he demonstrates commitment to the role. The SID informed the Chairman of the review's findings.

The Chairman met with all Non-Executive Directors individually to conduct an appraisal of their performance. The reviews concluded that the Non-Executive Directors continued to be effective and had demonstrated commitment to their roles.

### Outcomes

The result of the 2022 Board evaluation found that the Board was operating effectively, had a strong composition of skills and experience on the Board, and was well supported in terms of information flow. Each Director continued to contribute effectively and supported appropriate levels of challenge and debate.

Areas for development identified in the prior year evaluation had included increased visibility of the Group's people strategy, providing detail of the governance structure and operating procedures for the new Futures business, and improving the Board's visibility of the various stakeholder engagement initiatives throughout the Group. These matters had been addressed during the year, and while the Board felt it appropriate to retain a focus on stakeholder engagement to promote the understanding of the issues most important to our stakeholders, the Board noted the improvement and increased clarity and level of information the Board had received on these topics.

The 2022 evaluation identified a number of areas of focus for the Board over the coming year. As is the case each year, a formal action plan will be developed to ensure these matters are addressed, progress against these will be reported on in the Annual Report for the forthcoming financial year.

### Induction, training and development

All new Directors receive a tailored induction programme upon joining the Board and additional training is made available to members of the Board in accordance with their requirements. The Nomination Committee reviewed the training requirements of the Board and agreed upon a suitable regime for training and information flows to enable the Directors to satisfy their training and development needs. Information provided to the Board included updates on developments on Corporate Governance, the regulatory framework and accounting matters. The Chairman and the Group Company Secretary will continue to identify broader areas of training for the Board as a whole and the Chairman will discuss and agree the training requirements with individual Directors as and when required.

Directors may, at the Company's expense, take independent professional advice and are encouraged to continually update their professional skills and knowledge of the business.

### Induction of Peju Adebajo

Peju Adebajo was appointed as a Director on 26 November 2021. To provide insight into the process for the induction of a Non-Executive Director at Ibstock Plc, we have included a breakdown of the activities and meetings that were planned for her shortly after joining the business within the Nomination Committee Report on page 105.

#### Re-election of Directors

With the exception of Tracey Graham, who will step down at the conclusion of the 2023 AGM, all of the Directors are subject to annual re-election and intend to submit themselves for re-election at the 2023 AGM. The Notice sets out the reasons why the Board considers their respective contributions to be and to continue to be important to the Company's long-term sustainable success.

## Audit, Risk and Internal Control

#### Audit Committee

The Board has established an Audit Committee to which it has delegated a number of responsibilities. Information on the Committee's composition, its role, together with information regarding the principal activities that it carried out during the year, are included in the Audit Committee Report on page 110. The Board considers that the Chairman of the Audit Committee, Justin Read, possesses the level of recent and relevant financial experience required and that the Committee, as a whole, has competence relevant to the sector in which the Group operates. Additional information on the skills and experience of the members of the Audit Committee can be found in the Board of Directors and Company Secretary section on page 94.

#### Financial and business reporting

The Board has established arrangements to ensure that reports and other information published by the Group provide a fair, balanced and understandable assessment of Ibstock's position and prospects. The Strategic Report on pages 2 to 91 explains the Group's Business Model and the strategy for delivering the objectives of the Group. A statement on the Group as a going concern and the Viability Statement is set out on page 90.

With the support of the Audit Committee, the Board has reviewed the 2022 Annual Report and considers that, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Further details of the review work carried out by the Audit Committee in relation to the 2022 Annual Report can be found in the Audit Committee Report on page 110.

#### Risk management

The Board ensures that the necessary resources are in place for the Company to meet its objectives and to measure performance against them. It has established a robust risk management and internal control framework that supports the effective identification, assessment and mitigation of risk and completes a robust assessment of the Company's emerging and principal risks as required by the Code. Please refer to page 60 for further information on the Group's ongoing risk management process and the Group's principal and emerging risks and uncertainties together with details around their related mitigating factors.

The Audit Committee provides support in the discharge of these responsibilities by reviewing and monitoring the Group's risk management framework and the reporting of risk internally and externally. The Audit Committee Report on page 110 sets out how these responsibilities have been discharged during the year.

The processes for management of Group Risk continued to develop over the year, with particular emphasis on how climate-related risks are identified and mitigated. Further information can be found in the Principal Risks and Uncertainties section on page 60.

#### Internal control

The Group's internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. They are based on assessment of risk and a framework of control procedures to manage risks and to monitor compliance with procedures. The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed and, by their nature, can provide only reasonable, not absolute, assurance against material loss to the Group or material misstatement in the financial accounts. The overall responsibility for Ibstock's system of internal control and for reviewing its effectiveness rests with the Board but this responsibility has been delegated to the Audit Committee. Further details of the review and monitoring procedures can be found within the Audit Committee Report on page 110.

#### Audit

Details of the Internal Audit function and the External Auditors are provided in the Audit Committee Report on page 110. The Board is satisfied that the necessary policies and procedures are in place to ensure the independence and effectiveness of both.

## Remuneration

#### The Remuneration Committee

The Board has established a Remuneration Committee, which has delegated responsibility for determining the policy for executive remuneration and setting remuneration for the Chairman of the Board, CEO and members of the ELT including the Group Company Secretary. When doing so, the Remuneration Committee takes account of wider workforce remuneration and related policies and the alignment of incentives and rewards with Ibstock's culture. Further details of the work of the Remuneration Committee are set out from page 115.

# Nomination Committee Report



**Jonathan Nicholls**  
Chair of the Nomination Committee

## Introduction

I am pleased to present my report, as Chair of the Nomination Committee (the Committee), to you for the year ended 31 December 2022.

The Committee leads the process for appointments, ensures plans are in place for orderly succession to both the Board and senior management positions, and oversees the development of a diverse pipeline for succession. During the year succession planning included that for Tracey Graham, our Senior Independent Director (SID) and Chairman of the Remuneration Committee, who steps down from the Board at the close of the Annual General Meeting to be held 27 April 2023.

Following a clear and thorough selection process, the Committee provided its recommendation to the Board that Louis Eperjesi assume the role of SID on Tracey's departure. Whilst the Committee is mindful of the FTSE Women Leaders recommendation to have at least one of the Chair, CEO, CFO or SID role fulfilled by a woman, the Committee concluded that Louis was the best candidate for fulfilling the SID role given his service and performance on the Board to date.

To assist with the search for suitable candidates to discharge the Remuneration Committee Chair role, the Committee appointed Russell Reynolds, a specialist third party recruitment agency which has no other connection to the Company or to individual Directors. It is anticipated that a successful recruitment will be made during 2023.

Promoting diversity, and the economic and social benefits achievable from a truly diverse workforce, remains a focus of the Board, the Committee and executive management. The Committee believes that diverse Board membership supports the Group strategy by bringing the widest range of viewpoints and experience possible to debate. In view of this, the Committee has considered and recommended to the Board for adoption a new Board Diversity Policy, which details our ambitions in this area.

## Membership, meetings and attendance

Membership comprises the independent Non-Executive Directors with support from the Group Company Secretary. Details of meeting attendance can be found on page 97. The Committee met on three occasions during the year.

## Activities and focus during 2022

The table summarises the agenda items covered by the Committee during the year.

Activity	H1	H2
Board Diversity	●	●
Reviewed Committee's terms of reference		●
Reviewed size, structure and composition of the Board		●
Reviewed time commitment required from Non-Executive Directors		●
Reviewed the independence of Non-Executive Directors		●
Annual review of the Committee's effectiveness		●
Reviewed succession planning arrangements and organisational changes	●	
Recommended appointment of additional Non-Executive Director		●

### Role and responsibilities

The key responsibilities of the Committee are to:

- Develop and maintain a formal, rigorous and transparent procedure for making recommendations to the Board on appointments and on the structure, size and composition of the Board
- Ensure that planning is in place for orderly succession of both the Board and senior management positions
- Oversee the development of a diverse pipeline of talent for succession
- Evaluate the balance of skills, diversity, knowledge and experience of the Board
- Prepare a description of the role and capabilities required for a particular appointment and lead the recruitment process
- Identify and nominate, for the approval of the Board, candidates to fill Board and senior management vacancies, ensuring that candidates have the necessary skills, knowledge and experience to effectively discharge their responsibilities
- Review the time commitment required from Non-Executive Directors and evaluate the membership and performance of the Board and its Committees
- Ensure that evaluations of the effectiveness of the Board and its Committees, and performance assessments of the Chairman, the Chief Executive Officer, and the Chief Financial Officer are undertaken annually
- Recommend, where appropriate, the re-election of Directors

### Succession planning

The composition of the Board is constantly under review with the aim of ensuring that it has the depth and breadth of skills to discharge its responsibilities effectively. The Committee, through its oversight of succession planning, applies a similar approach to the layer of management that sits immediately below the Board. By way of an example, in the year under review, the Committee oversaw the process undertaken to promote Joanne Hodge, an internal candidate, to the Group People Director role. Joanne joined the Executive Committee in May 2022.

The Committee aims to ensure that the Board and senior management are well balanced in the skills and experience appropriate for the needs of the business and the achievement of the Company's strategy. Furthermore, the Committee ensures that the Board includes Non-Executive Directors who are appropriately experienced and are independent of character and judgement.

### Time commitment

In making recommendations to the Board on Non-Executive Director appointments, the Nomination Committee specifically considers the expected time commitment of the proposed Non-Executive Director and their existing commitments. Agreement of the Board is required before a Director may accept any additional commitments to ensure possible conflicts of interest are identified at an early stage and that they will continue to have sufficient time available to devote to the Company. Any other potential conflicts of interest are also considered at each Board meeting. In addition, the Nomination Committee concluded, through discussions with the Chairman, the Board and the Committee evaluation process, that the Non-Executive Directors had committed sufficient time to fulfil their duties and that their performance continued to be effective.

### Board and Committee evaluation

The Committee reviewed the annual Board evaluation process, as described on page 103, and determined that the methodology used for the internally led evaluation was appropriate and sufficiently probing. In respect of reporting on key outcomes and actions taken, the Committee has encouraged greater transparency of key developmental areas in the Annual Report, which is reflected in the disclosures for the Board and its Committees for the year under review. With respect to composition, the evaluation determined that a strong balance of skills was present on the Board, with the need to replace the skills set of the departing Remuneration Committee Chair in the coming year. The Committee will consider the appointment of advisors for the triennial externally facilitated evaluations in 2023.

### Committee effectiveness

Through the evaluation process, the Committee was deemed to be operating effectively with strong Committee leadership. The prior year evaluation had identified that succession planning required further focus, and whether external advice could be utilised more effectively in this respect. In response, over the year the Committee has continued to focus on its succession planning remit and oversight responsibilities. It was decided that use of external advisors will be held as a potential course of action should this become necessary.

### Appointment Process

The process for appointing new Board members is set out in the Committee Terms of Reference which can be found on our website [www.ibstockplc.co.uk](http://www.ibstockplc.co.uk). The Committee is responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise. Before any appointment is made to the Board, the Committee evaluates the balance of skills, knowledge, independence, experience and diversity on the Board, including the balance of Non-Executive Directors to Executive Directors. In the light of this evaluation, the Committee prepares a description of the role and capabilities required of the particular appointment, and assessed the time commitment expected.

In identifying suitable candidates, the Committee:

- Uses open advertising or the services of external advisors to facilitate the search
- Considers candidates from different genders and a wide range of backgrounds
- Considers candidates on merit and against objective criteria taking into account the benefits of diversity on the Board
- Ensures that appointees have enough time to devote to the position

The Nomination Committee considers the selection and reappointment of Directors carefully before making a recommendation to the Board. Non-Executive Directors and the Chairman of the Board are generally appointed for an initial period of three years, which may be renewed for a further two terms. Reappointment is not automatic at the end of each three-year term.

### Non-Executive Director induction

A comprehensive induction programme was arranged for Peju Adebajo, following her appointment as a Non-Executive Director on 26 November 2021. This included meetings with senior management and operational teams, and visits to our factories. The induction was structured to help Peju gain an insight into how the business works and to understand its strategic priorities, principal risks, values and people.

### Diversity and inclusion

Our current employee population reflects the traditional nature of our industry across all diversity characteristics including age, race, gender, sexual orientation and disability. We recognise the challenge we face with 84% of roles being occupied by men including a higher percentage of men in factory based production roles. Further information on

Details of some of the activities undertaken by Peju Adebajo are set out below:

Area	Provided by	Subjects discussed / matters covered
Board and Committees	Non-Executive Directors, Group Company Secretary	<ul style="list-style-type: none"> <li>• Board and Committee operation</li> <li>• Skills and backgrounds of Board members</li> <li>• Board responsibilities</li> </ul>
External and Internal Audit	External Audit Partner RSM (Internal Auditor)	<ul style="list-style-type: none"> <li>• Audit cycle, audit plans</li> <li>• Interaction with Audit Committee</li> <li>• Audit development horizon</li> </ul>
Brokers and Legal Advisors	Managing Director, UBS Partner, Slaughter and May	<ul style="list-style-type: none"> <li>• Market and industry development</li> <li>• Investor landscape</li> <li>• Key legal, regulatory and best practice environment</li> </ul>
Head Office functions and Clay operations, site visit	CEO, COO Factory Manager, Eclipse Senior Managers	<ul style="list-style-type: none"> <li>• Group strategy</li> <li>• Clay and Concrete operations overview</li> <li>• Eclipse Factory operation and brick production</li> <li>• Insight into Head Office functions</li> </ul>
Manufacturing	Technical and Strategic Projects Director, Production	<ul style="list-style-type: none"> <li>• Manufacturing and Production</li> <li>• Strategic projects</li> </ul>
Concrete operations, site visit	Operations Director, Concrete Factory Manager, Sittingbourne	<ul style="list-style-type: none"> <li>• Concrete operations overview</li> <li>• Sittingbourne Factory operations and production</li> </ul>
Finance	CFO	<ul style="list-style-type: none"> <li>• Financial control framework and governance processes</li> <li>• Financial reporting</li> </ul>
Clay Operations, site visit	COO Operations Director, Clay Factory Manager, South Holmwood	<ul style="list-style-type: none"> <li>• Clay operations overview</li> <li>• South Holmwood operations and production</li> </ul>
Environmental, Social Governance	ESG Advisor	<ul style="list-style-type: none"> <li>• ESG strategy</li> <li>• Roadmap to net zero</li> <li>• Challenges and opportunities</li> </ul>

diversity and inclusion progress during the year under review can be found in the Responsible Business section on page 51.

The Board acknowledges and supports the aims, objectives and recommendations outlined in the FTSE Women Leaders Review and is aware of the need to achieve an appropriate balance of women on our Board and in senior positions throughout the Group. The Board also acknowledges and supports the aims, objectives and recommendations of the Parker Review on ethnic diversity and the emphasis in the Disclosure Guidance and Transparency Rules on disclosure around diversity with regard to aspects such as age, gender and educational and professional background. As at the end of the year under review, we are satisfied that we are aligned with the recommendations of both reviews.

Furthermore, the Committee is cognisant of the FTSE Women Leaders Review recommendation that FTSE 350 companies should have at least one woman in the Chair or Senior Independent Director role on the Board, and or one woman in the Chief Executive Officer or Finance Director Role in the Company by the end of 2025, and the Listing Rule obligation to report against these in the Annual Report and Accounts, effective for the Company from its 2023 year end.

The Board met this recommendation as at the 2022 year end, but is conscious that with the appointment of Louis Eperjesi as Senior Independent Director at the conclusion of the 2022 AGM, this will change during 2023. Our succession planning will seek to address gender balance within these roles as appropriate going forwards.

#### Diversity Policy

Ibstock operates a Diversity and Inclusion Policy which is applicable to the whole organisation and which informs the Board's approach in this area. The policy is accessible to everyone at Ibstock through the People team and on MyIbstock.

We continue to work with our recruitment partners to ensure that we are able to attract high quality candidates from a wide range of backgrounds, strengths and abilities. We recognise that achievement of our strategic objectives is reliant on the recruitment and retention of a diverse and engaged workforce and efforts in this area will continue.

In consideration of the need for diversity on the Board, the Committee recommended to the Board the adoption of a Board Diversity Policy, which was subsequently approved. The Board Diversity Policy formalises that Board's commitment to appropriately diverse membership and compliance with reporting regulations, and can be found on the Group website [www.ibstockplc.co.uk](http://www.ibstockplc.co.uk). We retain our stated target to increase female representation in the senior management group to 40% by 2027. This group includes those members of the ELT and their direct reports.

**Jonathan Nicholls**  
Chair of the Nomination Committee  
7 March 2023

## Priorities for 2023

The focus for the coming year will be to secure the recruitment of the Remuneration Committee Chair, and to continue to work on our Board succession plans to ensure future compliance with our aspirational diversity targets. The Committee will continue to work on ensuring robust succession plans at all levels of the organisation.

# ESG Committee Report



**Claire Hawkings**  
Chair of the ESG Committee

## Introduction

I am pleased to introduce the ESG Committee (the Committee) Report for what is the second year of its operation. Unsurprisingly for a Committee with such a broad and varied remit, our workload over the past year has continued to increase in volume and complexity. As a Committee, we have adapted and evolved our annual programme of work to reflect the increasing demands on the Committee and the Group.

Ensuring that the Committee and Board are fully briefed and appropriately trained on ESG matters is a continuing focus of the Committee. The Committee has matured rapidly in both its knowledge and understanding of the critical ESG issues facing the Company. In this endeavour we have been supported by our team of internal subject matter experts as well as an independent Committee advisor who has provided practical advice on a range of issues.

A major part of the Committee's remit is to ensure that our ESG strategy remains aligned with the Company's purpose, values and culture, and is an intrinsic part of our corporate strategy. A key milestone was the launch of the ESG 2030 Strategy, and the Committee is focusing on the implementation of the strategy, ensuring we have a robust plan with ambitious interim targets. The Committee developed ESG targets that align to the ESG 2030 and corporate strategies and recommended the inclusion of ESG targets into the LTIP performance conditions which were agreed by the Remuneration Committee. As part of our governance process, the CEO was absent for any discussions or final decision-making on any decision-making on any remuneration target proposals.

This year, Committee attendance has reflected the importance the Board places on understanding the ESG challenges facing the Group. The Committee has remained committed to our strategic goals on climate change, and the management of associated risks and opportunities. The ESG Committee visited two sites, and saw first hand how the strategy is being operationalised and implemented at factory level.

The Committee remains cognisant that the carbon reduction journey will not always show linear progression. Whilst we recognise that the 2022 carbon metrics show a slight decline against the strong performance in 2021, the Committee remains confident that the Group will make progress in the year ahead and that we are on course to achieve the carbon commitments made in our ESG 2030 Strategy.

Positive progress has been made on TCFD through deeper analysis in scenario planning plus considerable improvements in data integrity, data governance and the control environment as it pertains to ESG data.

Further detail on the key areas covered by the Committee during the year can be found on the following page.

## Membership, meetings and attendance

Membership of the ESG Committee consists of three Non-Executive Directors and the CEO. The Group Company Secretary & ESG Director also attends in her capacity as the member of the ELT responsible for ESG and Sustainability issues at Ibstock. Members of the ESG team and other group functions attend meetings at the invitation of the

## Activities and focus during 2022

The table summarises the agenda items covered by the Committee during the year. There were four meetings held during the year:

2022	Q1	Q2	Q3	Q4
KPI performance update	●	●	●	●
ESG Governance Reports & Horizon Scanning	●	●	●	●
ESG Framework and Strategy	●	●	●	●
Committee training			●	
Deep dive on People & Social Value			●	
Net Zero strategy development	●	●	●	●
Health, Safety & Wellbeing initiatives			●	
Stakeholder Engagement Update	●	●	●	●
TCFD Implementation Updates	●	●	●	●
Approve Sustainability Report (External)		●	●	
Annual Report disclosures	●			●
LTIP Performance Condition Review			●	●
Effectiveness of the ESG Committee			●	●

Committee Chair. Details of meeting attendance can be found on page 97. The ESG Committee met on four occasions during the year and the table setting out the main agenda items for each meeting can be found opposite.

#### Role and responsibilities

The Committee is appointed to assist the Board in the discharge of its duties through overseeing Ibstock's strategies, policies and performance in relation to environmental, social and governance matters and suggest ways to drive improvement in these areas as appropriate.

The key responsibilities of the Committee are to:

- Develop a corporate ESG strategy and ensure it is in alignment with the corporate strategy, purpose and values
- Develop and recommend to the Board, ESG targets and key performance indicators
- Understand the impact of the Company's operations on the environment
- Oversee the promotion of socially responsible values and standards that relate to the social and economic community in which the Company operates
- Recommend to the Remuneration Committee performance measures used in the Company's incentive plans
- Work with the Remuneration Committee in assessing actual performance relative to ESG
- Oversee Company disclosures of ESG matters in the Annual Report and Accounts

#### ESG Governance

The Board holds ultimate responsibility for all ESG matters, but the Committee takes the lead in managing the Company's approach and implementation of the ESG framework, to enable us to meet our commitments to all stakeholders. The Committee is supported by an internal ESG team, and this year we appointed RSM, specialist advisors in the ESG field, to provide expert technical advice to the Committee. Implementation of the strategy is the responsibility of the Chief Executive, who through the Executive Leadership Team oversees a number of ESG working groups that each have ownership of an area of the strategy. These working groups are coordinated by the ESG team. A full description of how our ESG governance operates can be found in the Responsible Business section on page 42, and in the TCFD statement on page 76.

#### ESG 2030 Strategy

Last year we reported on the launch of our ESG 2030 Strategy, which was implemented during the year. The ESG 2030 Strategy complements the group strategy, with its targets and milestones distributed across our corporate strategic pillars of Sustain, Innovate and Grow.

Our ESG 2030 Strategy defines how we are taking a longer term view and shares our forward plan with our key external stakeholders, as well as our employees. Bringing our people with us on this journey enables us to make progress more swiftly and with greater force.

Much of the work of the Committee over the year has been to oversee the embedding of the ESG 2030 strategy into the business, to ensure that consideration of ESG matters becomes intrinsic to the Group's culture and hence everyday decision-making process. To achieve this, the Committee has received regular reports from management providing updates on the ESG 2030 Strategy.

This year the Committee has also taken the opportunity to see operations and strategy in action at each of our Leighton Buzzard and Cattybrook sites. Full details of the ambitions, targets and milestones of the ESG 2030 Strategy are set out in the Responsible Business section on page 42.

#### Net zero commitment

A key part of our ESG strategy is the commitment to become a net zero carbon operation by 2040 and achieving a 40% reduction in Scope 1 and 2 emissions by 2030. Our pathway to net zero is summarised on page 49.

#### Task Force on Climate-related Financial Disclosures (TCFD)

The Committee has continued to oversee the work of the internal TCFD working group, reviewing progress at each meeting. Led by the Group Financial Controller, the TCFD working group comprises representatives from the Company Secretariat, ESG and Finance functions. It meets on a regular basis to analyse and apply the various developments and recommendations published throughout the course of the year.

#### Committee effectiveness

The Committee evaluation, as conducted in line with the process described on page 103, was deemed to be operating effectively with strong Committee leadership. Areas for improvement identified in the prior year evaluation had included ongoing training on ESG topics and that allowing sufficient time

and resource to tackle the wide breadth of its agenda. These were addressed during the year with additional time and training provided to the Committee, supported by high quality internal and external advisors.

#### Committee Training

Ensuring the knowledge of the Committee is continually refreshed is a priority. This year the Committee received training from RSM covering the following topics:

- Climate change and greenhouse gas emissions
- Carbon reporting and product lifecycle carbon
- Regulation and legislation including TCFD
- UK Emissions Trading Scheme
- Carbon pricing
- Carbon offsetting standards
- Net zero and SBTi
- Climate transition plans

#### Claire Hawkings

Chair of the ESG Committee

7 March 2023

## Priorities for 2023

Over the coming year, the Committee will continue to drive ESG ambition, implementation of the ESG 2030 Strategy and integration of ESG performance across the Group. Climate change will remain a key focus area and will require further work, not least on transition planning. Aligned with the ESG agenda, the Committee will continue to ensure ESG training is appropriately delivered across the business and the Committee itself improves its own knowledge and depth of understanding on key ESG issues.

# Audit Committee Report



**Justin Read**  
Chair of the Audit Committee

## Introduction

I am pleased to present my report to you, as Chair of the Audit Committee (the Committee), for the year ended 31 December 2022. The purpose of the Committee is to make recommendations on the reporting, control, risk management and compliance aspects of the Directors' and the Group's responsibilities. At the same time, the Committee provides independent monitoring, guidance and challenge to management in these areas.

The Committee also provides a forum for reporting and discussion with the Group's External Auditor in respect of the Group's Half Year and Full Year results and certain senior managers have attended meetings during the year, as and when required, by invitation.

Over the year, the Committee continued to deliver on its commitments, retaining a focus on monitoring the integrity of the Group's financial statements. We have continued to oversee the work of the Group's External Auditor and the internal audit function, and ensure that the Company's risk processes, and financial and compliance control environments remain robust.

In addition to the programme of work that forms the basis of our annual calendar, the Committee has spent time considering the implications of the developing regulatory and governance framework. This year the Government outlined the proposals it intends to progress from the Department for Business, Energy and Industrial Strategy (BEIS) consultation 'Restoring Trust in Audit and Corporate Governance'. The proposals, once effected, will introduce changes in reporting, governance and external auditing. As a Committee, we will continue to monitor developments to ensure the Company's compliance with the new rules.

The Group reported against the Task Force on Climate-related Financial Disclosures

(TCFD) recommendations last year. Climate change, associated risk and potential impact on the financial statements is an area of increasing focus, and the Committee expects these considerations to form a greater part of its oversight remit going forwards. Disclosures for the year in review have been developed by the TCFD working group, composed of an internal team of subject matter experts, and carefully considered and took appropriate action on the FRC's 'CRR Thematic Review of TCFD'.

A feature of the Committee's annual work programme is to target specific risks as 'deep dives'. Cyber risk continues to be a significant risk area for the Group in common with many other businesses worldwide, and was the focus of the 'deep dive' session held in November. As a result of the review, the Committee gained more comfort that appropriate protections were in place to secure the Group's technology estate.

Further information regarding the activities of the Committee during the year can be found on the subsequent pages.

## Activities and focus during 2022

The table summarises the main agenda items covered at the Committee's meetings during the year.

2022	Q1	Q2	Q3	Q4
Financial and narrative reporting	●		●	
External Audit Planning and Reporting	●	●	●	●
Risk Management and Internal Control Processes	●	●	●	●
Independence and objectivity of the External Auditor	●		●	
Internal Audit updates	●	●	●	●
Annual review of the Committee's effectiveness	●			
Review of significant accounting matters and judgements	●	●	●	●
Consideration of incidences of fraud and whistleblowing	●	●	●	●
Review of compliance systems		●		
Consideration of the effectiveness of the internal and external audit functions		●		●
TCFD Reporting		●		●
Cyber and Information Security			●	
Consideration of BEIS consultation	●	●	●	●
FRC FRRP Review Response			●	

### Membership, meetings and attendance

Membership comprises the independent Non-Executive Directors with support from the Group Company Secretary. Details of meeting attendance can be found on page 97. The Audit Committee met on four occasions during the year and the table setting out the main agenda items for each meeting can be seen on the page opposite.

The Chairman, CEO, CFO and the Group Financial Controller are routinely invited to attend Committee meetings. The External Auditor and the Internal Auditor also attended all meetings during the year. Other individuals are invited to attend the Committee's meetings, as and when required.

The Chair has regular meetings with the CFO, External Audit partner and Internal Audit partner to discuss key audit related topics ahead of each Committee meeting. In addition, the Committee also holds private sessions with the CEO, CFO, External Audit partner and RSM LLP (RSM), the Internal Auditor, on a rotational basis after each meeting.

### Role and responsibilities

The Committee is appointed by the Board and reviews and makes recommendations to the Board on the Group's financial reporting, internal control and risk management systems. Its role, duties and responsibilities are governed by a clear set of terms of reference (available in full on our website) that are reviewed by the Committee and in conjunction with the Group Company Secretary approved by the Board on an annual basis with the last review having taken place in November 2022.

The Committee provides independent monitoring, guidance and challenge to the Executive Directors. In addition, it assesses the effectiveness of the external audit process and the External and Internal Auditor.

Through these processes the Committee's aim is to ensure high standards of corporate and regulatory reporting, risk management and compliance, and an appropriate control environment. The Committee believes that excellence in these areas enhances effectiveness, reduces risks to the business, and protects the interests of the shareholders with regard to the integrity of financial information published by the Group.

### Financial Reporting Review Panel (FRRP) Letter to Ibstock

During the period, the Company received a letter from the FRC, which advised that the Group's Annual Report and Financial

Statements for the year ended 31 December 2021 had been included in the thematic review of Task Force for Climate-Related Financial Disclosures (TCFD) and climate in financial statements. The FRC also requested further information concerning an impairment reversal of £5.6m reported in the 2021 year, in relation to the Atlas and Nostell factories. The appendix to the letter set out observations on TCFD disclosures that the Company should consider in future reporting.

Although we and the FRC had different views on whether the decisions to redevelop the Atlas and Nostell sites should be treated as an asset enhancement or restructuring, following our responses, the FRC closed its enquiries in respect of these matters, recognising that there would be a trigger for reversal on either basis. The FRC has provided its recommendations for improving the clarity and extent of disclosure in this area going forwards, including with regards to the assumptions relating to impairment reversals and, if differing accounting judgements are possible, the disclosure of this fact in accordance with IAS 1 – Presentation of Financial Statements.

Whilst we welcome the FRC's review of our 2021 Annual Report, readers of the document are reminded that such a review does not provide the FRC's assurance that our Annual Report was correct in all material respects. The FRC does not benefit from detailed knowledge of our business or an understanding of the underlying transactions. Its job is to consider compliance with reporting requirements and not to verify the information provided.

### Financial and narrative reporting

#### Financial statements

During the year the Committee:

- Reviewed the Full and Half Year results and associated announcements and recommended them to the Board for approval
- Reviewed the Group's Annual Report to consider whether, taken as a whole, it was fair, balanced and understandable and whether it provided the necessary information required for shareholders to assess the Company's position, performance, business model and strategy and recommended it to the Board for approval. Further information on the format of this review can be found on page 112
- Considered the appropriateness of the Group's accounting policies and practices, focusing on areas of significant management judgement or estimation,

and questioned the rationale for decisions taken in application of the policies. Policies and practices were found to be appropriate and correctly applied (see significant accounting and key areas of judgement considered by the Committee during the year below)

- Received updates on corporate reporting and corporate governance from the External Auditor
- Considered the process for preparing the 2022 Annual Report
- Received updates on training for Committee members, including changes in financial reporting requirements and company law

### Significant accounting and key areas of judgement

A key factor in the integrity of financial statements is ensuring that suitable accounting policies are adopted and applied consistently on a year-on-year basis. The Committee specifically uses the Audit Planning meetings in June and November/ December each year to consider the adoption of any relevant new standards, proposed accounting treatments for major transactions, significant reporting judgements and key assumptions related to those judgements. In addition, these matters are reviewed at each Committee meeting throughout the year.

### Exceptional items

#### Matter considered

The Group presents as exceptional items\* on the face of the income statement those items of income and expense which, because of the materiality, nature and/or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to further understand elements of financial performance in the period, so as to facilitate comparison with future years and to assess trends in financial performance, and in determination of Directors' variable remuneration.

Details of exceptional items\* are set out in Note 5 to the financial statements.

Additionally, the Group financial statements present a number of alternative performance measures (APMs) within its published financial information, including the 2022 Annual Report, with the objective of providing readers with further understanding of financial performance in the period, in order to facilitate comparison between periods and to assess trends in financial performance. Definitions of APMs used are set out in Note 3 to the financial statements.

### Committee's response

In light of the guidance issued by the European Securities and Markets Authority and more recently the UK's Financial Reporting Council, the Committee continues to assess management's rationale for including an item as an exceptional item\* and the wider use of APMs.

The Committee challenged management's rationale for the use of specific APMs; and the link between APMs reported within the financial statements and incentive measures within the Directors' Remuneration Report. The Committee concluded that the presentation of APMs gave additional clarity on performance and were reconciled appropriately to reported amounts, with sufficient prominence, and is satisfied that the resulting presentation and disclosure is appropriate.

### Pension liability accounting and disclosure

#### Matter considered

The Group has a defined benefit pension scheme, which is closed to future accrual. Management exercise their judgement around the assumptions used by its actuary, including the sensitivities to these assumptions, to calculate the pension scheme liabilities under IAS 19 (R) Employee Benefits.

As at 31 December 2022, the scheme had an actuarial accounting surplus of £15.2 million (2021: £57.8 million), including liabilities of £358.4 million (2021: £560.3 million), as detailed in Note 21 to the financial statements.

#### Committee's response

The Committee concurred with management's assessment that the estimates used within the valuation of the Group's pension liability (including future changes in discount rates, inflation, increases in pension payments and life expectancy) represented significant sources of estimation uncertainty, as set out within IAS 1 Presentation of Financial Statements. A review of management's proposed disclosure in relation to this estimation uncertainty was completed.

Additionally, the Committee reviewed the assumptions with management and sought views from the External Auditor before it concluded on the appropriateness of the actuarial balances disclosed.

This review considered the financial assumptions used by management as part of the actuarial valuation and the range of possible assumptions using available market data to assess the reasonableness.

In conclusion, the Committee determined that the actuarial assumptions used in the valuation of the period end pension liabilities were in an acceptable range, disclosed appropriately and was satisfied that the resulting presentation and disclosure was appropriate.

### Going Concern and Viability Statements

On behalf of the Board, the Committee reviewed the Going Concern and Viability Statements prepared by management, together with the supporting documentation and sensitivity analysis including the consideration of climate change. Details of the review process and the conclusion reached are set out on pages 90 and 91. Following its review, the Committee recommended the approval of both statements to the Board.

### Fair, balanced and understandable

It is the Board's responsibility to determine whether the 2022 Annual Report and Accounts are fair, balanced and understandable. The Committee reviewed the process for preparing the 2022 Annual Report, reviewed management's analysis of the 2022 Annual Report and how this met the objectives of providing fair, balanced and understandable disclosures that provided the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

The Committee took into account the following when completing this process:

- Input from the CEO and CFO on the overall messages and tone of the Annual Report
- That individual sections of the Annual Report were drafted by appropriate senior management with regular review to ensure consistency across the entire document
- That detailed reviews of appropriate draft sections of the Annual Report were undertaken by the Executive Directors
- That an advanced draft of the Annual Report was reviewed by the Committee and the auditors on a timely basis to allow sufficient consideration and was discussed with the CFO and senior management prior to consideration by the Board
- The results of an independent review by an external corporate reporting consultant

After consideration the Committee arrived at the decision to recommend that the 2022 Annual Report be approved by the Board as fair, balanced and understandable. The Board statement on a fair, balanced and understandable Annual Report is set out on page 93.

### External audit relationship

- Reviewed and concurred with Deloitte LLP's (Deloitte) plans for their review of the 2022 Half Year statement and audit of the 2022 Full Year financial results
- Reviewed and considered the reports presented by Deloitte to the Committee following the Half Year review and Full Year audit
- Reviewed the performance of the External Auditor and the effectiveness of the external audit process
- Discussed and approved the fees for audit and non-audit services and obtained assurance on the objectivity and independence of the External Auditor, taking into consideration relevant professional and regulatory standards
- Discussed and approved the Directors' Letter of Representation provided to Deloitte
- Reviewed and approved the policy for the employment of former employees of the External Auditor, without amendment, confirming with management that no such employees had been appointed during 2022
- Held planned meetings with Deloitte, following Committee meetings, without management present, on two occasions. No material issues were brought to the Committee's attention at those meetings
- Recommended to the Board that a shareholder resolution should be proposed for the reappointment of Deloitte
- Considered the adequacy of the Group's procedures with regard to the objectivity and independence of the External Auditor. The Committee formed the opinion that Deloitte had demonstrated their independence and objectivity

### Review of Internal Audit activities

- Reviewed reports presented by RSM on Internal Audit assignments that had been completed during the year and discussed the results and agreed actions arising from RSM's recommendations
- Reviewed reports presented by RSM on the testing of the design and operating effectiveness of control areas in readiness of the 'Restoring Trust in Audit and Corporate Governance' consultation
- The Committee reviewed, and were satisfied with, management's responsiveness to RSM's findings and recommendations
- Agreed a plan of work for the 2023 Internal Audit programme with RSM
- The Committee met with RSM, without management present, on two occasions.

No material issues were brought to the Committee's attention at those meetings

#### **Oversight of risk and internal control**

- Reviewed principal business risks, risk management processes and internal controls. Further information can be found in the Principal Risks and Uncertainties section on page 60
- Received a report from the CFO on the internal controls operating in the business and any associated action plans
- Reviewed fraud risks (including the results of a fraud risk assessment), the Code of Business Conduct and Whistleblowing Policy. The review did not identify any material matters of interest
- Considered the appropriateness of the Group's Viability Statement at the Full Year, and Going Concern Statement assumptions at the Half Year and Full Year, including a review of the sensitivity analysis and scenarios prepared by management. The Viability Statement and the Going Concern Statement are set out on pages 90 and 91
- Concluded that, whilst there remained opportunities to improve in certain areas, overall the systems of internal control and risk management were effective

#### **External and Internal Audit**

##### **External Auditor**

Following a competitive tender process conducted in 2016, Deloitte was appointed as auditor for the financial year commencing 1 January 2017. The Committee received formal confirmation from Deloitte itself that the audit engagement team, and others in the firm as appropriate, and, where applicable, all Deloitte network firms were and remained independent of the Group. The Committee's policy is that the role of External Auditor will be put out to tender at least every 10 years in line with the applicable rules, or at other times should it be required by specific circumstances.

Lee Highton is the current audit partner, having completed his first year in role for the year ended 31 December 2022. Lee Highton was well prepared for assuming the role, having met with members of the Board and the Committee as well as with a number of senior members of the Group's finance function prior to his appointment, and the Committee has continued to ensure that he is well supported in increasing his knowledge of the business.

The Company has complied throughout the year under review with the Statutory Audit Services for Large Companies Market

Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

#### **Audit Quality Review**

The FRC's Audit Quality Review (AQR) team elected to review the audit of the Company's 2021 financial statements as part of their 2021 annual inspection of audit firms. The focus of the review and their reporting is on identifying areas where improvements are required rather than highlighting areas performed to or above the expected level. The Chairman of the Audit Committee received a full copy of the findings of the AQR team and has discussed these with Deloitte. Some matters were identified as requiring improvement and we have agreed an action plan with Deloitte to ensure the matters identified by the AQR have been addressed in the audit of the Company's 2022 financial statements.

#### **Effectiveness of the External Auditor**

The Committee has the responsibility for overseeing the Group's relationship with the External Auditor and advises the Board on their appointment/reappointment, their effectiveness, independence and objectivity, and discusses the nature and results of the audit with the External Auditor.

The review of the FY 2022 external audit process included consideration of the following:

- The effectiveness of the External Audit firm
- Quality controls
- The audit team
- Audit fee
- Audit communications and effectiveness
- Governance and independence
- Ethical standards
- Potential impairment of independence by non-audit fee income
- Deloitte's ability to make valid improvement suggestions

As part of the review of the effectiveness of the External Audit process, the Committee received a report on the External Auditor's quality control procedures and conducted a formal evaluation procedure.

In addition to reviewing the formal report received from the External Auditor, which outlines how points raised by them have been addressed by management, feedback is also sought on the conduct of members of the finance team during the audit process. The Committee Chair also met with the lead audit partner outside the formal Committee process.

The Committee also considers the effectiveness of management in the External Audit process in respect of the timely identification and resolution of areas of accounting judgement with input from the External Auditor as appropriate. They also consider management's timely provision of the draft Half Year results announcement, Annual Report and supporting documentation for review by the auditor and the Committee.

#### **Group auditor independence and non-audit services**

The non-audit services policy (Policy) sets out clearly the non-audit services that may be provided by the External Auditor. Under the Policy, prior approval is required by the Committee for any non-statutory assignments where the fee would exceed £10,000, or where such an assignment would take the cumulative total of non-audit fees paid to the External Auditor over 70% of that year's statutory audit fees. However, when appropriate, a detailed calculation will be performed to ensure that the Group is compliant with the European Union's Statutory Audit Framework. This Policy is reviewed on an annual basis and was adopted without amendment in December 2022. The External Auditor is responsible for the annual audit of the Group's subsidiaries and other services which the Committee believe it is best placed to provide.

Details of the amounts paid to the External Auditor are set out in Note 6 to the Group consolidated financial statements. The ratio of audit fees to non-audit fees was 10:1.

The Committee considers that the External Auditor continues to be independent. Deloitte has indicated its willingness to continue in office and the Committee has recommended Deloitte's re-appointment to the Board. A resolution to re-appoint Deloitte as the External Auditor will therefore be proposed at the AGM to be held on 27 April 2023.

#### **Internal Audit**

The provision of Internal Audit services is outsourced to RSM and the Internal Audit programme for the subsequent year is approved by the Committee in December each year. This contains a schedule of reviews to audit a range of processes and controls throughout the year covering each component of the Group. Updates on the status of audits against the annual Internal Audit plan are provided to the Committee by RSM on a regular basis. These set out any control weaknesses identified as well as management's actions to address control recommendations.

#### Risk management and internal control

The Committee supports the Board in monitoring Ibstock's exposure to risk and is responsible for reviewing the effectiveness of its risk management and internal control systems and assisting in the assessment of the Group's principal risks and uncertainties. The key elements that comprise the Group's internal control framework include a clear management structure with appropriate authorities, robust financial controls, an appropriate enterprise risk management system, an internal audit function and appropriate policies and procedures.

#### Review of Effectiveness

The Committee completes a biannual review in accordance with the FRC's guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Following a review by senior management in the operating business and the Executive Leadership Team, the Committee considers papers on internal control and risk management presented by the CFO and Group Company Secretary respectively and provides challenge on management's conclusions and assertions as appropriate.

The outcomes of the 2021 review included a number of recommendations with regard to Ibstock's approach to risk management that have been included along with those other areas of focus identified as a set of 2022 priorities, which are reported against on pages 60 to 69.

RSM completed its review of the Group's internal financial controls in 2022 and presented their final report to the Committee at the December meeting. No significant weaknesses in the Group's internal controls were identified although areas of improvement were suggested, which management are now in the process of addressing.

#### Assessment of Principal Risks

The Committee also considered the principal risks and uncertainties and their associated mitigation prepared by management in advance of their submission to the Board. This formed a key component of the Board's robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The Group's principal risks are set out on pages 60 to 69.

#### Compliance and whistleblowing

On behalf of the Board, the Committee reviews the operation of the Group's procedures that are in place for the detection of fraud and the systems and controls in place to prevent a breach of anti-bribery legislation.

The Committee receives regular updates at each meeting and discusses any incidents brought to its attention. It also receives updates on the operation of the Company's confidential whistleblowing arrangements including those material incidents raised through the whistleblowing line. A summary of all incidents raised through the whistleblowing line is presented to the Board twice a year, further details of which can be found on page 55.

The Group is committed to a zero tolerance position with regard to bribery. Anti-bribery guidance and training is provided to employees, as appropriate, applying what the Group has determined to be a risk based and proportionate approach. The Group maintains a record of all employees who have received this guidance and training.

#### Committee effectiveness

The effectiveness of the Committee was reviewed by both the Board and the Committee, in compliance with the Code. Further information regarding the evaluation process can be found in the Corporate Governance Report on page 103. The Committee scored highly overall and was considered to be Chaired effectively. The Committee performed their role and undertook their responsibilities in an effective manner. No specific developmental areas were identified in the prior year evaluation.

#### Justin Read

Chair of the Audit Committee

7 March 2023

## Priorities for the year

The Committee will continue to focus on the delivery of its core responsibilities, ensuring robust monitoring of the integrity of the financial statements of the Company and any formal announcements relating to the Group's financial performance, and reviewing significant financial reporting judgements contained in them.

Specific focus areas for the Committee will be:

- Implementation of recommendations in response to the 'Restoring Trust in Audit and Corporate Governance' consultation
- Performing deep-dives into key risk areas
- Implementation of recommendations arising from the FRC consultation on an Audit Committee Standard
- Reviewing management's plans and recommendations for identified areas of improvement in the Group's internal controls

# Directors' Remuneration Report



**Tracey Graham**  
Chair of the Remuneration Committee

As the Chair of the Remuneration Committee (the Committee), I am pleased to present the Directors' Remuneration Report (DRR) for the year ended 31 December 2022. The report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, the provisions of the Code and the Listing Rules. The report consists of three sections:

- This Annual Statement (pages 115 to 117);
- A summary of the Directors' Remuneration Policy (Policy) which was approved by shareholders at the 2022 AGM (pages 118 to 121); and
- The Annual Report on Remuneration which sets out payments made to the Directors for the 2022 financial year (FY 2022) and details how the policy will be implemented for the 2023 financial year (FY 2023) (pages 122 to 134).

The Directors' Remuneration Policy was approved by shareholders at the 2022 AGM and has a three-year life. The remainder of the Remuneration Report which includes this Annual Statement and the Annual Report on Remuneration will be subject to the usual advisory vote at the 2023 AGM.

As this will be my last statement as Chair, I would like to take this opportunity to express my thanks to our shareholders and other stakeholders. I wish my successor every success as they assume the leadership of the Committee following my departure.

## Business performance in FY 2022

Ibstock has delivered a strong performance this year with both profit and cash materially ahead of the prior year, supported by robust demand across end markets. Trading performance has seen year on year improvement in our key financial metrics as set out below:

- Strong trading performance for the year, with both revenue and profit materially ahead of both the prior year and pre-pandemic comparators
- Capitalised on periods of robust demand, and end market diversification; volumes consistent with the prior year despite more cautious demand environment in the final quarter

- Adjusted EBITDA\* of £140 million (2021: £103 million) was ahead of our expectations
- Adjusted Return on Capital Employed\* (ROCE) increased to 23.4% (2021: 15.8%) ahead of medium term target of 20%
- Balance sheet strengthened with closing leverage of 0.4x (Dec 21: 0.4x) after £38 million investment in growth capital and a £30 million share buyback during the year
- Recommended a final dividend of 5.5p per share, growing full year dividend by 20% to 8.8p per share (2021: 7.5p), reflecting the Board's continued confidence in the Group's financial strength and prospects

There has been strong initial progress towards our medium-term financial targets set out at the beginning of the year.

Ibstock has also continued to deliver progress against the ESG 2030 Strategy. We have made significant progress on the development and delivery of a people and culture strategy including a step change in health and safety, with in-year LTIFR performance ahead of medium-term target, a cultural shift with the launch of the Ibstock story and the creation of a Health and Wellbeing network to promote focus on mental health.

Further details can be found in the CEO review (from page 10), Key Performance Indicators (page 40), the Responsible Business section on page 42 and in the Financial Review on page 70.

## Remuneration outcomes for FY 2022

At all times the Committee has carefully balanced the interests of all stakeholders as well as the wider business and societal context in making these decisions. Further details on our stakeholders can be found on page 44.

In line with our remuneration philosophy, incentive outcomes are largely driven by corporate performance and shareholder value creation. The 2022 annual bonus for our Executive Directors was based 70% on the Group's financial performance and 30% on non-financial objectives.

#### Bonus – Financial performance

- Adjusted EBITDA\* (40%) – this element of the bonus was based 20% on full year adjusted EBITDA\* performance, 10% on H1 performance and 10% on H2 performance. Reflecting the strong performance of the business, the H1, H2 and full year targets were achieved in full
- Adjusted Operating Cash Flow (30%) – the Group delivered adjusted operating cash flow of £62m (for bonus purposes) which was significantly above the maximum target set. Therefore, this part of the bonus was also met in full

#### Bonus – Non-financial performance

- Directors each had a set of non-financial objectives that were specific to their roles and the Company's strategic ambitions. Both Directors achieved a score of 28.5% out of 30%

Based on the performance set out above, bonuses for FY22 performance were achieved at 98.5% of maximum opportunity. Further details of the annual bonus targets for the year and performance against those targets are provided on page 126. The Committee considered carefully whether the bonus payout is commensurate with the performance of the business during the year and in the context of broader stakeholders. Given the strong recovery in financial performance with adjusted EBITDA\* 36% higher than last year, and the support provided to employees during the difficult economic conditions (see below), the Committee was comfortable that the annual bonus outcome reflects the exceptional performance delivered in 2022.

LTIP awards granted in 2020 were based on three-year EPS, ROCE and TSR performance, each with an equal one-third weighting. The EPS and ROCE metrics were measured to the end of the 2022 financial year and vested at 74.3% and 0% respectively. The TSR measure runs three years from the date of grant and therefore the measurement period will end on 13 April 2023. Based on performance to 31 January 2023, the estimated vesting under the TSR condition is nil. Therefore, the overall estimated vesting of the 2020 LTIP is 24.8%. in line with the forecast outcome in our 2021 DRR, the 2019 LTIP awards lapsed during the year. Full details are provided on page 128.

The Committee carefully considered the formulaic outcomes under the annual bonus and the LTIP and is satisfied that, taken together, there is no basis for operating discretion (either upwards or downwards) in respect of these outcomes.

#### Looking after our employees

Whilst as a business we have always been committed to fairness and inclusion, during 2022 we took some notable steps to look after our employees during a period of macroeconomic volatility.

At half year, as inflation began to rise, we took the decision to announce a one-off £1,000 or £2,000 cost of living payment to all employees earning less than £30,000 or £50,000 respectively. This payment was made in October 2022 to coincide with increased domestic energy costs.

We also launched the Ibstock Rewards platform, provided by Sodexo, which allows all employees to benefit from shopping discounts. This platform will now be used to consider other financial wellbeing offerings which may be useful to employees.

Finally, we also took the opportunity, aligned to the launch of our Ibstock story (a cultural lever aimed at increasing employee voice and engagement), to grant all 2,140 employees on 29th June a Fire Up share grant. This gave every employee, below Senior Leadership Team level, an award over 500 Ibstock Plc ordinary shares, which will vest in two years time, subject to continued employment.

We are proud of the focus on employee wellbeing that has taken place in 2022 and commit to continuing this, with a focus on financial wellbeing into 2023.

#### Shareholder support at the 2022 AGM

Last year, we sought approval for our Policy which was largely a rollover of the previous one but updated to include post-cessation shareholding requirements and pension alignment for Executive Directors. We also set out details of changes to executive directors' base salaries to reflect their strong performance in the role and their below market positioning. This was accompanied by a one-off exceptional LTIP award at 200% of salary to align executives with our ambitious growth strategy.

I would like to thank shareholders once again for their engagement on our proposals and for your support of both the binding and advisory remuneration votes in 2022 which achieved support of 99% and 94% respectively.

#### The year ahead

- Our two Executive Directors will receive base salary increases of 5% each, which is aligned with the increase provided to other ELT members and compares with a 6.4% increase for the wider workforce. The Committee believes the CEO and CFO increases are merited and reflect their considerable contributions during the year

- The CFO's pension contribution rate will continue to be 10% of salary which is in line with the rate offered to the wider workforce. The CEO's contribution rate has been reduced from 20% of salary to 10% of salary from 1 January 2023
- The annual bonus opportunity will remain unchanged at 125% of salary and the bonus will be based 50% on adjusted EBITDA\* (based on full year targets), 20% on adjusted operating cash flow and 30% on personal objectives. There is a slight reweighting from last year with an upweighting of adjusted EBITDA\* over cash to reflect the importance of delivering profit in 2023. Both measures will be based on annual performance noting that the 2022 EBITDA metric was based both on half and full year targets
- The LTIP will revert to the normal grant level of 150% of salary and will be based 25% on EPS, 25% on ROCE, 30% on relative TSR and 20% on ESG objectives relating to carbon reduction, diversity and new product development

We will also be seeking shareholders' approval at the 2023 AGM for a new set of Long-Term Incentive Plan (LTIP) rules. The 2023 LTIP substantively replicates the terms which the Company has operated since its IPO, but has been updated to reflect current best practice, such as by extending the ability of the Committee to operate clawback if the Company were to suffer a corporate failure. All awards under the new plan to Executive Directors will remain subject to the terms of the Directors' remuneration policy supported by 99% of shareholders at the 2022 AGM.

#### Shareholder engagement

The Board regularly engages with our shareholders in a two-way communication process to maintain their support and to ensure we have a transparent executive reward structure aligned to shareholder experience. I look forward to receiving your support at our 2023 AGM, where I will be available to respond to any questions shareholders may have on this report or in relation to any of the Committee activities. In the meantime, if you would like to discuss any aspect of our Remuneration Policy, please feel free to contact me through the Group Company Secretary, at [company.secretariat@ibstock.co.uk](mailto:company.secretariat@ibstock.co.uk).

#### Tracey Graham

Chair of the Remuneration Committee  
7 March 2023

# Remuneration at a glance

## Single figure remuneration for our Executive Directors

The single total figure of remuneration table for the Executive Directors and Non-Executive Directors is set out on page 126.

Executive Directors	Year	Fixed remuneration					Variable remuneration			
		Salary/Fees	Taxable benefits <sup>1</sup>	Pension	Sub-total	Annual Bonus	Other	LTIP	Sub-total	Total
Joe Hudson (CEO)	2022	£485,503	£19,978	£97,101	£602,582	£610,380	–	£139,935	£750,315	£1,352,897
	2021	£454,793	£15,627	£90,959	£561,379	£543,023	–	£0	£543,023	£1,104,401
Chris McLeish (CFO)	2022	£326,655	£16,179	£32,666	£375,500	£410,671	–	£94,153	£504,824	£880,324
	2021	£306,000	£15,817	£28,338	£350,155	£365,364	–	£0	£365,364	£715,519

## Annual & Deferred Bonus Plan (ADBP) FY 2022 outcome

- Our 2022 ADBP outcomes outlined below reflect the performance targets and measures in place during the year. The financial targets, non-financial objectives and outcomes can be found on page 126.

	Adjusted EBITDA FY* (20%)	Adjusted EBITDA H1* (10%)	Adjusted EBITDA H2* (10%)	Adjusted operating cash flow* (30%)	Non-financial objectives (30%)	2022 Annual bonus outcome (% of maximum)
Joe Hudson (CEO) and Chris McLeish (CFO)	£139.7m	£70.7m	£68.9m	£65.9m	95%	98.5%
Achievement (% of maximum)	100%	100%	100%	100%	95%	98.5%

## Estimated 2020 LTIP outcome

Measure	Weighting (%)	Threshold (%)	Maximum (%)	Actual (%)	Vesting (% of total award)
Relative TSR	33.3	Median	Upper quartile	below Median <sup>1</sup>	0%
Adjusted EPS* growth	33.3	3% p.a.	10% p.a.	7.6% p.a.	24.8%
ROCE	33.3	18.76% p.a.	20.77% p.a.	15.2% p.a.	0%
<b>Total</b>					<b>24.8%</b>

<sup>1</sup> As the TSR performance condition period ends after the date of signing this Annual Report the TSR outcome is an estimated level of vesting taken as at 31 January 2023.

The three-year performance period for the 2020 LTIP awards ended on 31 December 2022 for the EPS and ROCE measures and will end on 13 April 2023 for the TSR measure. The TSR vesting outcome is therefore an estimate and subject to change. The actual vesting outcome will be reported in next year's Remuneration Report. The 2019 LTIP award lapsed in full.

## Share ownership

### Joe Hudson (CEO) (% of salary)

Shareholder requirement	200%
Current shareholding	37%
Value of unvested LTIP awards	207%

### Chris McLeish (CFO) (% of salary)

Shareholder requirement	200%
Current shareholding	71%
Value of unvested LTIP awards	207%

The number of shares of the Company in which Directors had a beneficial interest as at 31 December 2022 is set out in detail on page 130.

**Our Remuneration Policy and its link to our Group strategy**

The key elements of the Company's strategy and how its successful implementation is linked to the Director's remuneration are set out in the following table.

**Strategic priorities**

Remuneration Policy	Sustain	Innovate	Grow	Equity ownership and retention of shares.	Retain and reward the Executive team to deliver the strategy.
	Sustainable high performance is at the heart of what we do. We are focused on three priorities: health and safety; operational excellence; and environmental performance.	Strengthening our market-leading position. Our initiatives are centred on three specific areas: product innovation; customer experience; and digital transformation.	Clear path for growth and value creation – combining expansion in our core business, alongside diversified growth.		
<b>Annual bonus</b> The maximum bonus (including any part of the bonus deferred into shares) deliverable under the ADBP will not exceed 125% of a participant's annual base salary.	Non-financial measures target customer satisfaction and Health and Safety in the workplace and therefore support this objective.	<b>Adjusted EBITDA*</b> , <b>Adjusted operating cash flow*</b> The efficient development of innovative products measured through adjusted EBITDA* will be reflected in increased profitability and adjusted operating cash flow*.	<b>Adjusted EBITDA*</b> , <b>Adjusted operating cash flow*</b> The success in maximising operational excellence will be reflected through increased profitability and cash flow.	✓	✓
<b>LTIP</b> Maximum annual award is normally 150% of salary. Awards will vest at the end of three years with a further two-year holding period. For 2023, the performance conditions for awards are: <ul style="list-style-type: none"> <li>• Relative Total Shareholder Return (TSR) (30%);</li> <li>• Adjusted Earnings per Share* (EPS) growth (25%)*;</li> <li>• Return on Capital Employed* (ROCE) (25%); and</li> <li>• ESG (20%)</li> </ul>	<b>ESG, ROCE*</b> Achievement of the Group's key targets contained in its ESG 2030 Strategy. This will help contribute to our objectives of being the sector leader in sustainability matters. Healthy returns on capital employed will support the long-term success of the business.	<b>TSR, ESG</b> The generation of cash and profit growth targeted by the annual bonus will help enhance the value of the Company which will be measured through the success of the Company's TSR performance against its comparators. The new product development (NPD) measure in the ESG target will promote innovation, as will the drive towards carbon reduction.	<b>ROCE*, Adjusted EPS*, TSR</b> The success in maximising operational excellence will be measured through the long-term adjusted EPS* growth targeted by the LTIP and sustained strong ROCE*. In addition, sustained value generation will be reflected in the shareholder returns of the Company which will be measured through the Company's TSR performance under the LTIP.	✓	✓
<b>Sharesave Plan (Sharesave)</b>	Encourages employee participation in our success and encourages retention.			✓	✓
<b>Minimum shareholding requirements</b> 200% of salary.	Creates alignment with our shareholders.			✓	✓

## Remuneration Policy Summary

### Introduction

The Directors' Remuneration Policy was approved by shareholders at the AGM on 21 April 2022 and became effective from that date. The Policy applies for the period of three years from the date of approval. This part of the Directors' Remuneration Report summarises the key components of Ibstock's remuneration arrangements for the Executive Directors which form part of the Policy. A full copy of the Policy can be found in the 2021 Annual Report and Accounts on our website at [www.ibstockplc.co.uk](http://www.ibstockplc.co.uk).

### Summary of 2022 Policy for Executive Directors

Element of remuneration	Link to strategic objectives	Operation	Maximum opportunity	Performance metrics
<b>Base salary</b>	Provides a base level of remuneration to support recruitment and retention of Executive Directors.	An Executive Director's base salary is set on appointment and reviewed annually or when there is a change in position or responsibility.	In general, salary increases for Executive Directors will be in line with the increase for employees across the Group.  An alternative approach may be taken in relation to the individuals who are recruited or promoted to the Board.	None
<b>Benefits</b>	Provides a benefits package in line with practice relative to its comparator group to enable the Company to recruit and retain Executive Directors.	The Executive Directors receive a company car or car allowance, private health cover and death in service cover.	The maximum will depend on the cost of providing the relevant benefits. The Company has monitoring practices in place to ensure spend on benefits is efficient.	None
<b>Pensions</b>	Provides retirement benefit to enable the Company to recruit and retain Executive Directors.	The Company operates a defined contribution pension or salary supplement arrangement for Executive Directors.	• 10% of salary for Executive Directors	None
<b>Annual and Deferred Bonus Plan ("ADBP")</b>	The ADBP provides a significant incentive to the Executive Directors linked to achievement in delivering goals that are closely aligned with the Company's strategy and the creation of value for shareholders.	The annual bonus will be paid in cash and deferred shares.  The Committee will determine each year what part of the ADBP is deferred for three years.  The minimum value of deferred shares is one-third of the bonus earned.  The ADBP contains clawback and malus provisions.	• Up to 125% of salary  Percentage of maximum bonus earned for levels of performance: <ul style="list-style-type: none"><li>Threshold: 0%</li><li>On-target: 50%</li><li>Maximum: 100%</li></ul>	A minimum of 50% of the targets will be financial. The Board will determine the bonus to be delivered following the end of the relevant financial year.  Actual targets, performance achieved and awards made will be published at the end of the performance period.
<b>Long-Term Incentive Plan ("LTIP")</b>	The purpose of the LTIP is to incentivise and reward Executive Directors in relation to long-term performance and achievement of Group strategy.	Awards are granted annually and vest at the end of a three-year period.  A post-vesting holding period of two years will apply for the LTIP.  The Committee may award dividend equivalents in shares on awards to the extent that these vest.  The LTIP contains clawback and malus provisions.	• Up to 150% of salary • Up to 200% of salary in exceptional circumstances  25% of the award will vest for threshold performance. 100% of the award will vest for maximum performance. There is straight line vesting between these points.	The performance conditions for the 2023 LTIP awards are Adjusted EPS growth, comparative TSR, ROCE and ESG. The Committee may change the balance of the measures, or use different measures for subsequent awards, as appropriate.

Element of remuneration	Link to strategic objectives	Operation	Maximum opportunity	Performance metrics
<b>Sharesave Plan ("SAYE")</b>	The plan is designed to encourage all employees to become shareholders in the Company.	All employees including Executive Directors are eligible to participate in the plans.	Maximum opportunity for awards and purchases are kept in line with HMRC limits.	The Company, in accordance with the legislation, may impose objective conditions on participation in the plan for employees.
<b>Minimum shareholding requirement</b>	Executive Directors are expected to build up over a five-year period and then subsequently hold a shareholding equivalent to 200% of base salary. This will include deferred shares at their net-of-tax value and shares subject to a holding period at their full value. Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements.  In addition, a post-cessation minimum shareholding requirement will apply to Executive Directors who leave the Company. Leavers will have a requirement to hold 200% of their pre-cessation shareholding requirement for two years from leaving.			

#### Alignment of Policy with requirements under the UK Corporate Governance Code

As indicated in the compliance statement on page 93, the Board believes that Ibstock has applied the principles of the UK Corporate Governance Code (the Code) and complied with its relevant provisions during FY2022, with one exception. As noted on page 93, the Committee aligned the pension contribution rate for the CEO to that of the wider workforce from 1 January 2023.

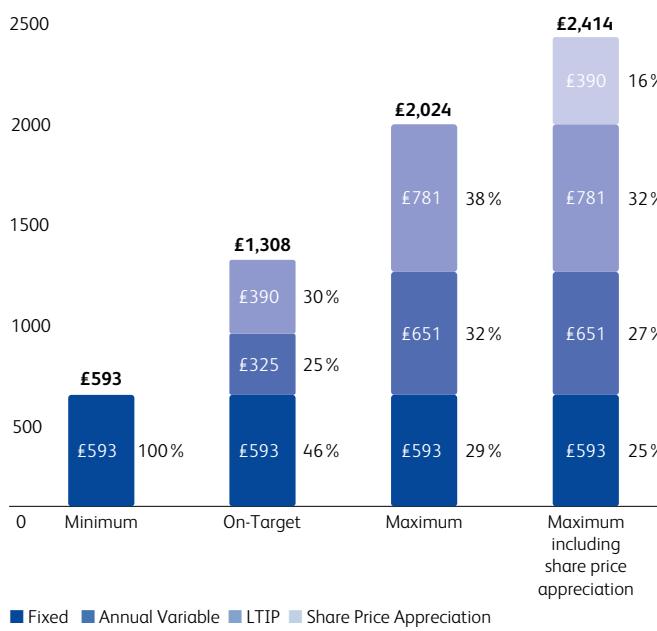
The Committee has considered the principles set out in Provision 40 of the Code and explains below how these have been addressed:

<b>Clarity</b>	Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	<ul style="list-style-type: none"> <li>We proactively consult our shareholders on any changes to the Remuneration Policy and seek their views.</li> <li>We regularly engage with the workforce and seek to bring employee voice in the Boardroom.</li> <li>We always seek to improve the quality of disclosure in our DRR and conduct an annual review of disclosure provided to add relevant information to increase transparency.</li> </ul>
<b>Simplicity</b>	Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	<ul style="list-style-type: none"> <li>The structure of the ADBP and LTIP are in line with standard UK market practice and hence should be familiar to all stakeholders.</li> <li>Performance metrics are chosen to focus on the key operational and financial performance objectives of the business.</li> </ul>
<b>Risk</b>	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.	<p>The Policy helps mitigate risks as follows:</p> <ul style="list-style-type: none"> <li>The Committee has discretion to override formulaic outcomes in instances where payouts do not accurately reflect the overall performance of the business.</li> <li>Malus and clawback in incentive plan rules provide flexibility to prevent excessive payouts in exceptional circumstances.</li> <li>Post-vesting holding periods and shareholding requirements encourage focus on sustainable performance over the long term.</li> <li>Incentive performance metrics are aligned with the Company's strategy.</li> <li>Maximum award limits are set within the Policy.</li> </ul>
<b>Predictability</b>	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.	<ul style="list-style-type: none"> <li>The Policy sets out potential levels of vesting available for varying degrees of performance (threshold, on-target and maximum) and calculation methodology.</li> <li>The DRR illustrates graphically the potential levels of remuneration received by Executive Directors under various performance scenarios.</li> </ul>
<b>Proportionality</b>	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.	<ul style="list-style-type: none"> <li>The ADBP and LTIP reward Executive Directors for delivering the Company's strategy.</li> <li>The use of deferral and multi-year performance periods ensure Executive Directors are focused on long-term sustainable performance.</li> <li>The Committee's discretion to adjust outcomes prevents Executive Directors from being rewarded for poor underlying business performance.</li> </ul>
<b>Alignment to culture</b>	Incentive schemes should drive behaviours consistent with Company purpose, values and strategy.	<ul style="list-style-type: none"> <li>Alignment of our incentives structure to strategy is illustrated on page 118. Strategic priorities are supported by the Company's culture.</li> <li>In addition, the Board believes that our remuneration structure is structured to drive the right culture and performance and is aligned with the Company's values.</li> </ul>

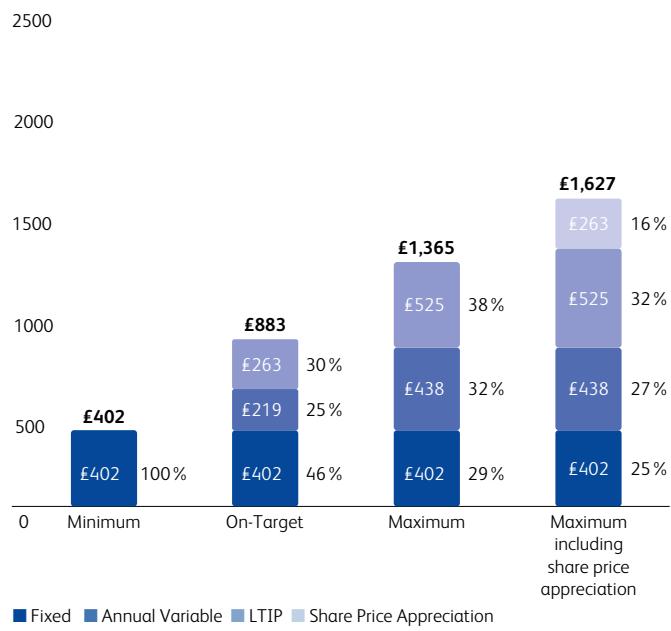
### Illustrations of the application of the Remuneration Policy

The charts below illustrate the total remuneration that would be paid to each of the Executive Directors, based on increased base salaries for the 2023 financial year, under four different performance scenarios: (i) minimum; (ii) on-target; (iii) maximum; and (iv) maximum including the impact of a 50% increase in share price on the LTIP outcome.

**Joe Hudson (CEO)**  
£'000



**Chris McLeish (CFO)**  
£'000



■ Fixed ■ Annual Variable ■ LTIP ■ Share Price Appreciation

■ Fixed ■ Annual Variable ■ LTIP ■ Share Price Appreciation

Element	Minimum	On-target	Maximum	Maximum including share price appreciation
Fixed (salary <sup>1</sup> , benefits and pension <sup>2</sup> )	Included	Included	Included	Included
Annual bonus (125% of salary)	Not included	50% of maximum	100% of maximum	100% of maximum
LTIP (150% of salary) <sup>3</sup>	Not included	50% of maximum	100% of maximum	100% of maximum
Share price gain (50% over 3 years)	Not included	Not included	Not included	50% of the maximum LTIP value

<sup>1</sup> Salary is the 2023 base salary following the increase approved by the Remuneration Committee in March 2023. This increase is effective from 1 April 2023.

<sup>2</sup> Based on the 2022 value of benefits and a 10% of salary pension contribution.

<sup>3</sup> An LTIP grant of 150% of base salary will be awarded to both Executive Directors in 2023.

# Annual Report on Remuneration

## **Membership meetings and attendance of the Committee**

Membership comprises the Group's Chairman and the independent Non-Executive Directors with support from the Group Company Secretary. Details of meeting attendance can be found on page 97. The Committee also receives assistance from Joanne Hodge, the Group People Director who attends meetings by invitation, except when issues relating to her own remuneration are being discussed. The ESG Committee advise the Committee on the setting and outcome of ESG performance measures in the LTIP Awards. The CEO is absent from any part of the ESG Committee meeting pertaining to decisions on ESG targets or outcomes. The CEO and CFO attend by invitation on occasions but are absent from discussions regarding setting of their own pay arrangements. The independent advisor to the Committee attends by invitation.

## **Role and responsibilities**

The Board has delegated to the Committee, under agreed terms of reference, responsibility for the Policy and for determining specific packages for the Executive Directors and members of the ELT. The Company consults with key shareholders in respect of the Policy and on any material changes to the way the Policy is implemented. The annual review of the terms of reference was conducted at the December 2022 meeting and these are available on the Company's website.

Our main responsibilities are:

- To determine and agree with the Board the Policy for the Executive Directors and the ELT, including the Group Company Secretary;
- To review the ongoing appropriateness and relevance of the Policy, taking into consideration the UK Corporate Governance Code 2018 (the Code) and associated guidance;
- To ensure that the Policy drives behaviours consistent with Company purpose, values and strategy;
- To ensure that the Policy promotes effective engagement with shareholders and the workforce;
- To ensure remuneration structures and their operation are simple and easy to understand;
- To ensure that remuneration arrangements prevent excessive rewards and do not reward poor performance;
- To review wider workforce remuneration and related policies;
- To review and approve the gender pay gap report on an annual basis;
- To engage with the workforce regarding the Policy and wider Company pay policy; and
- To review any major changes in employee benefit structures throughout the Company or Group and to administer all aspects of any share scheme.

On the following pages we provide a detailed description of the 2022 Executive Directors' pay outcomes and supporting information.

## **Company remuneration at Ibstock**

### **Fairness, diversity and wider workforce considerations**

Ibstock is committed to creating an inclusive working environment and rewarding our employees throughout the organisation in a fair manner. In making decisions on executive pay, the Committee considers wider workforce remuneration and conditions. We believe that employees throughout the Company should be able to share in the Company's success. We have, on three occasions operated a very popular Sharesave plan and we will continue to investigate additional opportunities for our employees to share in our success going forwards. We also believe that employees should have the opportunity to save for their futures and to this end we operate defined contribution Group personal pension plans into which the Company and our employees make contributions. During the year we made a share award to Ibstock employees as part of the broader Fire Up Ibstock cultural change programme that was launched in June. Under this arrangement, every Ibstock employee below the Senior Leadership Team received an award over 500 Ibstock Plc ordinary shares that would be released after two years.

As part of our commitment to fairness and in line with the evolving reporting regulations, for the sixth year we have included this section into our Annual Report on Remuneration which sets out more information on our wider workforce pay conditions, our CEO to employee pay ratio, our Gender Pay statistics, and our Diversity and Inclusion Policy. Whilst we recognise there is much work still to do, we believe that transparency is an important first step towards making improvements in relation to these important issues.

Area	Considerations																																			
<b>Competitive pay and cascade of incentives</b>	The Committee ensures that pay is fair throughout the Company and makes decisions in relation to the structure of executive pay in the context of the cascade of incentives throughout the business. The Committee's remit extends down to the senior executives, senior management and other managers and employees for which it recommends and monitors the level and structure of remuneration.																																			
	<table border="1"> <thead> <tr> <th>Level</th><th>Participation in bonus</th><th>Participation in LTIP</th><th>Participation in Share Option Plan/SMSP</th><th>Participation in Sharesave</th></tr> </thead> <tbody> <tr> <td>Executive Directors</td><td>✓</td><td>✓</td><td></td><td>✓</td></tr> <tr> <td>Senior executives</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr> <tr> <td>Senior managers</td><td>✓</td><td></td><td>✓</td><td>✓</td></tr> <tr> <td>Managers</td><td>✓</td><td></td><td></td><td>✓</td></tr> <tr> <td>Employees</td><td>✓</td><td></td><td></td><td>✓</td></tr> </tbody> </table>	Level	Participation in bonus	Participation in LTIP	Participation in Share Option Plan/SMSP	Participation in Sharesave	Executive Directors	✓	✓		✓	Senior executives	✓	✓	✓	✓	Senior managers	✓		✓	✓	Managers	✓			✓	Employees	✓			✓					
Level	Participation in bonus	Participation in LTIP	Participation in Share Option Plan/SMSP	Participation in Sharesave																																
Executive Directors	✓	✓		✓																																
Senior executives	✓	✓	✓	✓																																
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Managers	✓			✓																																
Employees	✓			✓																																
<b>Remuneration and its link to the Company's objectives</b>	<table border="1"> <thead> <tr> <th>Plan</th><th>Purpose</th><th>Eligibility</th><th>Financial performance</th><th>Strategic and operational goals</th><th>Long-term value creation (encouraged through equity retention)</th><th>Objectives</th></tr> </thead> <tbody> <tr> <td><b>Sharesave</b></td><td>To broaden share ownership and share in corporate success over the medium term</td><td>All employees</td><td></td><td></td><td>✓</td><td>✓</td></tr> <tr> <td><b>Annual bonus</b></td><td>Incentivise and reward short-term performance. At senior level an element of bonus may be deferred in shares</td><td>Executive Directors, senior executives, senior managers, managers and employees</td><td></td><td>✓</td><td>✓</td><td>✓</td></tr> <tr> <td><b>Share Option Plan/SMSP</b></td><td>Broaden share ownership, alignment, retention, long-term performance</td><td>Senior executives and senior management</td><td>✓</td><td></td><td>✓</td><td>✓</td></tr> <tr> <td><b>LTIP</b></td><td>Incentivise and reward long-term performance</td><td>Executive Directors and senior executives</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr> </tbody> </table> <p>The Company uses a number of remuneration comparison measurements to assess the fairness of pay structures across the Group. Detailed disclosure of our approach to fairness, diversity and wider workforce considerations is presented above on this page. In setting the Policy for Directors, the pay and conditions of other employees of the Company are taken into account to ensure consistency of approach throughout the Company, including data on the remuneration structure for management level tiers below the Executive Directors, average base salary increases awarded to the overall employee population and the cascade of pay structures throughout the business.</p> <p>As a Committee, we are keenly aware of the sensitivity of shareholders and the wider public regarding executive remuneration. The Committee will continue to monitor external remuneration developments closely and intends to embrace these changes and continue to comply with best practice reporting requirements as they come into force.</p>	Plan	Purpose	Eligibility	Financial performance	Strategic and operational goals	Long-term value creation (encouraged through equity retention)	Objectives	<b>Sharesave</b>	To broaden share ownership and share in corporate success over the medium term	All employees			✓	✓	<b>Annual bonus</b>	Incentivise and reward short-term performance. At senior level an element of bonus may be deferred in shares	Executive Directors, senior executives, senior managers, managers and employees		✓	✓	✓	<b>Share Option Plan/SMSP</b>	Broaden share ownership, alignment, retention, long-term performance	Senior executives and senior management	✓		✓	✓	<b>LTIP</b>	Incentivise and reward long-term performance	Executive Directors and senior executives	✓	✓	✓	✓
Plan	Purpose	Eligibility	Financial performance	Strategic and operational goals	Long-term value creation (encouraged through equity retention)	Objectives																														
<b>Sharesave</b>	To broaden share ownership and share in corporate success over the medium term	All employees			✓	✓																														
<b>Annual bonus</b>	Incentivise and reward short-term performance. At senior level an element of bonus may be deferred in shares	Executive Directors, senior executives, senior managers, managers and employees		✓	✓	✓																														
<b>Share Option Plan/SMSP</b>	Broaden share ownership, alignment, retention, long-term performance	Senior executives and senior management	✓		✓	✓																														
<b>LTIP</b>	Incentivise and reward long-term performance	Executive Directors and senior executives	✓	✓	✓	✓																														

Area	Considerations									
<b>Pay comparisons</b>	<b>CEO pay ratio</b>									
	Year									
		Method	25th percentile	50th percentile						
	2018	Option A	30:1	24:1						
	2019	Option A	43:1	35:1						
	2020	Option A	21:1	16:1						
	2021	Option A	41:1	30:1						
	2022	Option A	44:1	35:1						
	In line with the remuneration reporting regulations, we report the ratio of CEO single figure pay to the pay of our employees in 2022. As in 2021, we have calculated the ratios set out above using Option A, as described in the Directors' Remuneration Reporting Regulations, as we believe that this reflects the most comprehensive approach.									
	The 2022 pay ratio figures are broadly comparable to prior year figures. This reflects high bonus payouts in each year. The median ratio is slightly higher in 2022 largely due to modest LTIP vesting in 2022 (24.8%) versus nil in 2021. The ratios were determined as at 31 December 2022.									
	The following summarises the employee salary, total pay and base salary for the year ended 31 December 2022.									
	<b>Total Remuneration and Base salary quartiles</b>									
		CEO	25th percentile	50th percentile						
	<b>Total remuneration</b>	£1,352,897	£30,835	£38,929						
	<b>Base Salary</b>	£485,503	£23,278	£27,082						
				75th percentile						
				£49,495						
				£36,833						
	<b>CEO pay in the last eight years</b>									
	The table below sets out the single total figure of remuneration and incentive outcomes for the Director holding the post of CEO in each year since Ibstock listed on the London Stock Exchange in 2015.									
		<b>Wayne Sheppard<sup>2</sup></b>				<b>Joe Hudson<sup>3</sup></b>				
Year	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2018 £'000	2019 £'000	2020 £'000	2021 £'000	2022 £'000	
Single figure remuneration	773	789	906	184	592	737	540	1,104	1,353	
% of maximum annual bonus earned	100 %	33 %	58 %	32.5 %	32.5 %	33.1 %	0.0 %	95.5 %	98.5 %	
% of maximum LTIP awards vesting <sup>1</sup>	N/A	N/A	N/A	38.5 %	N/A	N/A	0 %	0 %	24.8 %	
1	Following the IPO in 2015, no award under the LTIP vested in the period 2016 to 2018.									
2	Wayne Sheppard stepped down as CEO and Board Director on 4 April 2018 and his 2018 remuneration has been pro-rated to reflect this.									
3	Joe Hudson became CEO on 4 April 2018. His 2018 single figure only includes compensation paid to him in 2018 in his capacity as the CEO from 4 April to 31 December 2018 and does not include compensation paid to him as CEO designate before 4 April 2018.									
	<b>Percentage change in CEO's remuneration</b>									
	The table below shows how the percentage change in the CEO's salary, benefits and bonus between 2021 and 2022 compares with the percentage change in the average of each of those components of pay for the employees.									
		<b>Salary</b>			<b>Taxable benefits</b>			<b>Bonus</b>		
Year	2021 £'000	2022 £'000	Percentage change	2021 £'000	2022 £'000	Percentage change	2021 £'000	2022 £'000	Percentage change	
CEO <sup>1</sup>	455	486	6.8 %	16	20	25 %	543	610	12.4 %	
Average per eligible employee <sup>2</sup>	39	43	10.3 %	7	6	(14.3) %	22	15	(31.8) %	
1	The CEO's remuneration disclosed in the table above has been calculated to take into account base salary and taxable benefits (excluding pension) and annual bonus (including any amount deferred).									
2	The pay for eligible employees in continuing operations has been calculated using the following elements: annual salary – base salary and standard monthly allowances; taxable benefits – car allowance and private medical insurance premiums; annual bonus – company bonus, management bonus, commission and incentive payments.									

Area	Considerations																
<b>Gender pay</b>	<p>The UK Government Equalities Office legislation requires employers with 250 or more employees in the UK to disclose annually information on their gender pay gap. This disclosure of the pay gap is based on amounts paid in the year to 5 April 2022. The bonus gap is based on incentives paid in respect of the year to 5 April 2022. As Ibstock Brick is the largest employing entity, we have chosen to report these figures in this report. We are committed to regular analysis and monitoring of pay where we will continue to work to remedy any gap that we have.</p> <p>The mean gender pay gap at Ibstock Brick is minus 6% which is significantly lower than the UK average of 14.9%. We continue to work hard to encourage more females into the business. Our current employee population reflects the traditional nature of the industry, with 84% of roles being occupied by men, including a high percentage of males employed in factory based production roles. This can clearly be seen in the quartiles set out below, which show the number of male and female employees in each pay quartile:</p> <table> <tr> <td>Quartile A (lowest)</td> <td>1 Male: 72%</td> <td>Quartile B</td> <td>1 Male: 91%</td> </tr> <tr> <td></td> <td>2 Female: 28%</td> <td></td> <td>2 Female: 9%</td> </tr> <tr> <td>Quartile C</td> <td>1 Male: 91%</td> <td>Quartile D (highest)</td> <td>1 Male: 84%</td> </tr> <tr> <td></td> <td>2 Female: 9%</td> <td></td> <td>2 Female: 16%</td> </tr> </table>	Quartile A (lowest)	1 Male: 72%	Quartile B	1 Male: 91%		2 Female: 28%		2 Female: 9%	Quartile C	1 Male: 91%	Quartile D (highest)	1 Male: 84%		2 Female: 9%		2 Female: 16%
Quartile A (lowest)	1 Male: 72%	Quartile B	1 Male: 91%														
	2 Female: 28%		2 Female: 9%														
Quartile C	1 Male: 91%	Quartile D (highest)	1 Male: 84%														
	2 Female: 9%		2 Female: 16%														
	<i>Note: The figures quoted above are for Ibstock Brick Limited, a subsidiary of Ibstock Plc, only.</i>																

Area	Considerations
<b>Diversity policy</b>	We believe the diversity of our people strengthens our judgement, independence and decision-making. We also know that attracting a more diverse workforce widens our pool of talent which is key for our succession planning and sustainable growth. Our commitment is backed by our Diversity and Inclusion Policy and will be supported during the coming year by the commitment to appoint a senior sponsor in the business for diversity and inclusion.

#### Informing the Committee on the wider workforce

To build the Committee's understanding of reward arrangements applicable to the wider workforce, the Committee was provided with summary data on the remuneration arrangements for all employees across the Group. The Committee annually reviews the pay proposals for the senior executives/senior management team, including annual bonus targets and outcomes and long-term incentives, and is aware of the pay increases awarded to the broader employee population. The Committee uses this information to ensure consistency and fairness of approach throughout the Company in relation to remuneration.

#### Workforce engagement

The Group operates an employee forum called The Listening Post. Under the initiative the CEO and one of the Non-Executive Directors, together with certain members of the ELT, meet regularly during the year with nominated employee champions elected from all parts of the business to discuss the Group, how it is performing and to identify potential areas for improvement. During the year feedback from our employees through The Listening Post has included topics including remuneration. Further information can be found in the Responsible Business section on page 42.

#### Remuneration justification

The Committee is comfortable that the pay relativity reference points set out above provide justification that the application of the Policy is appropriate.

#### Application of the Policy in FY 2022

##### Single total figure of remuneration (audited)

The table below sets out the single total figure of remuneration and breakdown for each Director in respect of the financial year to 31 December 2022.

Figures provided have been calculated in accordance with the UK disclosure requirements: the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (Schedule 8 to the Regulations).

## Directors' Remuneration Report continued

Executive Directors	Year	Fixed remuneration					Variable remuneration			
		Salary/Fees	Taxable benefits <sup>1</sup>	Pension	Sub-total	Annual Bonus	Other	LTIP <sup>2</sup>	Sub-total	Total
Joe Hudson (CEO)	2022	£485,503	£19,978	£97,101	£602,582	£610,380	–	£139,935	£750,315	£1,352,897
	2021	£454,793	£15,627	£90,959	£561,379	£543,023	–	£0	£543,023	£1,104,401
Chris McLeish (CFO)	2022	£326,655	£16,179	£32,666	£375,500	£410,671	–	£94,153	£504,824	£880,324
	2021	£306,000	£15,817	£28,338	£350,155	£365,364	–	£0	£365,364	£715,519
<b>Non-Executive Directors</b>										
Jonathan Nicholls	2022	£188,458	–	–	–	–	–	–	–	£188,458
	2021	£182,963	–	–	–	–	–	–	–	£182,963
Tracey Graham	2022	£74,704	–	–	–	–	–	–	–	£74,704
	2021	£72,525	–	–	–	–	–	–	–	£72,525
Justin Read	2022	£64,404	–	–	–	–	–	–	–	£64,404
	2021	£62,730	–	–	–	–	–	–	–	£62,730
Louis Eperjesi	2022	£53,846	–	–	–	–	–	–	–	£53,846
	2021	£52,275	–	–	–	–	–	–	–	£52,275
Claire Hawkings	2022	£64,404	–	–	–	–	–	–	–	£64,404
	2021	£59,424	–	–	–	–	–	–	–	£59,424
Peju Adebajo	2022	£53,846	–	–	–	–	–	–	–	£53,846
	2021	£4,959	–	–	–	–	–	–	–	£4,959

<sup>1</sup> Taxable benefits in the 2022 financial year comprised a company car allowance, private health cover and death in service cover. Joe Hudson and Chris McLeish were entitled to receive car allowances of £18,000 and £15,000 per annum, respectively. The actual amounts received for the 2022 financial year are shown as part of the total taxable benefits figure above.

<sup>2</sup> The LTIP vesting for 2022 is estimated at 24.8% and is based on the three month average share price to 31 December 2022 157.98p. No discretion was applied to determine the vesting outcome and none of the 2022 LTIP value shown is attributed to share price growth over the vesting period.

### Pension entitlements (audited)

The Company's Defined Benefit Scheme was closed in 2017. Executive Directors receive a salary supplement in lieu of pension contributions with the CEO and CFO receiving contributions of 20% and 10% of base salary respectively. In order to ensure all executives' contributions are at the same level as the majority of the wider workforce, contributions payable to the CEO have now reduced to 10% from 1 January 2023.

### ADBP (audited)

The 2022 ADBP was based on a range of financial measures and non-financial objectives. 40% of the bonus was based on adjusted EBITDA, 30% was based on adjusted Operating Cash Flow and 30% on non-financial objectives. The EBITDA element was split between full year performance and targets relating to H1 and H2. The Committee set half year targets due to the uncertain outlook at the start of 2022. The 2023 targets are based on full year performance.

One-third of any bonus payable will be deferred for three years into Company shares subject to continued employment.

Performance condition	Weighting	Threshold performance required (£'m)	Maximum performance required (£'m)	Actual performance (£'m)	Percentage of maximum performance achieved
Adjusted EBITDA*	20%	£111.7	£126.1	£139.7	100%
Adjusted EBITDA H1*	10%	£53.6	£60.5	£70.7	100%
Adjusted EBITDA H2*	10%	£58.1	£65.6	£68.9	100%
Adjusted operating cash flow* <sup>1</sup>	30%	£18.9	£21.3	£65.9	100%
Non-financial objectives	30%	A summary of the personal objectives for 2022 are outlined below.			95%
Total	100%				98.5%

<sup>1</sup> Adjusted free cash flow plus tax, net interest, post employment benefits, R&D tax credits, leases, and share based payments, further adjusted for capital items deemed outside of target performance.

Operating cash performance was also above maximum reflecting very strong trading performance, a tight focus on cost and effective working capital management. Profit performance exceeded the maximum targets set at the start of the year reflecting very strong performance, driven by a 26% increase in revenue, dynamic pricing to recover significant cost inflation and disciplined cost management.

The personal objectives for the CEO and the CFO along with their associated outcomes are set out below.

### Summary of personal objectives

Name	Objective area	Assessment (% of maximum)	Assessment of completed objective
<b>Joe Hudson</b>	Continue to drive our performance and culture in health, safety, and wellbeing completing road map actions	95%	Roadmap actions delivered in year with LTIFR performance of 1.4 vs target of 2.2. Wellbeing plan developed and initial actions completed (e.g. mental health awareness) but more to be done around wellbeing in 2023
	Roll out the new sustainability strategy with the delivery of the key Year 1 actions	100%	Roadmap actions delivered in year and progress reported in ARA
	Drive continued Operational Performance for Industrial and commercial	85%	Commercial performance strong with approach to customer partnerships and pricing both driving benefit. Focused improvements in operational performance across divisions with key sites such as Dorket Head and Leighton Buzzard showing reliability improvement in year. However, performance in two clay sites continue to require focus to ensure greater reliability in 2023
	Support the establishment of the Futures division strategy, business plan and governance and ensure the in-year delivery of the brick slips investment strategy	90%	Futures strategy clearly defined as set out in ARA and leadership team put in place. Initial approach to the brick slips investment strategy was reviewed and will now benefit from progressive technology to deliver greater range flexibility
	Complete assessment of options for calcined clay / expanded clay	95%	Assessment completed in line with milestone plan with only a small rework of critical path
	In year delivery of the Shadowfax (Atlas and Aldridge factories) project plan	95%	Delivered in line with milestone plan although reforecast required given changes in external environment
	Bed in and support the organisational effectiveness of the ELT and SLT and key functional support areas	100%	Excellent progress made with continued focus into 2023. Focus on SLT leadership development saw increased in year performance ownership and leadership of enterprise topics
	Continue to develop the M&A pipeline for core business with progress and bolt on adjacencies	95%	Pipeline further developed with delivery in year focused on Futures

Overall the assessment was 95% (i.e. 28.5% out of 30%)

Name	Objective area	Assessment (% of maximum)	Assessment of completed objective
<b>Chris McLeish</b>	Continue to drive our performance and culture in health, safety, and sustainability	95%	Roadmap actions delivered in year with LTIFR performance of 1.4 vs target of 2.2. Wellbeing plan developed and initial actions completed (e.g. mental health awareness) but more to be done around wellbeing in 2023
	Promote and deliver continuing improvement in risk management and controls	90%	Notable improvement made in year against plan (based on RSM testing outcomes). Some work in 2023 to improve factory audit performance around despatch controls
	Continue to enhance the framework and culture of performance management across the Group	100%	Excellent progress made with continued focus into 2023. Focus on SLT leadership development saw increased in year performance ownership and leadership of enterprise topics
	Deliver committed improvements in Finance/IT functional operating model and performance	100%	Strong improvement in year. New CIDO hired and Tech roadmap developed
	Develop Futures Division business plan, ensure in year delivery of the brick slips investment strategy and establish an effective M&A acquisition pipeline	90%	Futures strategy clearly defined as set out in ARA and leadership team put in place. Initial approach to the brick slips investment strategy was reviewed and will now benefit from progressive technology to deliver greater range flexibility

Overall the assessment was 95% (i.e. 28.5% out of 30%)

The Committee determined that overall performance equates to a 95% achievement for the non-financial element of the bonus (28.5% of 30% of maximum annual bonus opportunity). This has resulted in bonuses of £610,380 for the CEO and £410,671 for the CFO. In line with the policy, one-third of the bonus will be deferred into shares for 3 years.

As set out above, no discretion was exercised by the Committee in relation to the outcome of the bonus awards. The bonus level at 98.5% was a reflection of Ibstock's delivery of strong performance with profit and cash materially ahead of the prior year.

#### LTIP vesting (audited)

##### 2020 LTIP vesting

The three-year performance period for the awards granted on 14 April 2020 ended on 31 December 2022 in respect of the EPS and ROCE measures and will end on 13 April 2023 for the relative TSR measure. As the performance period for the TSR element has not concluded, vesting is based on an estimate undertaken to 31 January 2023. The Committee reviewed the performance against the three performance conditions and determined an overall estimated vesting level of 24.8%.

##### 2020 LTIP vesting

Measure	Weighting (%)	Threshold (%)	Maximum (%)	Actual (%)	Vesting (% of total award)
Relative TSR (estimated vesting)	33.3	Median	Upper Quartile	below Median	0 %
Adjusted EPS*	33.3	3 % p.a.	10 % p.a.	7.6 % p.a.	24.8 %
ROCE (annual average)	33.3	18.76 % p.a.	20.77 % p.a.	15.2 % p.a.	0 %
Total	100	—	—	—	24.8 %

The 2022 EPS outcome was 22.9p which represented an annual compound growth of 7.6% p.a. from the 2019 base year figure. The 2022 figure included an adjustment of 0.2p relating to the impact of the Atlas and Nostell major growth projects which were not anticipated at the time that the LTIP was granted. The cost has been added back to ensure the outcome and targets are on a like-for-like basis.

The value of vested awards as set out in the single figure table is based on a vesting of 24.8% and uses the average three-month share price to 31 December 2022 of 157.98p. The actual vesting value will be reported in next year's Directors' Remuneration Report.

##### 2019 LTIP vesting

The CEO was granted an LTIP award on 3 May 2019 which was based on EPS and relative TSR. The three-year performance period for the awards granted on 3 May 2019 ended on 31 December 2021 in respect of the EPS measure and on 2 May 2022 for the relative TSR measure.

The CFO was granted an award upon his recruitment in 2019 which was based on the same EPS condition, measured to 31 December 2021. The TSR measure attached to his award had a performance period which ended on 12 August 2022.

Measure	Weighting (%)	Threshold (%)	Maximum (%)	Actual (%)	Vesting (% of total award)
Relative TSR (vesting outcome for the CEO)	50	Median	Upper Quartile	below Median	0 %
Relative TSR (vesting outcome for the CFO)	50	Median	Upper Quartile	below Median	0 %
Adjusted EPS*	50	6 % p.a.	12 % p.a.	<0 % p.a. <sup>1</sup>	0 %
Total	100	—	—	—	0 %

<sup>1</sup> Earnings per share reduced between 2018 and 2021 due to the adverse impact of the pandemic on demand and Company performance.

Both the CEO's and CFO's awards lapsed as neither performance measure had been achieved.

### LTIP and ADBP awards granted during the year (audited)

#### LTIP awards granted in 2022

The table below sets out the details of the long-term incentive awards granted in the 2022 financial year where vesting will be determined according to the achievement of performance conditions that will be tested in future reporting periods.

Name	Award type	Award size (% of base salary)	Date of grant	Number of Awards	Face value on the date of grant <sup>1</sup>	Percentage of award vesting at threshold performance Percentage	Maximum percentage of face value that could vest Percentage	Performance conditions
Joe Hudson (CEO)	LTIP	200 %	14 April 2022	578,122	£991,479	25	100	ROCE* and ESG Relative TSR, EPS*, average
Chris McLeish (CFO)	LTIP	200 %	14 April 2022	388,967	£667,078	25	100	ROCE* and ESG Relative TSR, EPS*, average

<sup>1</sup> Share price by reference to which the awards were granted is £1.715 (closing share price on 13 April 2022).

The LTIP awards will vest on 14 April 2025 subject to the achievement of performance criteria – see below. Any vested awards will be subject to a further two-year post vesting holding period.

Vesting of the 2022 awards are subject to the achievement of a challenging sliding scale of adjusted EPS\* and ROCE\* conditions over a three-year performance period ending 31 December 2024, together with ESG related measures, and relative TSR against the FTSE 250 construction and building materials companies measured over a three-year period from the date of grant. For each measure, 25% of the award vests for threshold performance; 100% of the award vesting for maximum performance, with straight line vesting between these points. The performance schedule for these measures is as follows:

Measure	Weighting	Threshold	Maximum
Relative TSR	30%	Median	Upper quartile
Adjusted EPS*	30%	16.9p	22.1p
ROCE*	20%	17.64% per annum	19.5% per annum
Carbon reduction (carbon produced per tonne of finished product)	10%	0.132	0.124
Senior leader female representation (additional women) by 2024	5%	3	5
New product development sales revenue coming from new and most sustainable products	5%	16%	20%

<sup>1</sup> Relative TSR will be measured from the date of grant over a three-year period (with one-month averaging of TSR used to derive the start and the end values for the calculation). Adjusted EPS will be measured over three consecutive financial years. ROCE\* performance will be taken to be the average of each of the three years of the performance period. Carbon reduction is measured over the three years ending 31 December 2024 and senior women leaders and new product sales revenues will be measured using FY 2024 performance. A two-year post-vesting holding period applies to 2022 LTIP awards.

#### ADBP awards granted in 2022

Under the terms of the Policy, part of the bonus earned for 2021 performance was delivered in the form of deferred bonus shares under the ADBP. Details of the awards granted are set out in the table below.

Name	Award type	Award size	Date of grant	Shares awarded	Face value on the date of grant <sup>1</sup>
Joe Hudson (CEO)	ADBP – deferred shares	33.33% of 2021 bonus	14 April 2022	91,325	£181,006
Chris McLeish (CFO)	ADBP – deferred shares	33.33% of 2021 bonus	14 April 2022	61,447	£121,788

<sup>1</sup> Share price by reference to which the awards were granted is £1.982 being the average share price measured over the last 30 days of the financial year to which the bonus relates ending 31 December 2021.

The ADBP awards will vest on 14 April 2025, subject to continued employment.

#### Payments for loss of office (audited)

There were no payments for loss of office during the period under review.

#### Payments to past Directors (audited)

There were no payments to past Directors of the Company made during the year under review.

## Directors' Remuneration Report continued

### Directors' share interests

#### Executive Directors' incentive awards at 31 December 2022

The following table shows details of those options held by the Directors under the Company's share plans as at 31 December 2022:

Joe Hudson	Date of Award	Interest at 1 January 2022	Awarded during the year	Vested during the year	Lapsed during the year	Exercised during the year	Interest at 31 December 2022	Market price on award date	Exercise/option price	Expiry date
LTIP <sup>1</sup>	2019	–	–	–	170,181	–	–	2.0351	Nil cost	03/05/29
	2020	357,167	–	–	–	–	357,167	1.9100	Nil cost	14/04/30
	2021	317,888	–	–	–	–	317,888	2.1460	Nil cost	25/03/31
	2022	–	578,122	–	–	–	578,122	1.7150	Nil cost	14/04/32
ADBP	2019	–	–	28,942	–	–	28,942	2.0351	Nil cost	03/05/29
	2020	21,571	–	–	–	–	21,571	2.8500	Nil cost	14/04/30
	2022	–	91,325	–	–	–	91,325	1.982	Nil cost	14/04/32
Sharesave	2021	10,227	–	–	–	–	10,227	N/A	1.76	N/A

Chris McLeish	Date of Award	Interest at 1 January 2022	Awarded during the year	Vested during the year	Lapsed during the year	Exercised during the year	Interest at 31 December 2022	Market price on award date	Exercise/option price	Expiry date
LTIP <sup>1</sup>	2019	–	–	–	170,145	–	–	2.2000	Nil cost	12/08/29
	2020	240,314	–	–	–	–	240,314	1.9100	Nil cost	14/04/30
	2021	213,886	–	–	–	–	213,886	2.1460	Nil cost	25/03/31
	2022	–	388,967	–	–	–	388,967	1.7150	Nil cost	14/04/32
ADBP	2020	5,829	–	–	–	–	5,829	2.8500	Nil cost	14/04/30
	2022	–	61,447	–	–	–	61,447	1.982	Nil cost	14/04/32
Sharesave	2021	10,227	–	–	–	–	10,227	N/A	1.76	N/A

<sup>1</sup> Where not made available in the Company's Annual Report and Accounts for the year ended 31 December 2022, performance conditions for LTIP awards can be found in the Annual Reports and Accounts of the Company for the year corresponding with the respective year of grant.

#### Statement of Directors' shareholdings and share interests (audited)

Directors' share interests and, where applicable, achievement of shareholding requirements are set out below. The CEO and CFO, having joined the Company in 2018 and 2019 respectively, are expected to build up over a five-year period and then subsequently hold a shareholding equivalent to 200% of base salary. The Committee recognise that neither Joe Hudson nor Chris McLeish have yet met their shareholding requirements, with Joe's five-year deadline ending January 2023 and Chris' deadline to end August 2024. The Committee considered this, noting that both LTIP and ABP payouts have been below the expectations of the Committee when they joined and that neither Director has sold any of their shareholding during the year. As such, the Committee were comfortable that the Executive Directors will continue to build up their shareholding requirements and no further action is required.

Directors	Shares held directly		Other interests held					
	Shareholding requirement % salary	Current shareholding <sup>1</sup> % salary	Beneficially owned <sup>2</sup>	Interests subject to performance conditions	Interests not subject to performance conditions	Vested but unexercised interests <sup>3</sup>	Outstanding Sharesave awards	Shareholding requirement met
Joe Hudson	200 %	37 %	20,558	1,253,177	112,896	54,146	10,227	No
Chris McLeish	200 %	71 %	50,551	843,167	67,276	106,584	10,227	No
Jonathan Nicholls	N/A	N/A	10,000	N/A	N/A	N/A	N/A	N/A
Tracey Graham	N/A	N/A	10,000	N/A	N/A	N/A	N/A	N/A
Justin Read	N/A	N/A	17,500	N/A	N/A	N/A	N/A	N/A
Louis Eperjesi <sup>4</sup>	N/A	N/A	20,000	N/A	N/A	N/A	N/A	N/A
Claire Hawkings	N/A	N/A	10,000	N/A	N/A	N/A	N/A	N/A
Peju Adebajo	N/A	N/A	10,000	N/A	N/A	N/A	N/A	N/A

<sup>1</sup> As at 31 December 2022 (unless stated otherwise). This was based on a closing share price of £1.548 at 31 December 2022 and the 2023 salaries of the Executive Directors. For Executive Directors, this is the value of beneficially held shares plus the value of unvested deferred bonus awards on a net of tax basis plus vested but unexercised share awards on a net of tax basis. Values are not calculated for Non-Executive Directors as they are not subject to shareholding requirements.

<sup>2</sup> All shares held through nominees.

<sup>3</sup> This represents those shares that vested under the buyout award made to Joe Hudson and Chris McLeish in 2018 and 2019 respectively but that have not been exercised.

<sup>4</sup> Note that the holding is legally held by Louis Eperjesi's spouse.

There were no changes in shareholdings from the year end to the date of this report.

#### Fees retained for external Non-Executive Directorships

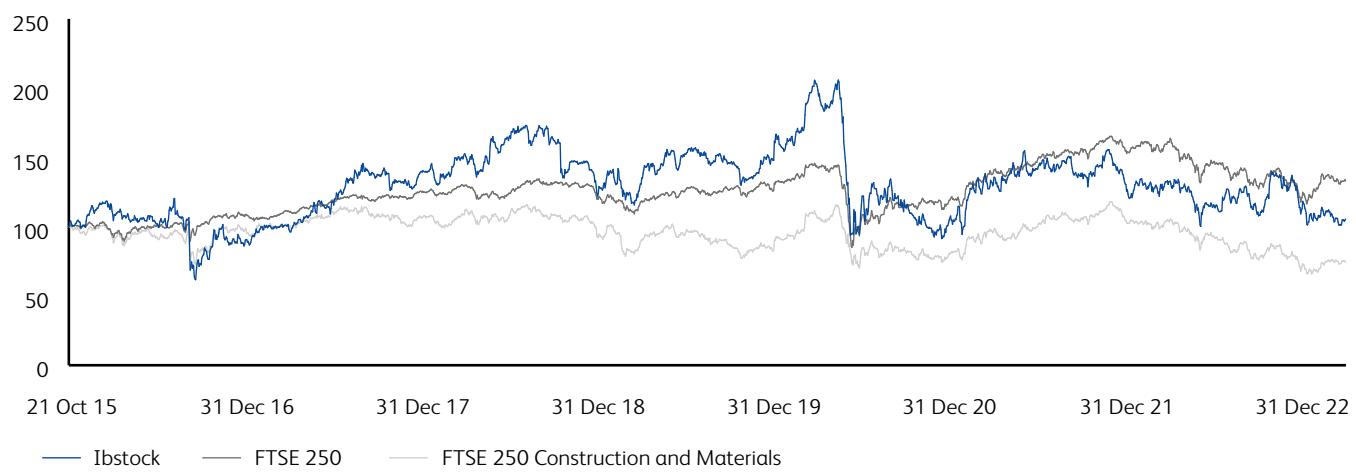
Executive Directors may hold positions in other companies as Non-Executive Directors and retain the fees. The current Executive Directors do not hold any external directorships in other listed companies.

#### Comparison of overall performance and pay

The graph below shows the value of £100 invested in the Company's shares since listing compared with the FTSE 250 index and the FTSE 250 Construction and Building materials companies. The graph shows the Total Shareholder Return generated by both the movement in share value and reinvestment over the same period of dividend income.

#### Total Shareholder Return

£100 invested in the Company's shares since listing compared with the FTSE 250 index and the FTSE 250 Construction and Materials index



The Committee considers that the FTSE 250 is an appropriate index because the Company has been a member of this index since listing. It should be noted that the Company listed on 27 October 2015 and therefore only has a listed share price for the period of 27 October 2015 to 31 December 2022. Additionally, the FTSE 250 Construction and Building materials index is shown as it reflects the sector in which the Company operates.

#### Chief Executive Officer historic remuneration

The table below sets out the total remuneration delivered to the CEO over the period 26 February 2015 to 31 December 2022, valued using the methodology applied to the single total figure of remuneration. There is no relevant data before 2015.

Chief Executive Officer	Wayne Sheppard <sup>1</sup>						Joe Hudson <sup>2</sup>		
	2015	2016	2017	2018	2019	2020	2021	2022	
Single total figure	£773,309	£788,685	£906,300	£183,640	£592,039	£737,287	£539,524	£1,104,401	£1,352,897
Annual bonus payment level achieved (% of maximum opportunity)	100 %	33 %	58 %	32.5 %	32.5 %	33.1 %	0.0 %	95.5 %	98.5 %
LTIP vesting level achieved (% of maximum opportunity)	N/A	N/A	N/A	38.5 %	N/A	N/A	0 %	0 %	24.8 %

<sup>1</sup> Wayne Sheppard stepped down as CEO and Board Director on 4 April 2018 and his remuneration for 2018 reflects his time in the role of CEO.

<sup>2</sup> Joe Hudson became CEO on 4 April 2018. His single figure only includes compensation paid to him in 2018 in his capacity as the CEO from 4 April to 31 December 2018 and does not include compensation paid to him as CEO designate before 4 April 2018.

#### Relative importance of spend on pay

The table below sets out the relative importance of spend on pay in the 2022 and 2021 financial years. All figures provided are taken from the relevant Company's accounts.

	2021 financial year £'m	2022 financial year £'m	change %
Profit distributed by way of dividend	16.8	33.7	101 %
Overall spend on employee pay including Executive Directors (continuing operations)	105.9	125.4	18 %

In addition, the Company completed a share buyback during the year totalling £30m.

#### Directors' percentage change in remuneration versus employee group

The table below shows how the percentage change in each Director's salary/fee, taxable benefits and annual bonus between 2020 to 2022 and compares with the average percentage change in each of those components of pay for the UK-based employees of the Group as a whole.

In 2022 the Annual Bonus paid at near maximum levels, and the Group also paid a cost of living adjustment (COLA) to employees earning less than £50,000. This explains the higher increase in employee salary compared to that in 2021.

Director	% increased/decreased in remuneration in 2020 compared with remuneration in 2019			% increased/decreased in remuneration in 2021 compared with remuneration in 2020			% increase/(decrease) in remuneration in 2022 compared with remuneration in 2021		
	Salary	Benefits	Bonus	Salary	Benefits	Bonus	Salary	Benefits	Bonus
Jonathan Nicholls	(3.1) %	N/A	N/A	5.3 %	N/A	N/A	3.0 %	N/A	N/A
Joe Hudson	(3.1) %	(5.5) %	(100) %	5.3 %	(5.4) %	100 %	6.8 %	27.8 %	12.4 %
Chris McLeish				5.3 %	2.0 %	100 %	6.8 %	2.3 %	12.4 %
Tracey Graham	7.3 %	N/A	N/A	1.4 %	N/A	N/A	3.0 %	N/A	N/A
Justin Read	(3.1) %	N/A	N/A	5.3 %	N/A	N/A	2.7 %	N/A	N/A
Louis Eperjesi	(3.3) %	N/A	N/A	6.5 %	N/A	N/A	3.0 %	N/A	N/A
Claire Hawkings <sup>1</sup>	(3.1) %	N/A	N/A	19.7 %	N/A	N/A	8.4 %	N/A	N/A
Peju Adebajo <sup>2</sup>	N/A	N/A	N/A	N/A	N/A	N/A	100 %	N/A	N/A
All employees <sup>3</sup>	(8.7) %	0 %	(100) %	3.9 %	3.8 %	100 %	10.3 %	(14.3) %	(31.8) %*

<sup>1</sup> Claire Hawkings was appointed Chair of the new ESG Committee in 2021 and so received an additional fee to reflect this additional responsibility.

<sup>2</sup> Peju Adebajo was appointed to the Board in November 2021 and received a pro-rated amount of her annual fee in 2021, hence the large % increase in 2022.

<sup>3</sup> Ibstock Plc as the Parent Company has no employees, therefore employees of the Group employed as full time equivalent for the three years have been used.

The Committee monitors the changes year-on-year between our Director pay and the average employee increase.

#### Statement of voting at the General Meeting

The current Policy was put to a binding vote at the AGM on 21 April 2022. The ARR was also put to an advisory vote at the same AGM.

The voting outcomes are set out in the table below.

AGM resolution	Votes for	% of votes cast	Votes against	% of votes cast (excluding withheld)	Total votes cast	
					Votes withheld	
Annual Report on Remuneration (2022)	297,214,775	94 %	20,366,650	6 %	317,581,425	1,860,687
Directors' Remuneration Policy (2022)	317,532,159	99 %	1,851,842	1 %	319,384,001	58,111

#### Advisors to the Remuneration Committee

In September 2022, the Remuneration Committee undertook a competitive selection process and has engaged the services of FIT Remuneration Consultants LLP (FIT) as its independent remuneration advisor. FIT only advises on executive pay matters and the Committee is satisfied that no conflicts of interest exist. In the period since their appointment, FIT has advised the Remuneration Committee on year end disclosures, market practice and investor views, and on performance measures and targets for 2023. Prior to FIT's appointment the Committee had taken advice from PricewaterhouseCoopers LLP (PwC). PwC advised the Committee on the Policy for Executive Directors and members of the Executive team. PwC also provided the Company with tax and accountancy advice during the year. The Committee is satisfied that no conflict of interest exists or existed in the provision of PwC's services.

Both FIT and PwC are members of the Remuneration Consultants Group and abide by the voluntary Code of Conduct to ensure objective and independent advice is given to remuneration committees. Fees of £19,458 + VAT were paid to FIT and £41,333 + VAT to PwC for advice in 2022 (2021: PwC £81,750) and were charged on a fixed fee basis.

## Implementation of our Remuneration Policy for 2023 financial year

Our proposed implementation of the Remuneration Policy for the 2023 financial year is set out below.

	Key elements and time period						Overview of Remuneration Policy implementation for 2023
	Year	+1	+2	+3	+4	+5	
<b>Base salary</b>							<p>Salaries for the Executive Directors from will increase by 5% from 1 April 2023 as follows:</p> <ul style="list-style-type: none"> <li>• Joe Hudson: £520,527</li> <li>• Chris McLeish: £350,217</li> </ul> <p>The increases are in the context of strong individual performances in their respective roles and a wider workforce increase of 6.4%.</p>
<b>Pension</b>							<p>The pension contribution for the CEO has been reduced from 20% of salary to 10% of gross base salary since 1 January 2023. A 10% of gross base salary contribution applies for Chris McLeish which is in line with the wider workforce pension arrangements.</p>
<b>Benefits</b>							<p>Standard benefits will be provided, including a company car and/or a cash alternative. Both Directors also receive private health cover and death in service cover.</p>
<b>Annual and Deferred Bonus Plan (ADBP)</b>							<p>For 2023, the maximum bonus opportunity will be 125% of salary for Joe Hudson and Chris McLeish and one-third of any bonus earned will be deferred in shares which will vest after three years.</p> <p>The performance conditions and their weightings for the 2023 annual bonus are as follows:</p> <ul style="list-style-type: none"> <li>• Adjusted EBITDA* based on full year performance (50%).</li> <li>• Adjusted operating cash flow* (20%).</li> <li>• Non-financial objectives: defined operational/strategic objectives (30%).</li> <li>• The Committee has set appropriately stretching financial targets and in doing so has considered the internal plan (budget), current market consensus and the prevailing macroeconomic environment. Maximum payments under these measures will require significant outperformance of internal and external expectations.</li> <li>• The Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets for the ADBP in advance would not be in shareholders' interests. Actual targets, performance achieved and awards made will be published at the end of the relevant performance period so shareholders can fully assess the basis for any payouts under the annual bonus.</li> </ul>
	<b>Cash</b>						
		<b>Deferred award</b>					

	Key elements and time period					Overview of Remuneration Policy implementation for 2023
	Year	+1	+2	+3	+4	
<b>LTIP</b>						<ul style="list-style-type: none"> <li>The Committee has considered the prevailing share price and believes no adjustment is required to the policy grant level. Accordingly, in 2023 the LTIP award will be 150% of salary for Joe Hudson and Chris McLeish.</li> <li>The performance conditions for awards will be Adjusted Earnings per Share (EPS)* (25%), relative Total Shareholder Return (TSR) (30%), ROCE* (25%) and ESG (20%), each assessed over a three-year performance period commencing on 1 January 2023.</li> <li>TSR performance will be measured against the constituents of the FTSE 250 excluding investment trusts and financial services companies – with threshold vesting for median performance against the index and full vesting for upper quartile. This peer group is a more robust one in the event of delistings over the performance period.</li> <li>EPS* – Performance is measured over three consecutive financial years with threshold vesting (25%) requiring EPS of 17p in FY 2025; stretch vesting (70%) requiring 19p; and, full vesting for 24.4p or higher. These figures are set against challenging market conditions and therefore delivery requires strong performance in current market conditions for vesting to occur.</li> <li>ROCE* – Performance will be taken to be the average of each of the three years of the performance period (2023-2025) with threshold performance at 17.4% and maximum performance of 19.23% with straight line vesting between these points. These targets are set against what are expected to be challenging market conditions during the initial part of the measurement period. The targets require a material improvement during the three year period, requiring return levels in 2025 in line with the very strong reported performance levels achieved in the 2022 year.</li> <li>ESG – Carbon Reduction (10%): Threshold vesting for 0.131 tonnes of CO<sub>2</sub> per tonne of finished production and 0.123 tonnes for maximum vesting. Diversity (5%): Threshold vesting requires 32% of the senior management reports in FY 2025 to be female for threshold vesting and 40% for full vesting. New Product Development (5%): Threshold 18% of FY 2025 sales revenue to come from new and sustainable products and 22% for full vesting.</li> <li>A two-year holding period will apply to the 2023 LTIP awards following vesting.</li> </ul>
<b>Non-Executive Directors' fees</b>						<p>The 2023 fee levels will increase by 5% (2022: 4%) in line with those for Executive Directors (with effect from 1 April 2023):</p> <ul style="list-style-type: none"> <li>Chairman – £199,805</li> <li>Board fee (including Committee membership) – £57,089</li> <li>Committee Chair (per Committee) – £11,193</li> <li>Senior Independent Director – £10,920</li> </ul>

I hope that you find this report to be clear about our remuneration practices and that you will be supportive at the coming AGM.

**Tracey Graham**  
 Chair of the Remuneration Committee  
 7 March 2023

# Directors' Report

The Directors' Report for the year ended 31 December 2022 comprises pages 92 to 137 together with the sections of the Annual Report incorporated by reference. The Corporate Governance Statement on pages 92 to 114 is incorporated into the Directors' Report by reference. As permitted by legislation, some of the matters required to be included in the Directors' Report have instead been included in the Strategic Report on pages 2 to 91. The Strategic Report includes an indication of future likely developments in the Company, details of important events and the Company's business model and strategy.

The Strategic Report and the Directors' Report together form the Management Report for the purposes of the Disclosure Guidance and Transparency Rules (DTR) 4.1.8R.

## Principal activity

The principal activity of the Group is the manufacture and supply of clay and concrete building products and solutions primarily to customers in the UK residential construction sector. Details of the Group's principal subsidiaries can be found in Note 30 to the financial statements.

## Results and dividend

The results for the year can be found in the Financial Review on pages 70 to 74 and these are incorporated by reference into this report.

## Going Concern and Viability Statement

Information relating to the Going Concern and Viability Statement is set out on pages 90 and 91 of the Strategic Report and is incorporated by reference into this report.

## Research and development

Information relating to research and development is set out in the Our Strategy section on page 30 of the Strategic Report and is incorporated by reference into this report.

## Greenhouse gas emissions

Information relating to the greenhouse gas emissions of the Company is set out on page 86 of the Strategic Report and is incorporated by reference into this report.

## Board of Directors and their interests

The names and biographies of the Directors as at the date of this report are shown on

pages 94 and 95. The interests of the Directors holding office at the end of the year in the issued Ordinary Share capital of the Company and any interests in Ibstock's share incentive plans are given in the Directors' Remuneration Report on page 130.

## Powers of the Directors

The powers given to the Directors are contained in the Company's Articles of Association and are subject to relevant legislation and, in certain circumstances, including in relation to the issuing or buying back by the Company of its shares, subject to authority being given to the Directors by shareholders in general meeting. The Articles of Association also govern the appointment and replacement of Directors.

## Re-election of Directors

All Directors will retire and submit themselves for election or re-election, annually, by shareholders at the AGM. Specific reasons why each Director's contribution is, and continues to be, important to the Company's long-term sustainable success are set out in the Notice.

## Amendment of the Articles of Association

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 contained in Note 25 to the Group consolidated financial statements. The rights attaching to the shares are set out in the Articles of Association.

The Company has established a trust in connection with the Group's Share Incentive Plan (the SIP), which holds Ordinary Shares on trust for the benefit of employees of the Group. The Trustees of the SIP trust may vote in respect of Ibstock shares held in the SIP trust, but only as instructed by participants in the SIP in accordance with the SIP trust deed and rules. The Trustees will not otherwise vote in respect of shares held in the SIP trust.

The Trustee of the Employee Benefit Trust (the Trust), which is used to purchase shares on behalf of the Company as described in Note 25, has the power to vote or not vote, at its absolute discretion, in respect of any

shares in the Company held unallocated in the Trust. However, in accordance with good practice, the Trustee adopts a policy of not voting in respect of such shares. In accordance with Listing Rule 9.8.4(c), the Company notes that the Trustee has a dividend waiver in place in respect of shares which are the beneficial property of the Trust.

## Purchase of own shares

At the AGM held on 21 April 2022, shareholders passed a special resolution in accordance with the Companies Act 2006 to authorise the Company to purchase in the market a maximum of 40,963,159 Ordinary Shares, representing 10% of the Company's issued Ordinary Share capital as at the latest practicable date prior to publication of the AGM circular.

As announced on 10 May 2022, the Company entered into a Share Buyback Programme of an aggregated value of £30million in order to return value to shareholders, in line with the Group's capital allocation policy. The Buyback Programme concluded on 21 October 2022, with a total of 16,791,470 shares purchased, representing a nominal value of £167,914.70 equivalent to 4.1% of the issued capital of the Company. All 16,791,470 shares purchased are held in treasury, exclusive of voting and dividend rights.

The Directors are seeking renewal of the authority at the forthcoming AGM, in accordance with relevant institutional guidelines.

## Post balance sheet events

On 7 March 2023 a final dividend of 5.5p per Ibstock Plc Ordinary Share was proposed to be paid on 12 May 2023 to shareholders of record as at 21 April 2023. There were no further post balance sheet events. See Note 33 on page 192.

## Re-appointment of Auditors

It will be proposed that Deloitte LLP be re-appointed as the Company's auditor at the Annual General Meeting to be held on 27 April 2023.

### Substantial shareholdings

As at 31 December 2022, the Company had been notified, in accordance with the Disclosure Guidance and Transparency Rules, of the following interests in its Ordinary Share capital.

Name of shareholder	Shares disclosed	%	Nature
Lansdowne Partners	39,263,142	9.99	Indirect
Vulcan Value Partners, LLC	32,135,541	8.18	Indirect
Aviva plc and its subsidiaries	23,253,224	5.68	Indirect and Direct
J O Hambro Capital Management Limited	20,367,209	4.98	Indirect
Ameriprise Financial, Inc.	20,408,608	4.96	Indirect and Direct
Franklin Templeton Management	17,674,986	4.32	Indirect
Odey Asset Management LLP	12,085,210	2.99	Direct
Norges Bank	12,218,525	2.98	Direct

In the period from 31 December 2022 to the date of this report there have been no notifications that have been made to the Company pursuant to DTR 5. Information provided to the Company under the Disclosure Guidance and Transparency Rules is publicly available via the regulatory information service and on the Company's website.

**Significant agreements (change of control)**  
The Company is required to disclose any significant agreements that take effect, alter or terminate on a change of control of the Company following a takeover bid.

The Company has committed debt facilities all of which are directly or indirectly subject to change of control provisions, albeit the facilities do not necessarily require mandatory prepayment on a change of control.

During the previous year the Company completed the refinancing of its £215 million Revolving Credit Facility (RCF), diversifying its credit sources at attractive rates, whilst simultaneously achieving a significant extension of the Group's debt maturity profile.

The existing facility was replaced with the issuance of £100 million of private placement notes from Pricoa Private Capital, with maturities of between 7 and 12 years at an average total cost of funds of 2.19%, and a £125 million RCF provided by a syndicate of five banks. The RCF is for an initial four year tenure, with a one-year extension option, at a margin of between 1.60% and 2.60%, and also includes an additional £50 million uncommitted accordion.

The RCF extension option was exercised in the current year at the same margin range and underlying terms.

In the event of a takeover or other change of control (usually excluding an internal reorganisation), outstanding awards under the Group's incentive plans vest and become exercisable (including Annual & Deferred Bonus Plan (ADB) awards, SMSP share

awards and Long Term Incentive Awards (LTIP) awards), to the extent any performance conditions (if applicable) have been met, and subject to time pro-rating (if applicable) unless determined otherwise by the Board in its discretion, in accordance with the rules of the plans. In certain circumstances, the Board may decide (with the agreement of the acquiring company) that awards will instead be cancelled in exchange for equivalent awards over shares in the acquiring company.

#### Directors' and Officers' liability insurance and indemnities

The Company has purchased and maintains appropriate insurance cover in respect of Directors' and Officers' liabilities. The Company has also entered into qualifying third party indemnity arrangements for the benefit of all its Directors, in a form and scope which comply with the requirements of the Companies Act 2006. These indemnities came into force on 22 October 2015 and remain in force as at the date of this Annual Report.

#### Financial instruments

Details of the financial instruments used by the Group are set out in Note 23 to the Group consolidated financial statements, which are incorporated into this Directors' Report by reference. The Group's financial risk management objectives and policies are included in the risk management section on page 60 and in Note 23 of the Group consolidated financial statements.

#### Political donations

No political donations were made during the year ended 31 December 2022 (2021: £nil).

#### Annual General Meeting 2023

The AGM will be held on 27 April 2023 at 11:00 a.m. at the I-Studio in Hatton Garden, London. The Notice convening the meeting together with explanatory notes on the resolutions to be proposed and full details of the deadlines for appointing proxies is contained in a circular which will be circulated to all shareholders at least 20 working days before such meeting together with this report.

### Employees

The average number of employees within the Group is shown in Note 7 to the Group financial statements.

The Group is an equal opportunities employer and considers applications for employment from disabled persons (having regard to their particular aptitudes and abilities) and encourages and assists, wherever practicable, the recruitment, training, career development and promotion of disabled people and the retention of and appropriate training for those who become disabled during their employment.

#### Employee engagement

Due to our commitment to transparent and best practice reporting, we have included our section on employee engagement on page 51 of the Strategic Report as the Board considers these disclosures to be of strategic importance and is therefore incorporated into the Directors' Report by cross-reference.

The Stakeholder engagement section on page 44 demonstrates how the Directors have engaged with employees and how they have had regard to employee interests and the effect of that regard including the principal decisions by the Company during the financial year.

The Company is also keen to encourage greater employee involvement in the Group's performance through share ownership. To help align employees' interests with the success of the Company's performance, we operate an HMRC approved all-employee plan, the Ibstock plc Sharesave Scheme (Sharesave), which is offered to UK employees. To further increase employee ownership, each employee of the Company below ELT and SLT level received an award of 500 shares under the Senior Managers Share Plan, as the Fire Up Ibstock Share Grant, further details of which can be found on page 21.

### Business relationships

The Stakeholders section on pages 44 to 45 and Section 172(1) Statement demonstrate how the Directors have had regard to its engagement with suppliers, customers and others and how the effect of that regard had influenced the principal decisions taken by the Company during the financial year. The Board considers this disclosure to be of strategic importance. That section is incorporated into the Directors' Report by cross-reference.

### Directors' responsibilities

The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group consolidated financial statements in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, and applicable law. Under company law the Directors must not approve the Annual Report unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that year.

In preparing the Parent Company 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;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group consolidated financial statements, International Accounting Standard No.1 requires Directors to:

- properly select and apply accounting policies;
- 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 is 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
- make an assessment of the Group's ability to continue as a going concern and prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and to disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Website publication

The Directors are responsible for ensuring the Annual Report, including the Financial Statements, is made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website ([www.ibstockplc.co.uk](http://www.ibstockplc.co.uk)) is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

### Disclosure of information to auditors

Each person who is a Director of the Company as at the date of approval of this Report confirms that:

- (a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are not aware; and
- (b) the Director has taken all the steps that he or she ought to have taken as a Director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Directors' Responsibility Statement

The Directors in office as at 31 December 2022 and whose names and functions are given on pages 94 and 95 confirm that to the best of their knowledge:

- the Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Group and Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors consider that this Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business and strategy.

The Directors' Report (pages 92 to 137) has been approved and is signed by order of the Board by:

**Becky Parker**

Group Company Secretary

7 March 2023

Registered Office: Leicester Road, Ibstock, Leicestershire, LE67 6HS

Company registration number 09760850

## Report on the audit of the financial statements

### 1. Opinion

In our opinion:

- the financial statements of Ibstock plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;

- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the related notes 1 to 33 to the consolidated financial statements; and
- the related notes 1 to 12 to the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent 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).

### 2. 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 parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 provided to the group and parent company for the year are disclosed in note 6 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

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

### 3. Summary of our audit approach

<b>Key audit matters</b>	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"><li>Revenue recognition- customer rebates; and</li><li>Classification of exceptional items</li></ul> <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none"><li> Newly identified</li><li> Increased level of risk</li><li> Similar level of risk</li><li> Decreased level of risk</li></ul>
<b>Materiality</b>	The materiality that we used for the group financial statements was £4.8 million which was determined on the basis of 4.6% of profit before tax.
<b>Scoping</b>	<p>The group is organised into two divisions, within which there are seven trading components. We performed full scope audit procedures over four of the components and analytical review procedures over the remainder.</p> <p>The full scope procedures covered 95% of revenue, 100% of profit before tax and 95% of net assets.</p> <p>All work was completed by the group audit engagement team.</p>
<b>Significant changes in our approach</b>	<p>In the current year we have changed the benchmark used in determining materiality. Due to the uncertainty caused by COVID-19, revenue was used as the benchmark of materiality for the prior two years. As the level of uncertainty has significantly reduced in the current year, we have reverted back to profit before tax as the basis for determining our materiality as we consider this to be the most relevant benchmark and was utilised prior to Covid-19.</p> <p>We have also revised our approach to determining and scoping of components to better align to the internal structure of the group.</p>

#### 4. 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's and parent company's ability to continue to adopt the going concern basis of accounting included:

- assessing the reasonableness of assumptions applied by directors in preparing their forecasts;
- assessing the historical accuracy of forecasts prepared by directors;
- considering the impact of climate change risks and commitments on the expected cash flows in the outlook period;
- assessing the level of headroom available to the group from its loan facilities and evaluated the risk of covenants being breached;
- challenging management's reasonable worst-case analysis and whether it is appropriately plausible but severe, and performed sensitivity analysis on key variables;
- evaluating the additional external funding facilities accessible to the group;
- obtaining and performing analysis on post year end results and benchmarked this against management's forecasts; and
- evaluating whether the disclosures in respect of going concern within the financial statements meet the requirements of IAS 1 Presentation of financial statements.

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's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### 5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### 5.1. Revenue recognition- customer rebates

<b>Key audit matter description</b>	<p>The group has recognised revenue for the year ended 31 December 2022 of £512.9 million (2021: £408.7 million). The group enters into various agreements whereby it offers customers retrospective rebates. The rebate agreements are often complex in nature, with different types of rebates being offered to each customer, with the nature of those rebates differing across different product ranges. Due to the level of complexity involved, we have determined that there is a potential for fraud risk through possible manipulation of this balance.</p> <p>The key audit matter in relation to customer rebates is focussed on the completeness and occurrence of the reduction against revenue in respect of rebates for customers in Brick and Supreme components.</p> <p>Further information on rebates can be found in the group's summary of significant accounting policies in note 1 on pages 155 to 156.</p>
<b>How the scope of our audit responded to the key audit matter</b>	<p>We have performed the following procedures to address this key audit matter:</p> <ul style="list-style-type: none"> <li>• obtained an understanding of the relevant controls over the revenue recognition process to address the key audit matter;</li> <li>• performed a year-on-year analysis of revenue and rebates to understand any material changes in the rebate provision at a customer level;</li> <li>• selected a sample of customer rebate agreements, inspected the terms and dates, and recalculated selected rebates in accordance with the contract terms, including evaluating the sales data on which the rebate calculations are based;</li> <li>• identified the largest customers in each of Brick and Supreme components and requested written confirmation from a sample of the largest customers to confirm that the rebate provided by the Group is the full rebate due to the customer as at 31 December 2022;</li> <li>• assessed the completeness of rebates by evaluating credit notes raised during 2022 and post year-end, assessing whether payments had been made to customers where we had been informed that no rebate agreement was in place and made enquiries of management as to the existence of any other rebate arrangements; and</li> <li>• agreed a sample of rebates to settlement post year-end.</li> </ul>
<b>Key observations</b>	Based on the work performed as outlined above we concur with management that revenue recognition in relation to customer rebates is appropriate for the year ended 31 December 2022.

## 5.2. Classification of exceptional items

<b>Key audit matter description</b>	<p>The group has identified £6.3 million of exceptional items in the group consolidated income statement (2021: £5.2 million) which are adjusted by management in order to eliminate factors which they consider to distort year-on-year comparisons.</p> <p>The presentation of certain income and costs as exceptional is not defined by IFRS and therefore significant judgement is required in determining the appropriate classification in line with guidance from the FRC and ESMA.</p> <p>The presentation and consistency of costs and income presented within adjusting items is a key determinant in assessing the quality of the group's underlying earnings. The adjusting items presented separately include items which by virtue of their size and/or nature, do not reflect the group's ongoing trading performance.</p> <p>We therefore identified this as a possible risk of fraud and a key audit matter as a possible risk of inappropriate manipulation of items, which are not exceptional, are labelled as such in the financial statements.</p> <p>Further information on exceptional items can be found in the Audit Committee Report on pages 111 to 112, the Group's summary of significant accounting policies in note 1 on page 156, note 2 (critical accounting judgements and key sources of estimation uncertainty) on page 157, note 3 (alternative performance measures) on pages 157 to 160 and note 5 (exceptional items) on pages 163 to 164.</p>
<b>How the scope of our audit responded to the key audit matter</b>	<p>We have performed the following procedures to address this key audit matter:</p> <ul style="list-style-type: none"> <li>obtained an understanding of the management review controls over the classification of items as exceptional;</li> <li>challenged the classification and consistency of items management proposed to include as exceptional against FRC and ESMA guidance, including an assessment of the completeness of items classified as exceptional;</li> <li>agreed a sample of these items to supporting documentation to assess the appropriateness and accuracy of these items;</li> <li>assessed the adequacy of the disclosures to explain the nature of the exceptional items; and</li> <li>for all significant adjustments recorded in calculating underlying profits, discussed the appropriateness of these items and disclosure considerations with the Audit Committee.</li> </ul>
<b>Key observations</b>	Based on the work performed as outlined above we are satisfied that the classification of items as exceptional is appropriate for the year ended 31 December 2022.

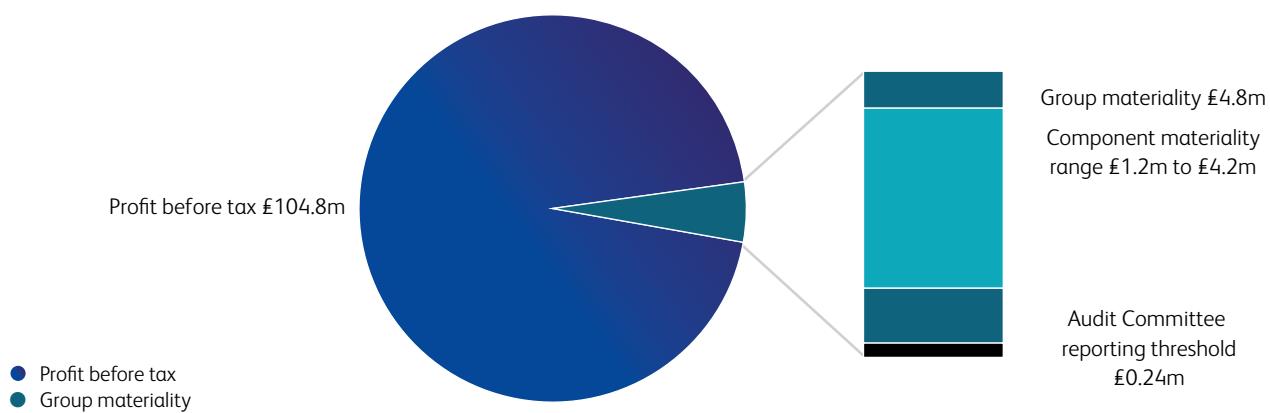
## 6. Our application of materiality

### 6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	<b>Group financial statements</b>	<b>Company financial statements</b>
<b>Materiality</b>	£4.8 million (2021: £4.2 million)	£3.1 million (2021: £3.4 million)
<b>Basis for determining materiality</b>	Approximately 4.6% of profit before tax (2021: 1.0% of revenue)	3.0% of net assets (2021: 3.0% of net assets)
<b>Rationale for the benchmark applied</b>	<p>Profit before tax is considered to be the most relevant benchmark to the users of the financial statements.</p> <p>In the current year we have changed the benchmark used in determining materiality. Due to the uncertainty caused by COVID-19, revenue was used as the benchmark of materiality for the prior two years.</p> <p>As the level of uncertainty has significantly reduced in the current year, we have reverted back to profit before tax as the basis for determining our materiality.</p>	Net assets are considered to be an appropriate benchmark for the Company given that it is predominantly a holding Company.



## 6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Company financial statements
<b>Performance materiality</b>	70% (2021: 70%) of group materiality	70% (2021: 70%) of Company materiality
<b>Basis and rationale for determining performance materiality</b>	<p>In determining performance materiality, we considered the following factors:</p> <ul style="list-style-type: none"> <li>Our risk assessment, including our assessment of the group's overall control environment;</li> <li>No significant changes in the business; and</li> <li>Our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.</li> </ul>	

## 6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £240,000 (2021: £210,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## 7. An overview of the scope of our audit

### 7.1. Identification and scoping of components

The group operates in the United Kingdom. Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at a group level.

For the purposes of the current year audit, we have also revised our approach over determination and scoping of components to better align to the internal structure of the group. The materiality and scope of work for each component has been assessed based upon its significance and contributions to the group. Audit procedures were then performed based upon the level of scope identified.

#### Scope A:

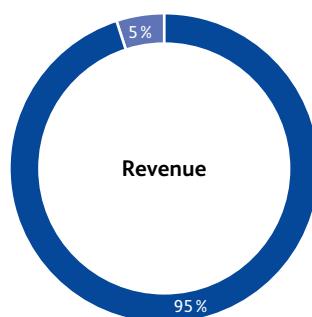
Full scope audit procedures were performed on the Ibstock Brick, Forticrete, Supreme and Anderton components of the group. Component materiality was £4.2 million for Ibstock Brick, £1.2 million for Forticrete, £1.7 million for Supreme and £1.3 million for Anderton. Our audit work for Ibstock Brick, Forticrete, Supreme and Anderton was executed at levels of materiality applicable to each individual entity which were lower than the respective component materiality, in accordance with local GAAP. At the group level, we tested the consolidation process.

#### Scope B:

Analytical review procedures for remaining components have been performed to group materiality.

All work has been performed by the group engagement team.

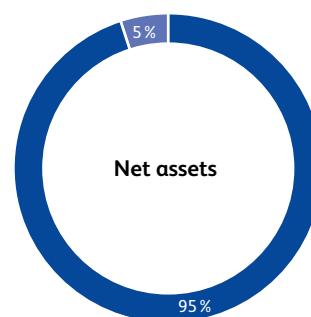
The full scope procedures covered 95% of revenue, 100% of profit before tax and 95% of net assets.



● Full audit scope  
● Review at group level



● Full audit scope  
● Review at group level



● Full audit scope  
● Review at group level

## 7.2. Our consideration of the control environment

The group uses JD Edwards as the main accounting system across all of its components, ResourceLink for payroll and Hubble as a financial reporting tool.

With the assistance of our IT specialists, we assessed the IT control environment and tested general IT controls of the JD Edwards system and performed limited procedures over ResourceLink and Hubble in relation to passwords and privileged access. All deficiencies identified from our procedures were fully mitigated.

We had planned to take controls reliance approach over material streams of revenue and payroll business processes, however, due to deficiencies identified we were unable to do so. We also identified deficiencies in the current year audit, over other business processes. In response to the deficiencies identified, we revisited our risk assessment and altered the nature and extent of our planned testing, including re-evaluating the appropriateness of our group performance materiality, tailoring our risk-focused procedures and revising the adequacy of substantive testing across these areas. As described in the Audit Committee Report on page 113, they will review management's actions and monitor progress made against these control deficiencies identified from our audit.

## 7.3. Our consideration of climate related risks

Throughout the course of the year, the group has taken a number of steps to understand impact of climate change on its operations which has included performing a risk assessment to consider various matters and scenarios as well as the likelihood of events occurring and their potential financial impact over the short, medium and longer term. The most significant future impact on the group's operations are explained on page 63 within principal risks and uncertainties. As disclosed within the "Delivering against our ESG Strategy" section on page 46, the group plans to take specific actions in addressing climate change and have set specific metrics and targets to measure progress against carbon reduction, biodiversity and water efficiencies.

During the year, the group has engaged with external experts to continue to build on their Task Force on Climate Related Financial Disclosures ("TCFD") recommendations from previous year.

Our audit procedures on climate change have included:

- we have inquired with those charged with governance (TCWG), management, and others;
- we have reviewed internal and external communications surrounding climate change such as sustainability reports, group's risk assessments, press releases and climate-related disclosures;
- we have understood climate may affect group's business and operating environment and its financial reporting, including, but not limited to:

- group-specific climate initiatives and commitments;
- Internal and external risk factors affected by climate-related matters including key performance indicators, regulatory environment, governance structure;
- group's assessment of the implications of climate-related matters on the financial statements and control environment.

- we have assessed the impact of climate related commitments made in the latest sustainability report and the impact on accounting for restoration provisions.
- we have evaluated director's going concern and viability assessment as to whether this appropriately considered climate related risks and the impact on cash flows.
- we also challenged directors as to the impact on the useful economic lives of certain classes of assets in relation to sustainability commitments being made in the public domain.
- together with our internal specialists we have read the climate-related disclosures included within other information of the annual report and assessed group on the consistency with the financial statements, with the disclosure requirements and knowledge obtained during the audit. Specifically, we have reviewed disclosures in the financial statements in notes 13 and 20 to clarify how climate related risks have been considered in reaching accounting conclusions.

## 8. Other information

The other information comprises the information included in the annual report, 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 our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

## 9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

## 10. 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## 11. Extent to which 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

### 11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;

- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, pensions, IT, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, specifically customer rebates, and the presentation of exceptional items. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included employment law, occupational health and safety regulations, the environment Act, the Water Framework Directive, the Waste Directive, the Environment Protection Act and the Energy Efficiency Directive.

### 11.2. Audit response to risks identified

As a result of performing the above, we identified revenue recognition, specifically customer rebates, and the presentation of exceptional items related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims; performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

## Report on other legal and regulatory requirements

### 12. 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.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

### 13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

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 and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 150;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 90;
- the directors' statement on fair, balanced and understandable set out on page 93;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 93;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 114; and
- the section describing the work of the audit committee set out on page 111.

### 14. Matters on which we are required to report by exception

#### 14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters

#### 14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters

### 15. Other matters which we are required to address

#### 15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 24 May 2017 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 6 years, covering the years ending 31 December 2017 to 31 December 2022.

#### 15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

#### 16. 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.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

**Lee Highton FCA**  
(Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

7 March 2023