



**Ibstock**  
Plc

# A Platform for Sustainable Growth

Annual Report  
and Accounts 2023

# Who we are

Ibstock Plc is a leading UK manufacturer of a diverse range of building products and solutions

## What we do

The Group manufactures eight core product categories, each backed up by design and technical services capabilities – Bricks and Masonry, Façade Systems, Roofing, Flooring and Lintels, Staircase and Lift Shafts, Fencing and Landscaping, Retaining Walls, and Rail and Infrastructure.

The Group comprises two core business Divisions – Ibstock Clay and Ibstock Concrete. The Ibstock Futures business was established in 2021 to accelerate growth in new, fast-developing segments of the UK construction market and, while it remains in its initial growth phase, forms part of the Clay Division.

As a leading building products manufacturer, the Group is committed to the highest levels of corporate responsibility. The ESG 2030 Strategy sets out a clear path to address climate change, improve lives and manufacture materials for life, with an ambitious commitment to reduce carbon emissions by 40% by 2030 and become a net zero operation by 2040.

## Our purpose and vision

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.



Project: Brindley Place, Birmingham



## ► WE ARE IBSTOCK

Read more about our company on our website using this QR code or by visiting [www.ibstock.co.uk](http://www.ibstock.co.uk)



Front cover: Product: Bexhill Purple Multi Brick  
Project: The John Modern College, RIBA Stirling Prize Award 2023



Product: Architectural Masonry Project: Kings Cross  
Photography credits to Rob Parrish



Apprentices at Make UK training centre in Birmingham



Project: Brown Acres, Belton  
Product: Shearstone Walling Stone

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## Highlights of our year

# Resilient performance

### Financial highlights

#### Revenue

**£406m**

2022: £513m  
2021: £409m  
2020: £316m

#### Statutory reported profit before tax

**£30m**

2022: £105m  
2021: £65m  
2020: £(24)m

#### Statutory reported basic EPS

**5.4p**

2022: 21.6p  
2021: 7.8p  
2020: (6.8)p

#### Total dividend per share

**7.0p**

2022: 8.8p  
2021: 7.5p  
2020: 1.6p

#### Adjusted EBITDA\*

**£107m**

2022: £140m  
2021: £103m  
2020: £52m

#### Adjusted EPS\*

**13.9p**

2022: 22.7p  
2021: 13.9p  
2020: 4.0p

#### Adjusted free cash flow\*

**£(16)m**

2022: £50m  
2021: £51m  
2020: £26m

#### Net debt\*

**£101m**

2022: £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

### Lost time injury frequency rate (LTIFR)

# 60%

Reduction in LTIFR against a 2016 baseline

2022: 61 %  
2021: 44 %  
2020: 41 %

### Carbon reduction metric

# 37%

Decrease in absolute carbon relative to 2019 baseline.

2022: 20 %  
2021: Baseline reset in 2022  
2020: Baseline reset in 2022

### Clay reserves

# 73m

Tonnes of consented clay reserves

2022: 74m  
2021: 74m  
2020: 74m

### Plastic reduction

# 25%

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

2022: 16 %  
2021: 13 %  
2020: Target set in 2020

### Water reduction

# +8%

Reduction in mains water use per tonne of production relative to 2019 baseline.

2022: 31 %  
2021: 8 %  
2020: +10 %

### Net promoter score

# 32%

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

2022: 45 %  
2021: 33 %  
2020: 39 %

### Share of revenue from new and sustainable products

# 11%

Proportion of revenue generated from new and sustainable products

2022: 13 %  
2021: 13 %  
2020: 11.7 %

### Female representation in senior leadership

# 35%

Percentage of Senior Leaders who are women at year end as defined by the FTSE Women Leaders Review

2022: 27 %  
2021: 26 %  
2020: 22 %

Ibstock at a glance

# At the heart of building with a clear focus on sustainable growth and value creation

Ibstock Plc is a leading UK manufacturer of a diverse range of building products and solutions

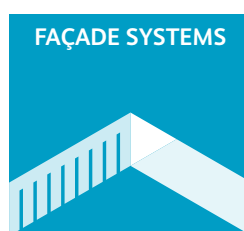
## Our products and services

The Group manufactures products in eight core categories



### 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

- Brick faced GRC
- Architectural GRC
- Façade systems (brick, stone, porcelain)
- Mechanical brick slip system (Mechslip)
- Lintels & soffits (Nexus)
- Brick slips



### ROOFING

- Roof tiles
- Roof accessories
- Chimneys



### FLOORING AND LINTELS

- Beam and block flooring
- Insulated flooring
- Hollowcore screed rails

# Our Divisions

**95%**

Raw materials sourced in UK

**£107m**

Group Adjusted EBITDA\*

The Group comprises two core business Divisions: Ibstock Clay and Ibstock Concrete.

Ibstock Futures forms part of the Clay Division whilst it remains in its initial growth phase. This complements the core business by accelerating diversified growth opportunities which address key construction trends, including sustainability and the shift towards Modern Methods of Construction (MMC).

► [Read more about our business p06](#)

## Ibstock Clay

The leading manufacturer by volume of clay bricks sold in the United Kingdom.

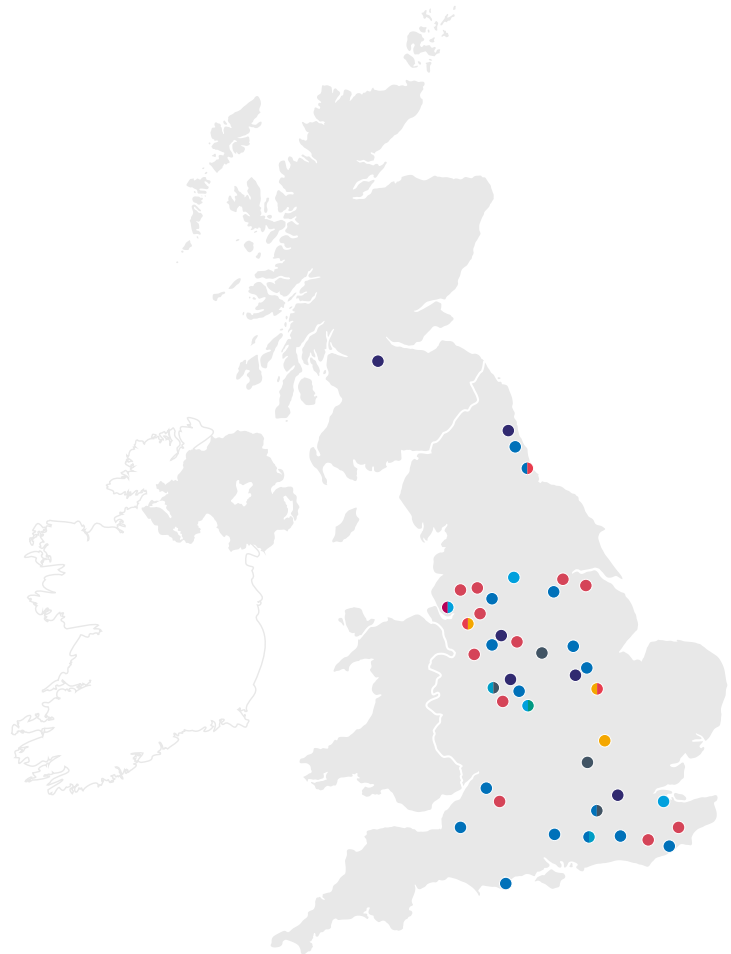
### Sales by Division



## Ibstock Concrete

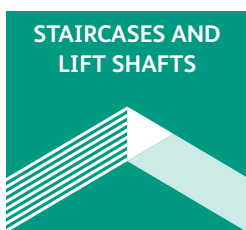
A leading manufacturer of concrete roofing, walling, flooring and fencing products, along with lintels and rail and infrastructure products.

### Sales by Division



**Key:**

- Bricks and masonry
- Fencing and landscaping
- Façade systems
- Retaining walls
- Roofing
- Rail and infrastructure
- Flooring and lintels
- Offices
- Staircases and lift shafts
- Active quarries



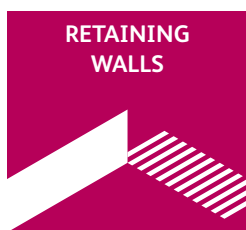
### STAIRCASES AND LIFT SHAFTS

- Precast staircases
- Lift shafts



### FENCING AND LANDSCAPING

- Fence posts
- Copings and cappings
- Gravel boards
- Bollards
- Balustrades
- Path edging
- Gully surrounds
- Urban landscaping



### RETAINING WALLS

- Stepoc
- Slopeloc
- Keystone



### RAIL AND INFRASTRUCTURE

- Rail troughs
- Platform copers
- Cable theft protection
- Signal bases
- Utility ducts
- Inspection chambers

## Our services

- Design and technical support
- Off-site solutions
- Bespoke concrete products
- Engraving and cutting service

► [Read more about our business p06](#)

## Our compelling investment case

# Why invest in Ibstock?

### Our business has strong fundamental qualities



Employees at Chesterton factory

**Broad exposure to markets with attractive long-term growth potential**

**£170bn**

Size of the UK construction market in 2023 according to the Construction Products Association

**Established market leadership position in our core brick market and leadership positions in attractive segments of the concrete building products market**

**No.1**

Manufacturer of clay bricks in the UK by production capacity

**Diversified market exposure and a product range unrivalled in its breadth and depth**

**15,000+**

Different products made each year

**Well-invested asset base, extensive consented clay reserves and unrivalled UK operational network, creating a strong competitive position**

**145m**

Tonnes of clay reserves of which 73m tonnes are consented reserves

**A trusted partner to a high-quality, long-standing customer base**

**40+ years**

Many of our long-standing customer relationships have lasted over 40 years

### We are focused on growth



Ibstock Futures, Power Park, Wolverhampton

**Compelling growth strategy combining development of our core businesses with diversified growth addressing new opportunities in emerging, fast-growth areas of the UK construction market**

**Atlas and Aldridge**

Commissioning of these new factories to start in 2024

**Strong pipeline of growth projects in our core brick and concrete businesses**

**£45m**

Capital investment in growth projects during 2023

**Ibstock Futures – an exciting opportunity to diversify and capture growth from faster-growing segments of construction markets. These markets are centred on the use of more sustainable building materials and Modern Methods of Construction (MMC)**

**£100m**

A clear roadmap for Ibstock Futures to become a £100m turnover business in the medium-term

**Strong organic and inorganic pipeline underpinning significant medium-term growth potential**

**2**

1 acquisition & 1 asset purchase completed in 2023

► **Read more**  
Coltman page 19  
G-Tech page 19

► **Read more about** our business page 12

► **Read more about** Ibstock Futures, a growth engine for more sustainable and modern methods of construction on pages 31 and 32



## We are creating shareholder value



Istudio, London

## We have built sustainability into our strategy, our products and our processes



2023 Apprentices at Make UK training centre in Birmingham

**Significant earnings growth potential over the medium-term**

**£600m**

Clear pathway to revenues above £600m through volume growth in existing network and committed investments as market recovers

**Structurally strong operating margins and cash generation**

**26.5%**

Overall Group EBITDA margin

**Robust balance sheet and disciplined capital allocation framework provide the platform to both invest further for growth and deliver incremental shareholder returns**

**20%**

Committed to retaining our capital discipline with return on capital employed (ROCE) targeted at 20% in the medium-term

**Sustainable and progressive dividend policy targeting cover of c.2x adjusted profit after tax**

**7.0p**

Total dividend in 2023

**Excess capital returned to shareholders as appropriate**

**£175m**

Total returned to shareholders in last 5 years

**A resilient and responsible business run for the long term**

► **See ESG Strategy** on pages 44 to 45

**Leading our industry on adoption of sustainable business practice, supporting our customers' ESG journey, as well as meeting our own carbon reduction targets**

**40%**

Scope 1 and 2 carbon reduction by 2030

**Seizing the growth opportunity from the accelerating transition to sustainable construction**

**11%**

Sales revenue from new and sustainable products

► **Read more about** our financial progress and targets, which demonstrate our ambition to deliver strong growth and returns in the medium-term on page 33

► **Read more about** our ESG strategy on page 45

# Our continued strategic progress



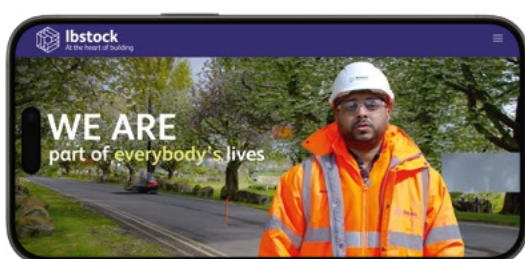
“The Group is well placed to deliver on its long-term strategic commitments to sustain high performance, deliver market-led innovation and selectively grow our business for the benefit of all stakeholders.”

**Jonathan Nicholls**  
Chair

This year, trading conditions across the construction industry have been particularly challenging, driven by high inflation and interest rates, which is having a consequential impact on house building. The management of our business within this market environment has called for sound and flexible stewardship as well as decisive action, and the Company took steps to right size the organisation for the anticipated market in 2024.

Despite these challenges, I am extremely pleased that this year's Annual Report and Accounts demonstrates a really resilient set of results.

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 of our teams and is something which gives me a real sense of pride and achievement.



◀ **WE ARE IBSTOCK**  
Read more about our company on our website by visiting [www.ibstock.co.uk](http://www.ibstock.co.uk)

## Results

The Group delivered a resilient performance this year, reflecting our continued focus on customer service and execution, coupled with the disciplined management of capacity and costs.

Market demand was more subdued than expected. As a result, and in line with the wider UK brick industry, sales volumes decreased throughout the year. Despite these weaker volumes, effective cost reduction action combined with stable pricing resulted in adjusted EBITDA\* margins remaining broadly in line with last year.

Despite the market uncertainty throughout 2023, the Board was encouraged that our underlying profit expectations remained unchanged throughout the year, an impressive consequence of the disciplined and focused management on both capacity and costs.

The strength of our balance sheet continues to provide both resilience in more subdued conditions and strategic optionality for the future. This is reflected in our ongoing commitment to capability and growth investment, with key projects progressing well.

## Dividend

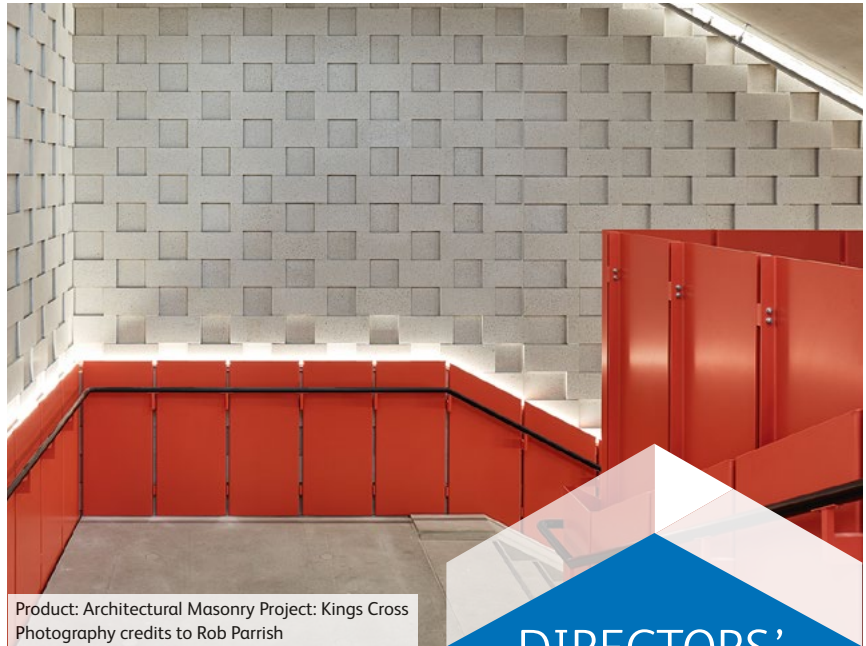
The Board recommend a final dividend of 3.6 pence per share, resulting in a full-year dividend of 7.0 pence per share (2022: 8.8 pence).

## 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. In line with our improved employee engagement result, the Board was pleased by the approach taken to support our colleagues as we took difficult decisions to manage the cost base of the organisation. It is a credit to all involved that the strong, collegiate culture of Ibstock has been maintained through this year, and we want to thank all those impacted for their incredible contributions to Ibstock during their time here.

## Board changes

This year, we have welcomed Nicola Bruce to our Board as a Non-Executive Director and Chair of the Remuneration Committee. In addition, Louis Eperjesi stepped into the role of Senior Independent Director. Both of these matters are discussed in detail within the Nomination Committee Report on page 87.



Product: Architectural Masonry Project: Kings Cross  
Photography credits to Rob Parrish

## Diversity

The Board recognises the powerful advantages that a diverse Board and workforce can bring to a company, and we are committed to ensuring that Ibstock is a diverse, fair and inclusive place to work.

The Board is cognisant of the FTSE Women Leaders Review recommendation that FTSE 350 companies should have at least one woman in the role of Chair, Senior Independent Director, CEO or CFO. We are committed to addressing the balance within these roles as succession plans are developed.

## Governance

During such challenging times, the Board remains more committed than ever 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. Within this report, we set out in detail how we as a Board have made decisions, engage with our stakeholders and comply with the principles of the 2018 UK Corporate Governance Code.

## ESG

The Board takes our ESG plans very seriously and is passionate about realising our carbon reduction journey whilst maintaining our financial performance. More information on how our ESG Strategy is embedded within our corporate strategy is detailed throughout this report and within our Responsible Business section.

# DIRECTORS' DUTIES

At Ibstock, the Directors take their responsibilities to stakeholders very seriously. The Board ensures all stakeholder views, whether complementary or diverging, are understood and embedded into Board discussions and the decision-making process. Directors also consider the impact of the Group's activities on the communities within which it operates, the environment, and the Group's reputation for high standards of business conduct.

## Looking towards the future

We remain mindful of broader macroeconomic uncertainties. However, due to our strong business model, strategy and management team, the Group remains well placed to meet these challenges and is well positioned for the market recovery.

In the year ahead, the Board will continue to discharge its stewardship role in supporting the long-term success of the business.

**Jonathan Nicholls**  
Chair

5 March 2024

# A resilient year with a platform for recovery and growth in place



“We have delivered a resilient performance for the year in what have been very difficult market conditions. I am proud of the way that colleagues across the Group have responded in such challenging circumstances and set up the Company to emerge stronger than ever by focusing on our longer-term goals.”

**Joe Hudson**  
Chief Executive Officer

The Group delivered a resilient performance for the year, against what has been a challenging market backdrop. Activity in our core residential markets was materially below the comparative period, with domestic industry sales volumes experiencing a slowdown as the 2023 year progressed. Despite these difficult market conditions, adjusted profit for the 2023 year was in line with the expectations set at the start of the year, underlining the quality and resilience of the business.

I am particularly pleased by the way colleagues across the Group responded to the challenging market conditions, as the UK new build housing market adjusted to higher interest rates and increased economic uncertainty. The result achieved reflects both continued strong commercial execution and the difficult, but necessary, action taken in the second half of the year to realign costs and capacity with near term market conditions. Whilst taking this action, we have been focused on preserving key skills and knowledge to ensure that the Group retains the ability to build back quickly when

markets recover. We manage these actions according to our strong values and try to give anyone impacted as much support as possible.

As part of the operational review undertaken during the second half, we also took steps to integrate our core commercial and innovation capabilities, thereby sharpening our customer proposition and ensuring we go to market in a more aligned, co-ordinated way.

As we took appropriate action to respond to difficult market conditions, we also continued to make good progress with the investment projects that will underpin our future growth as the market recovers. Our investment in new low-cost, efficient and more sustainable brick manufacturing capacity at our Atlas facility, and the first phase of a significant capacity expansion in the fast-growing brick slips market, are both in the commissioning phase, and will support our medium-term growth objectives as markets recover.

### 2023 Performance

As you will see throughout this report, our performance during 2023 has been robust against a challenging market backdrop, with profit in line with the expectations set at the start of the year. Revenue of £406 million was 21% below the prior year (2022: £513 million), reflecting significantly lower activity levels in our core residential markets.

Adjusted EBITDA\* was £107 million (2022: £140 million), reflecting the significant reduction in sales volumes, mitigated by stable pricing and the disciplined management of capacity and costs.

The Group's balance sheet remains strong with closing net debt at £101 million (2022: £46 million) representing leverage of 1.1 times (2022: 0.4 times).

### Sustainable High Performance

We have invested significant capital over the last five years to enhance the reliability and performance of our factory networks. During 2023, the Group's manufacturing estate delivered another robust performance driven by a flexible and disciplined approach to capacity and cost management and both the Clay and Concrete factory networks delivered improvements in reliability, quality and yield.

During the year, we also completed a major kiln rebuild at the Parkhouse brick factory and continued to make progress on key asset transformation and automation initiatives, including the commissioning of a growth investment at our walling stone factory at Anstone, near Sheffield. We also continue to drive our environmental performance through initiatives such as an investment in the Laybrook factory.

### Market-led Innovation

As market leader in clay and concrete products, we have the broadest range of building products and solutions available in the UK, and we continue to invest to enhance our offer.

During 2023, we created a single dedicated innovation function to serve all the Group's markets, fully commissioned our new Istock Futures innovation hub and developed our first set of Environmental Product Declarations (EPDs).

We also launched a new 'One Istock' brand and website, and restructured our sales and commercial teams to bring a more co-ordinated and customer-centric approach. We also successfully piloted our online customer portal.

We were also honoured to receive the prestigious Sustainability Supplier award at the global 2023 Siemens Mobility Awards in Munich, for the development of an innovative sustainable Signal Base solution.

### Selective Growth

Our redeveloped Atlas 'pathfinder' factory will manufacture our lowest-ever embodied carbon brick range and we are excited about making our first customer deliveries of this innovative new product during the first half of 2024.

This year, we acquired Coltman Precast and the assets of G-Tech, which supports our expansion of our Concrete Division into new markets and customer segments.

We successfully completed a pilot project to fire clay bricks using synthetic gas produced from waste and are now in commercial negotiations to commission assets at one of our sites.

We consolidated our Istock Futures operations into a single location in the West Midlands and will develop this site to become a state-of-the-art innovation hub for Façades and Modern Methods of Construction (MMC).

The new automated brick slips cutting line at Nostell, West Yorkshire, is now commissioning, with customer deliveries expected to commence during the first half of 2024. This line will deliver up to 17 million slips per annum, once operating at full capacity. Phase two of the Nostell redevelopment, the construction of a larger brick slip systems line, is progressing well, and will deliver a further 30 million slips per annum.

### Our People

Our bi-annual employee engagement survey received an increased participant rate and all measures showed improvement.

### Environmental Performance

We continue to take action at all levels in our business to deliver our ambitious target of a 40% reduction in carbon by 2030, and are pleased to receive further external recognition for the leadership role we are playing in ESG.

It is this continuous focus, and the combined benefit from incremental actions across the business, which moves us forward towards this target.

### Priorities for 2024

We will continue to focus on our strategic objectives and on making decisions that benefit all stakeholders over the long term.

With market conditions in the early weeks of the new financial year similar to those experienced during the second half of the prior year, we anticipate residential construction markets to remain subdued in the near term, with volumes improving as the year progresses.



## HEALTH, SAFETY AND WELLBEING

We remain focused on creating a positive, proactive safety culture underpinned by a belief that all incidents across our operations are preventable. Our further progress during 2023 was reflected in the 60% reduction in Lost Time Injury Frequency Rates (LTIFR) from the 2016 baseline.

► [Read more](#) Page 52

As we look further ahead, it is clear that market fundamentals remain supportive, with significant unmet demand for new build housing in the UK. We therefore expect a strong recovery in activity as macroeconomic conditions normalise. Although the timing of this recovery is uncertain, Istock is well positioned to respond and to deliver on our growth targets over the medium-term. We will therefore focus on our strategic projects and operational strategy in 2024.

The Group remains in a strong financial position, with a robust balance sheet providing significant resilience and optionality in respect of future growth investments.

**Joe Hudson**  
Chief Executive Officer

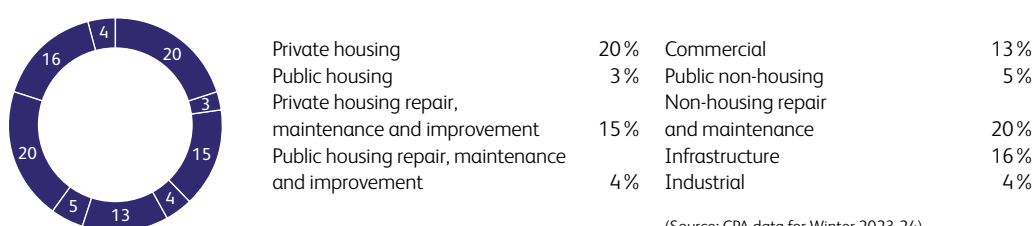
5 March 2024

## Our markets

# The growth opportunities in our markets

We continue to be 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 most attractive growth opportunities for our business.

### % UK construction output by sector (2023)



(Source: CPA data for Winter 2023-24)

## There is a significant undersupply of housing

### c130k

2023 household completions was c130k against a target of 300k (2022: c150k).

There is an undersupply of housing within the UK. Whilst there is cross-party political support to build more homes, the current macroeconomic backdrop has reduced demand.

Demand for our products is directly affected by the volume of developments in the residential sector where we mainly operate, as well as the general level of construction activity.

### Impact on our industry

- The construction industry has faced a challenging year as the number of new homes built has decreased as a result of macroeconomic factors and a more difficult planning environment.
- New-build housing is expected to recover as macroeconomic conditions improve. Political support for house building is expected to contribute to this recovery.

### How we are responding

- Our business is well positioned and primed for market recovery.
- We have ensured the Group has the ability to serve customers by building inventories and retaining the ability to bounce back productive activity quickly.
- We are focused on reducing imported brick volumes by ensuring available domestic capacity, delivering on our service commitments and new product development.

## The macroeconomic backdrop is set to improve

### 5.25%

The current Bank of England base interest rate.



Inflation and interest rates are key factors in determining levels of access to, and affordability of, funding for consumers to purchase a property.

The Bank of England has increased the base interest rate from almost zero (0.1%) in December 2021 to the current rate of 5.25%. This has led to increased mortgage rates becoming less affordable to the house buyer.

### Impact on our industry

- Higher inflation and interest rates have created a tough trading environment. However, these trends are expected to start to reverse over the next year. These macroeconomic trends have led to lower housing demand in the short-term, which has in turn created less demand for building products.
- The industry will need to be prepared to increase production levels once the demand trends in these areas improve.

### How we are responding

- We have carefully and decisively managed our cost and production levels to ensure we are right sized for current demand, but able to increase production quickly when the market recovers.

## Ibstock's key markets are:

**New housing** – The new build housing market 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.

**Housing repair, maintenance and improvement (RMI)** – Housing RMI accounts for 15% of the total UK construction output, and is a key focus for our business.

**Commercial and public sector** – Commercial and public sector construction accounts 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.

**Infrastructure** – Infrastructure currently accounts for around 16% of total construction output and has shown strong growth over the past few years. We have a growing presence in this sector, particularly in the rail sub-sector with our range of innovative, lower-carbon products.

**Diversified markets** – The markets that we are diversifying into include the mid- to high-rise sector, build to rent and off-site construction. Increasingly we are serving diversified construction markets including off-site and modular markets.

► [Read more about Our Business page 04 to 07](#)

## The regulatory environment is undergoing significant change

### 31%

The reduction in carbon emissions required under Building Regulation Part L compared with the previous regulation.



New building code standards and greater environmental awareness are leading our customers to demand more sustainable products.

The Building Safety Act 2022 includes several mandatory measures intended to make buildings and residents safer.

The introduction of a new regulator for construction products will oversee enhanced levels of safety of construction product within the UK market.

### Impact on our industry

- The construction industry is having to adapt to the changing customer demands and regulatory requirements.
- There are increased focus and requirements regarding safety and environmental impacts.
- The industry will need more collaborative ways of working to efficiently and effectively implement new requirements.

### How we are responding

- We have a strong product development pipeline to ensure we meet changing customer demands.
- We are increasing our customer engagement across different sectors.
- We are a participating member of the UK Green Building Council (UKGBC) and Future Homes Hub (FHH) with detailed industry knowledge.
- We have an engagement programme that covers the whole supply chain.
- We continue to train and upskill our colleagues.

## There are significant opportunities in diversified markets

### c14,500

In 2023 there were c2,000 large to mega projects with detailed planning and c12,500 mid- to high-rise buildings requiring remediation within the UK.



The mid- to high-rise sector as well as the retrofit market are more resilient to the cyclical macroeconomic trends that impact the conventional house building industry.

### Impact on our industry

- The industry is seeking to create products and solutions which meet the demands of modern construction markets.

### How we are responding

- We are increasing our diversified markets exposure to provide countercyclical protection.
- 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. Brick façades are taking an increased share of these fast-growth markets.

# Our purpose and business model

## Delivering value

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.

We 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, where 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).

### Underpinned by our values and behaviours

Our stated values were developed internally through a series of interviews and face-to-face workshops attended by people 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

#### ► Find out more

Our markets p12

Our strategy p16

Key performance indicators p20

Responsible Business p37

Principal risks and uncertainties p22

### What makes us distinctive

#### ► 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:** Regulatory and compliance; people and talent management; business continuity; health, safety and environment (HSE); and economic conditions

#### ► 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 a significant component of our cost base. The Group regularly reviews its energy costs and uses forward purchasing contracts to increase pricing certainty when favourable compared with future price expectations in the open market.

**PRINCIPAL RISKS:** Regulatory and compliance; people and talent management; climate change; and financial risk management

#### ► 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. Our new product development programme works closely with customers and our sales team to identify opportunities for new products.

**PRINCIPAL RISKS:** Regulatory and compliance; people and talent management; major project delivery; and product demand and innovation

#### ► 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 used to create them. The Group's concrete products are made from cement, sand, and mixtures and pigments, which are mixed together.

**PRINCIPAL RISKS:** Regulatory and compliance; people and talent management; business continuity; cyber and information systems; climate change; major project delivery; anticipating product demand and innovation; HSE; and economic conditions

#### ► 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. The core business now operates with a single commercial 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:** Regulatory and compliance; people and talent management; cyber and information systems; climate change; anticipating product demand and innovation; and financial risk management

#### ► Distribution

The Group's 32 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:** Regulatory and compliance; people and talent management; business continuity; cyber and information systems; HSE; and economic conditions

#### ► Environment

Our ESG commitment runs through our strategy. 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).

**PRINCIPAL RISKS:** Regulatory and compliance; people and talent management; and HSE





## Our unique sources of advantage

### Market leadership

Our market-leading businesses enable us to benefit from the expected growth in demand in the UK. We have over 73 million tonnes of consented clay reserves and in excess of 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 and our service-led ethos is one of the key drivers in the growth in our market share in bricks over the past 10 years. Many of our long-standing customer relationships have lasted over 40 years.

### Growing capacity

We are investing in the latest technology to increase capacity and to meet the evolving market demands.

### Highly experienced management team

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

### Our 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 including our I-Studio in Central London
- High barriers to entry in our market
- Strong health and safety track record
- Strong balance sheet
- Unrivalled operational footprint and clay reserves
- We own or manage 3,281 acres of land in the UK

► [Read more](#) about our Resources on pages 04 to 05

## And the value we create



### 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.



### Customers

Our five main customer groups are builders' merchants, house builders, specialist brick distributors, contractors and installers. Customers play a crucial role in shaping our growth and driving our innovation. Collaborative and long-term mutually beneficial relationships with our customers are the foundation of our success. We have an unrivalled choice of products within our clay bricks offering and are a full-range supplier within our concrete businesses. This provides customers with the greatest possible range of products.



### Employees

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 our employee stakeholders.



### Pension fund members and Trustees

We have entered into insurance contracts to underwrite our pension commitments and reduce risk to the Group.

► [Read more](#) about Our Stakeholders on pages 38 to 41



### Communities

Our activities can have a lasting impact on the communities in which we operate. We are an important employer in the many areas where we are located. We interact directly with the communities in which we operate, contributing to them through our work with local schools and charities. We are a UK taxpayer, with a commitment to pay all appropriate taxes on a timely basis. We strive to leave a positive legacy.



### Suppliers and partners

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 parties, as well as the Group's other stakeholders.



### Environment

We aim to minimise our impact on the environment in everything that we do, so that our business continues to be sustainable at all levels in the longer term.



### Government and Regulators

We engage with Government and Regulatory Authorities to support the development and application of all laws and regulations within the construction sector.

# Our strategy

## Strategic overview

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, which are:

 **Sustainable high performance**

 **Market-led innovation**

 **Selective growth**

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

Underpinning the delivery of our strategy is our robust business model, our strong corporate culture and our core values:

**Teamwork**

**Trust**

**Care**

**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 20 and 21 measure our success against our strategy pillars, with examples of our **strategy in action** across pages 17 and 19.

| Underpinned by our ESG Strategy  |  |
|----------------------------------|--|
| Addressing Climate Change        | Decarbonising our products, processes and supply chain by focusing on carbon reduction, water efficiency and biodiversity net gains.<br>40% reduction in Scope 1 and 2 carbon by 2030, Net Zero in Scope 1 and 2 by 2040, Net Zero in Scope 3 by 2050.                                       |
|                                  | <b>KPIs</b> <ul style="list-style-type: none"> <li>• Carbon reduction metric – Decrease in absolute carbon relative to 2019 baseline</li> <li>• Biodiversity net gain</li> <li>• Water efficiency</li> </ul>   |
| Improving Lives                  | Building our social value by investing in our people, our culture and our communities. Ensuring our colleagues belong, thrive and grow and that we make a positive impact in the communities in which we operate.  |
|                                  | <b>KPIs</b> <ul style="list-style-type: none"> <li>• Health, Safety and Wellbeing – Lost time injury frequency rates (LTIFR)</li> <li>• Inspiring Futures – Percentage of workforce in Earn and Learn positions</li> <li>• Employee Experience – Women in senior leadership</li> </ul>       |
| Manufacturing Materials for Life | Evolve our products, processes and services by incorporating whole lifecycle design, preserving raw materials and future proofing our offer to customers through a diversified portfolio. This is driven by product innovation to support dematerialisation and circular economy principles. |
|                                  | <b>KPIs</b> <ul style="list-style-type: none"> <li>• Product innovation – Percentage sales from new and sustainable products</li> <li>• Circular economy</li> <li>• Dematerialisation</li> </ul>   |

# Sustainable high performance



As a large scale industrial business, sustainable high performance is at the core of what we do. We will continually develop new organisational capabilities to drive world-class performance across our operations.

We are focused on the following three priorities:

| Health, safety and wellbeing   |      |      | Operational excellence  |       |       | Environmental performance  |      |      |
|--|------|------|---|-------|-------|--|------|------|
| <b>KPIs</b>  |      |      |   |       |       |  |      |      |
|  | 2023 | 2022 |   | 2023  | 2022  |  | 2023 | 2022 |
| LTIFR  | 60%  | 61%  | Adjusted EBITDA   | £107m | £140m | Absolute carbon reduction  | 37%  | 20%  |
|  |      |      | Return on capital employed (ROCE)   | 13.4% | 23.4% | % sales from new and sustainable products  | 11%  | 13%  |
|  |      |      | Carbon reduction metric   | 37%   | 20%   |  |      |      |
| <b>Resilient performance towards our strategy</b>  |      |      |   |       |       |  |      |      |
| <p><b>Reduction in Lost Time Injury Frequency Rate (LTIFR)</b><br/>We remain focused on creating a positive, proactive safety culture underpinned by a belief that all incidents across our operations are preventable. Our further progress in the period was reflected in the 60% reduction in LTIFR from the 2016 baseline.</p> <p>Key initiatives in the year included safety training leadership programmes for managers and Safe Start 2023 workshops for all employees. 26 of the Group's factories were recognised for achieving LTIFR free milestones in the year, with our Concrete factory in Bootle, Liverpool achieving over 4,000 incident-free days.</p> <p>The Group also received several external industry awards in recognition of its safety progress and sector-leading approach, including the Award of Excellence from the British Ceramic Council (BCC) for outstanding contribution to Health &amp; Safety across the industry.</p> |      |      | <p><b>Reliability, quality and yield</b><br/>Despite a material reduction in production volumes year-on-year, both the Clay and Concrete factory networks delivered improvements in reliability, quality and yield.</p> <p><b>Parkhouse kiln rebuild</b><br/>In 2023, we completed a major kiln rebuild at the Parkhouse brick factory which delivers energy and cost efficiencies.</p> <p><b>Anstone automated line</b><br/>The investment in a fully automated line at our walling stone factory will drive significant safety benefits, increase product quality and increase capacity by about 30%. This is currently in the commissioning phase.</p> |       |       | <p><b>Synthetic gas production</b><br/>We have completed a pilot project to fire clay bricks using synthetic gas produced from waste. We are now in commercial negotiations to commission assets at one of our sites.</p> <p><b>Laybrook Factory</b><br/>We received funding from the Government's Industrial Energy Transformation Fund to support a major sustainability investment at our Laybrook brick factory in West Sussex, which we estimate will deliver a reduction in carbon emissions of more than 15%.</p> <p><b>Rainwater harvesting</b><br/>A new rainwater harvesting system was installed at Ibstock's concrete factory in Bootle.</p> |      |      |
| <p>► <b>More information</b> Operations Review on pages 27 to 32</p>   |      |      |   |       |       |  |      |      |
| <b>Link to risks</b>   |      |      |   |       |       |  |      |      |
| <ul style="list-style-type: none"> <li>• Business continuity • Regulatory and compliance • People and talent management</li> <li>• Cyber &amp; information systems • Health, safety &amp; environment (HSE) • Economic conditions</li> <li>• Financial risk management • Maintaining customer relationships and market reputation • Climate change</li> </ul>  |      |      |   |       |       |  |      |      |

# Market-led innovation



Innovation is a critical element of our growth plans as we continually enhance of our product portfolio and customer proposition to strengthen our market-leading positions.

Our initiatives are centred around:

| Product innovation  | Customer experience   | Digital transformation   |      |   |     |     |   |  |      |      |                    |     |     |         |       |       |   |  |      |      |                    |     |     |
|---|---|--|------|---|-----|-----|---|--|------|------|--------------------|-----|-----|---------|-------|-------|---|--|------|------|--------------------|-----|-----|
| <b>Strategic KPIs</b>   |   |  |      |   |     |     |   |  |      |      |                    |     |     |         |       |       |   |  |      |      |                    |     |     |
| <table border="1"> <thead> <tr> <th></th> <th>2023</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>% sales from new and sustainable products</td> <td>11%</td> <td>13%</td> </tr> </tbody> </table>  |   | 2023   | 2022 | % sales from new and sustainable products | 11% | 13% | <table border="1"> <thead> <tr> <th></th> <th>2023</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Net promoter score</td> <td>32%</td> <td>45%</td> </tr> <tr> <td>Revenue</td> <td>£406m</td> <td>£513m</td> </tr> </tbody> </table> |  | 2023 | 2022 | Net promoter score | 32% | 45% | Revenue | £406m | £513m | <table border="1"> <thead> <tr> <th></th> <th>2023</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Net promoter score</td> <td>32%</td> <td>45%</td> </tr> </tbody> </table> |  | 2023 | 2022 | Net promoter score | 32% | 45% |
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| % sales from new and sustainable products   | 11%   | 13%  |      |   |     |     |   |  |      |      |                    |     |     |         |       |       |   |  |      |      |                    |     |     |
|   | 2023  | 2022   |      |   |     |     |   |  |      |      |                    |     |     |         |       |       |   |  |      |      |                    |     |     |
| Net promoter score  | 32%   | 45%  |      |   |     |     |   |  |      |      |                    |     |     |         |       |       |   |  |      |      |                    |     |     |
| Revenue   | £406m   | £513m  |      |   |     |     |   |  |      |      |                    |     |     |         |       |       |   |  |      |      |                    |     |     |
|   | 2023  | 2022   |      |   |     |     |   |  |      |      |                    |     |     |         |       |       |   |  |      |      |                    |     |     |
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| <b>Resilient performance towards our strategy</b>   |   |  |      |   |     |     |   |  |      |      |                    |     |     |         |       |       |   |  |      |      |                    |     |     |
| <p><b>Dedicated innovation function</b><br/>To improve the flow of innovative new products across our business, during the year the Group created a single dedicated innovation function to serve all the Group’s markets, with a mandate covering new product development, quality and technical standards.</p> <p><b>Environmental product declarations (EPDs)</b><br/>The Group developed the first EPD for its Clay business, providing customers with essential data on the environmental impact of our product range for the first time.</p> <p><b>2023 Siemens Mobility Awards</b><br/>Our Concrete Division were honoured to receive the prestigious Sustainability Supplier award at the global 2023 Siemens Mobility Awards in Munich, for the development of an innovative sustainable Signal Base solution.</p> | <p><b>One Ibstock</b><br/>The Group made significant progress in 2023 on enhancing customer experience – making it easier than ever to access the diverse range of building products and solutions offered by the Group. As well as launching a new ‘One Ibstock’ brand and website earlier in the year, the recent restructuring of our sales and commercial teams is bringing a more co-ordinated and customer-centric approach. We firmly believe that our powerful brand and unrivalled, unified product offering will increasingly offer us a source of competitive advantage in UK construction markets over the years ahead.</p> <p>Following the exceptional performance of the NPS score last year, this year’s score has returned to a similar ratings as previous years.</p> | <p><b>Online customer portal</b><br/>The digitisation of our business is a key strategic enabler as we begin to drive an increasing proportion of our sales activities through digital channels. During the 2023 year we successfully piloted our online customer portal with a small number of our builders’ merchant customers, and expect to scale this activity further during the year ahead.</p> |      |   |     |     |   |  |      |      |                    |     |     |         |       |       |   |  |      |      |                    |     |     |
| <p>► <b>More information</b> Operations Review on pages 27 to 32</p>  |   |  |      |   |     |     |   |  |      |      |                    |     |     |         |       |       |   |  |      |      |                    |     |     |
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# Selective growth



We will expand core business to deliver long-term growth and value creation by investing in both organic and inorganic growth opportunities.

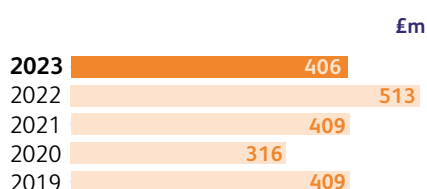
Clear path for growth and value creation through a combination of:

| Expanding our core business  | Diversification into adjacent market segments   | Grow our people and develop/embed our culture  |      |                  |       |       |                                   |       |       |  |  |      |      |   |     |     |   |  |      |      |  |     |     |
|--|---|--|------|------------------|-------|-------|-----------------------------------|-------|-------|--|--|------|------|---|-----|-----|---|--|------|------|--|-----|-----|
| <b>Strategic KPIs</b>  |   |  |      |                  |       |       |                                   |       |       |  |  |      |      |   |     |     |   |  |      |      |  |     |     |
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| <b>Resilient performance towards our strategy</b>  |   |  |      |                  |       |       |                                   |       |       |  |  |      |      |   |     |     |   |  |      |      |  |     |     |
| <p><b>Atlas</b><br/>Our redeveloped Atlas ‘pathfinder’ factory will manufacture our lowest-ever embodied carbon brick range and we are excited about making our first customer deliveries of this innovative new product during the first half of 2024.</p> <p><b>G-Tech Copers Limited</b><br/>We completed a small bolt-on asset acquisition in our infrastructure business, acquiring the trade and assets of G-Tech, an innovative designer and supplier of concrete railway platform solutions, to expand our differentiated proposition in the railway infrastructure market.</p> <p><b>Acquisition of Coltman</b><br/>On 30 November 2023, Ibstock acquired Coltman Precast Concrete (Coltman). Coltman manufactures Hollowcore, staircases and landings with flexibility to produce a wider range of pre-stressed and pre-cast products.</p> | <p><b>Nostell</b><br/>The new automated brick slips cutting line at Nostell, West Yorkshire is now commissioning with customer deliveries expected to commence during the first half of the year. This represents a first significant step towards building a scale leadership position in this fast-growing product category.</p> <p><b>Ibstock Futures</b><br/>Ibstock Futures made good operational and strategic progress during the year as it continued to build its capabilities in new, fast-growth areas of the UK construction market.</p> <p>We successfully proved the technical feasibility of using our owned clay reserves to manufacture calcined clay for use as a cementitious replacement.</p> | <p><b>Employee engagement survey</b><br/>The results of our bi-annual employee engagement survey demonstrated very solid progress, with participation rates increasing to 76% (2021: 62%) and all engagement measures showing improvement.</p> <p><b>Fire Up story</b><br/>The Ibstock Story and the ‘Fire Up’ recognition programme continues to inspire and unite colleagues across the business.</p> <p><b>Apprenticeship programme</b><br/>In 2023 we recruited 17 apprentices to join our industry-leading apprenticeship programme.</p> <p><b>Equality, diversity and inclusion</b><br/>In 2023 Ibstock became a founding member of the Construction Inclusion Coalition (CIC), the new industry body created to improve equality, diversity and inclusion across the construction sector.</p> |      |                  |       |       |                                   |       |       |  |  |      |      |   |     |     |   |  |      |      |  |     |     |
| <p>► <b>More information</b> Operations Review on pages 27 to 32</p>   |   |  |      |                  |       |       |                                   |       |       |  |  |      |      |   |     |     |   |  |      |      |  |     |     |
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## Our key performance indicators

# Financial KPIs

### Revenue



#### Description

Revenue represents the value for the sale of our building products, net of local sales tax and trade discounts.

#### Why important?

Revenue provides a measure of the financial growth of the Group.

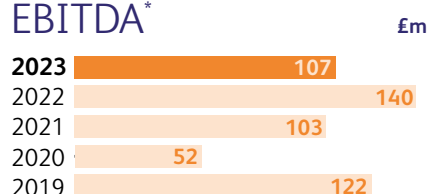
#### Link to strategy



#### Remuneration linkage

No specific linkage to remuneration structures at present.

### Adjusted EBITDA\*



#### Description

Represents profit before interest, taxation, depreciation and amortisation after adjusting for exceptional items\*.

#### Why important?

Adjusted EBITDA\* provides a key measure to assess the Group's profitability.

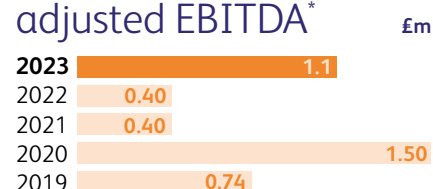
#### Link to strategy



#### Remuneration linkage

A key financial measure within the Annual and Deferred Bonus Plan (ADBP).

### Net debt to adjusted EBITDA\*



#### Description

Net debt, comprising short- and long-term borrowings less cash, over adjusted EBITDA\* (as defined) prior to the impact of IFRS 16.

#### Why important?

Net debt to adjusted EBITDA\* provides a useful measure in assessing the Group's financial strength.

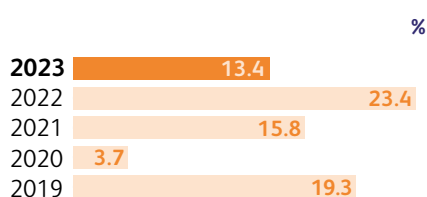
#### Link to strategy



#### Remuneration linkage

No specific linkage to remuneration structures at present.

### Adjusted ROCE\*



#### Description

The ratio of profit before interest and taxation, after adjusting for exceptional items\*, to average net assets and debt (excluding pension).

#### Why important?

Adjusted ROCE\* provides an indication of the relative efficiency of capital use by the Group over the year.

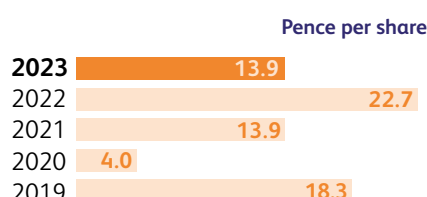
#### Link to strategy



#### Remuneration linkage

A key measure within the current Long Term Incentive Plan (LTIP) arrangement with a weighting of 20% of total opportunity.

### Adjusted EPS\*



#### Description

Basic earnings per share adjusted for exceptional items\*, amortisation and depreciation on fair valued uplifted assets and non-cash interest, net of the associated tax charge.

#### Why important?

Adjusted EPS\* provides useful information in assessing the performance of the Group and when comparing its performance across comparative periods.

#### Link to strategy



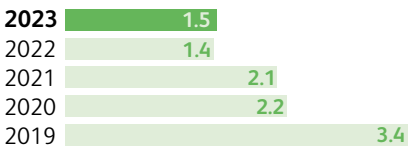
#### Remuneration linkage

A key measure within the current LTIP arrangement with a weighting of 30% of total opportunity.

\* 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.

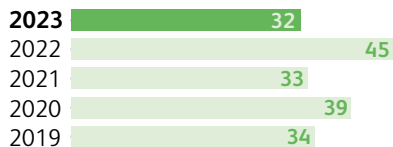
### Link to strategy



### 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.

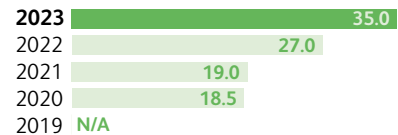
### Link to strategy



### Remuneration linkage

No specific linkage to remuneration structures at present.

## Diversity of senior management



### Description

Percentage of senior leaders who are women at year end as defined by the FTSE Women Leaders Review.

### Why important?

This measure assesses whether we have an appropriate balance of women in senior positions throughout the Group.

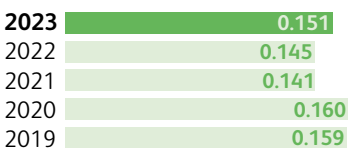
### Link to strategy



### Remuneration linkage

Measure in the LTIPs granted between 2022 and 2023 with 5% weighting of opportunity.

## Carbon reduction metric



### Description

Represents the amount of scope 1 and 2 carbon emissions produced per tonne of finished production.

### 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.

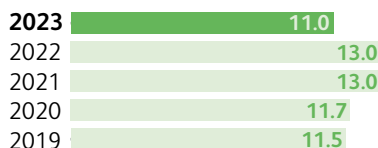
### Link to strategy



### Remuneration linkage

Measure in the LTIPs granted between 2021 and 2023 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 LTIPs granted since 2022 with 5% weighting of opportunity.

### Key to strategy



Sustainable high performance



Market-led innovation



Selective growth

# Principal risks and uncertainties

## Risk

The Group’s activities expose it to a variety of risks that could impact the business and its strategic objectives. 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 2023. The assessment includes those risks that would threaten Ibstock’s strategy, business model, its future performance, liquidity, solvency, reputation, and its people. To support the discharge of these responsibilities, the Audit Committee annually reviews the Company’s internal financial controls (which form a subset of the broader set of controls) and risk management system, and considers their effectiveness. 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 85-86 and 94-98.

### Risk management framework and risk appetite

The Board has overall responsibility for ensuring that the Group has an appropriate risk management framework and procedures encompassing the nature and level of risk it is willing to accept to achieve its strategic objectives. Management is responsible for the effective design, implementation and operation of controls and risk mitigation plans.

Our risk management process is designed to identify and manage, rather than eliminate, the risk of failure to achieve

business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss.

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 of these risks against a Group-wide risk and impact taxonomy that benchmarks the likelihood and impact against financial and non-financial criteria. They also take 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. With recognition of the nature of our industry, Ibstock has set a low to medium risk tolerance and has a robust process to identify any changes to the risk landscape, agreeing proportionate further mitigating actions where appropriate. The Board seeks to ensure appropriate and proportionate risk management strategies are in place for all material risks.

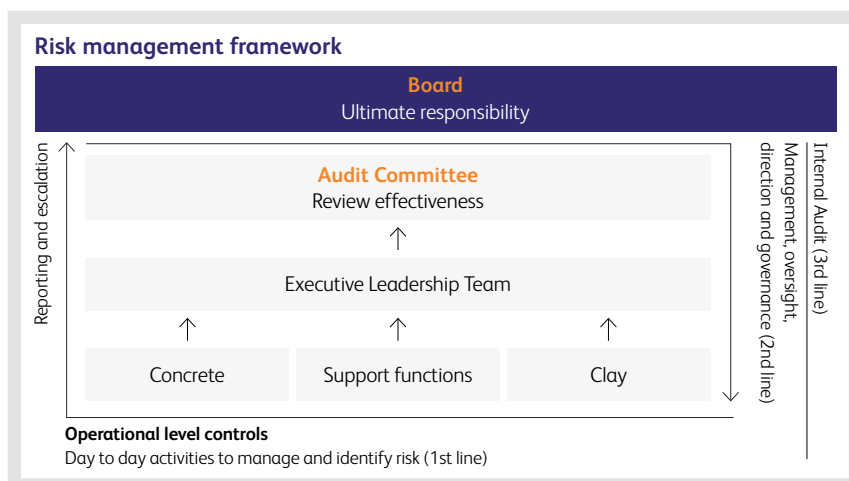
Management operates a ‘three lines of defence’ structure to its internal controls (see diagram below). The first line of defence is operated by management and covers the day to day risk management activities of implementing and executing internal controls. The second line (health and safety, quality 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 and proportionate 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 five years across the Group contributing to a reduction in the carbon intensity of our manufacturing processes. In 2022, we launched our ESG 2030 Strategy which 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 44 to 55.

At the same time, in order to assess the resilience of our business model, we have modelled the impact of both transitional and physical risks of climate change on the financial performance and position of the Company under different climate pathways. Details of these impacts are disclosed in the TCFD Statement on page 62.

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 (Scope 1 and 2) by 2040. This carries significant reputational risk and is a material focus for the Group. Details on transitional and physical risks and opportunities related to climate change are detailed in the TCFD report on pages 62 and 63. To date these are not considered principal risks in their own right.





## Principal risks and uncertainties

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. 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 as at 31 December 2023. 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.

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 and plans.

The full list of what the Board considers to be those current principal risks and uncertainties facing the Group can be found from page 24. Our disclosure for each principal risk includes the mitigating actions for each and, where applicable, updates on any change in the profile during the past year.

The principal risks and uncertainties should be read in conjunction with the Strategic Report as a whole from page 02. The Board is mindful that additional risks and uncertainties of which Istock is not currently aware or are believed not to be significant may also adversely affect strategy, business performance or financial condition in the future.

### Improvements made during 2023

During this year, we have increased the maturity of our risk management system by reporting a probability and impact assessment of all our risks. This assessment was completed both before and after any mitigation actions, with mitigations reducing both the likelihood and impact of all risks. We commit to monitor any trends in these risks and uncertainties going forwards.

### Changes in our principal risks

We continue to review our principal risks and how we manage them and we have reviewed our risks in light of changes to the internal and external environment, resulting in the following refinements in description.

| Previous Risk Title             | New Risk Title                             |
|---------------------------------|--|
| Material operational disruption | Business continuity                        |
| Market uncertainty              | Economic conditions                        |
| Anticipating product demand     | Anticipating product demand and innovation |
| Cyber and information security  | Cyber and information systems              |

### New and retired risks

Careful consideration has been given to the creation of a specific principal risk with regard to Health, Safety and Environment (HSE), which has previously been nested within the Regulatory and Compliance risk, given the importance and management focus within Istock and also the wider industry.

The principal risk with regard to product quality has been included as a component of maintaining customer relationships, recognising its integral part of this risk, and management of, and is, therefore removed as a specific principal risk in its own right.

### 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 2024. Any emerging risks identified have been recorded and are being managed and monitored alongside our existing risks. Examples of emerging risks that were considered during the year included the following:

- Geopolitical environment – Whilst Istock is a UK business, increased global geo-political tensions increase levels of macroeconomic uncertainty, the effects of which have been experienced throughout the UK and have an impact on the Group’s operations, including the cost and availability of electricity and natural gas. We continue to be mindful of changes in the geopolitical environment, and seek to mitigate potential impact where possible.
- Product substitution and the digital agenda were emerging risks last year. We have now incorporated these into the anticipating product demand and innovation, and maintaining customer relationships risks.



## Principal risks and uncertainties continued

### Business Continuity

**Risk Level** Medium

**Owner** Managing Director – Clay & Concrete

**How it aligns to our strategy** Underlying all priorities

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

**Risk Description**

The Group could experience significant disruption as a result of an unexpected event due to climate change, a global pandemic, activist action or disruption to UK infrastructure which impacts one or more of the Group's or its key supplier's facilities, which affects the Group's ability to manufacture and sell products and therefore meet customer demand.

**Response/Mitigation**

- The Group has business continuity plans which include IT disaster recovery and crisis management, which are periodically tested
- Development of climate resilience plans for higher-risk facilities
- Risk-based approach to supplier due diligence
- Physical security measures at all sites

### Regulatory and Compliance

**Risk Level** Low

**Owner** Group Company Secretary & ESG Director

**How it aligns to our strategy** Underlying all priorities

**Link to Business Model** All

**Risk Description**

Non-compliance by the Group with legal or regulatory requirements in the markets we operate in (for example, GDPR, anti-bribery and corruption, the Building Safety Act and tax legislation).

This could expose the Group to financial penalties and reputational damage.

**Response/Mitigation**

- Monitoring of the laws and regulations across relevant markets to ensure Istock remains compliant and is prepared for the implementation of new requirements
- Alignment of Group-wide policies and procedures with training on mandatory topics and compliance requirements

### People and Talent Management

**Risk Level** Medium

**Owner** Group People Director

**How it aligns to our strategy** Underlying all priorities

**Link to Business Model** All

**Risk Description**

An inability to attract, retain and develop people would impact the delivery of the Group's strategic objectives. This may be compounded by the ageing demographic in key employee groups, the dependency on specialist technical knowledge and skills in certain roles or enterprise restructuring programmes.

**Response/Mitigation**

- Launch of 'Fire Up' cultural programme
- Company-wide people programmes covering succession planning, apprenticeships, people training and development and high potential employees
- Hybrid working model for office based employees
- Focused action plans as a result of the 2023 employee opinion survey

### Cyber and Information Systems

**Risk Level** Medium

**Owner** CFO

**How it aligns to our strategy** Underlying all priorities

**Link to Business Model** Manufacturing, Sales, Distribution

**Risk Description**

Damage caused to the Group, its customers or suppliers through unauthorised access, manipulation, corruption or destruction of data or systems, or lack of investment leading to outdated systems, which could impact operations or the delivery of strategic objectives.

**Response/Mitigation**

- Achievement of UK Government's Cyber Essentials Plus accreditation
- IT disaster recovery plan
- Regular reviews to reduce the risk of successful cyber attacks, including vulnerability and penetration tests by third parties
- Cyber security training and awareness programme
- Continued investment in technology systems

## Health, Safety and Environment (HSE)

**Risk Level** Medium

**Owner** CEO

**How it aligns to our strategy** Underlying all priorities

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

### Risk Description

Failure to provide a place of work which minimises the risk of harm to our employees, those who work with us, and the environment and thereby risk HSE compliance breaches.

### Response/Mitigation

- Dedicated internal Safety, Health, Environment & Quality (SHEQ) team supporting operational delivery of HSE management and leadership
- Appropriate health, safety and environment policies to ensure compliance with all relevant regulations and requirements combined with regular monitoring through internal and external auditing activity
- Six Health and Safety Rules introduced to use as a guide to drive behaviour on a daily basis
- Investment in safe systems and facilities to protect our employees

## Economic Conditions

**Risk Level** Medium

**Owner** CEO

**How it aligns to our strategy** Sustainable performance

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

### Risk Description

Changes in the UK macroeconomic environment or Government housing policy could negatively impact demand as consumer confidence and affordability affects our customers, resulting in reduced sales volumes.

### Response/Mitigation

- Monitoring of market and economic trend and forecast information at the Board, Executive and Divisional leadership level which informs planning and financial forecasting
- Flexibility to adjust capacity and cost base across the Group
- Disciplined capital allocation framework and strong balance sheet position

## Financial Risk Management

**Risk Level** Medium

**Owner** CFO

**How it aligns to our strategy** Sustainable performance

**Link to Business Model** Procurement, Sales

### Risk Description

The Group is exposed to a number of financial risks, both macroeconomic in nature (e.g. foreign currency, interest rates, general inflation) and more specific to the Group, including liquidity and credit risk, as well as volatility in the wholesale energy and carbon markets.

Exposure to these risks could lead to increased costs of business operations, financial loss or reduced ability to access funding.

### Response/Mitigation

- Internal control framework is designed to reduce financial reporting risks
- Development, review and communication of a Group-wide treasury policy which is designed to reduce residual risk with regard to foreign exchange and interest rates
- Constant monitoring of energy and carbon markets and forward purchase to mitigate market volatility
- Stress testing the Group's available financing facilities to ensure resilience
- Operation of appropriate and dynamic sales pricing strategies to remain competitive and pass on significant increases in input costs

## Principal risks and uncertainties continued

### Maintaining Customer Relationships and Market Reputation

**Risk Level** Medium

**Owner** Managing Director – Clay & Concrete

**How it aligns to our strategy** Sustainable performance

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

**Risk Description**

Not meeting customers' needs and expectations (e.g. service levels, product quality and digital capability) could cause the loss of a key customer, resulting in a significant loss of revenue, with the Group generating revenues from a relatively concentrated customer base.

**Response/Mitigation**

- Organisational structure enables us to understand and respond more effectively to the evolving needs of our customers, with Divisional and regional teams providing customer support
- Sales and production are highly integrated and also supported by design support and technical teams
- Net promoter score (NPS) surveys routinely conducted to understand and respond to customer requirements

### Climate Change

**Risk Level** Medium

**Owner** Group Company Secretary & ESG Director

**How it aligns to our strategy** Sustainable performance

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

**Risk Description**

If the Group does not adapt the business to achieve our ESG commitments and climate change regulations and well as mitigating climate change related transitional and physical risks, this could result in failure to meet customer and stakeholder expectations.

Transition risks include increasing regulatory requirements and changes in customer preferences impacted product demand. A detailed assessment of climate-related risks and opportunities is provided in our TCFD disclosure/sustainability section.

**Response/Mitigation**

- The ESG Committee oversees ESG Strategy and business response to climate change risks
- Clear ESG Strategy and transition plan with KPIs published to track progress
- Transitional and physical climate risks and opportunities being embedded in day to day business operations
- Continued investment to enhance operations and develop products which are more sustainable

### Anticipating Product Demand and Innovation

**Risk Level** Medium

**Owner** CEO

**How it aligns to our strategy** Innovate

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

**Risk Description**

Failure to identify and respond to opportunities, threats and emerging market trends in the construction sector through an inability to innovate, develop and implement new products and solutions which respond to the market, resulting in reduced sales volumes and loss of market position.

**Response/Mitigation**

- Dedicated Futures business set up to focus on construction mega trends of industrialisation and sustainability
- Innovation culture embedded through organisation design, including experienced product managers encompassing horizon scanning and monitoring and reporting on emerging market trends

### Major Project Delivery

**Risk Level** Medium

**Owner** CEO and CFO

**How it aligns to our strategy** Growth

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

**Risk Description**

Failure to deliver major projects e.g. Atlas and Nostell to time, cost and capability, could result in reputational damage, financial overspends and commercial penalties.

**Response/Mitigation**

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

## Ibstock Clay



Ibstock Clay is the leading clay brick manufacturer in the UK, with an extensive product range, and 14 manufacturing sites across the country, strategically located near to extensive self-owned clay reserves.

As well as being the UK's largest brick supplier, the Clay Division also manufactures special brick shapes and bespoke products, including arches, chimneys and cladding solutions out of four 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. The Clay Division performance includes Ibstock Futures. More detail about Ibstock Futures is given on page 31.

### Ibstock Clay product categories



### 2023 performance

A good operational performance supported a solid result from the Clay Division, with this outcome underpinned by consistent network reliability and an intense focus on cost management.

During 2023, the Clay Division achieved sales of £292 million which was 26% lower than 2022 (£369 million). This was driven by materially lower sales volumes. Sales volumes during 2023 were in line with the trend experienced across the broader domestic market. As a consequence of this lower demand, inventory was built at higher-than-typical levels providing a benefit to margins through higher fixed cost absorption.

This inventory investment ensures that we are well positioned for increased demand when the market recovers.

### 2023 Divisional Results

Revenue:

£292m

2022: £369m

Adjusted EBITDA\*:

£99m

2022: £127m

Statutory profit before tax:

£38m

2022: £105m

The Clay Division included £12 million (2022: £4 million) of revenue relating to the Ibstock Futures business, reflecting growth in our acquired businesses. The Division recognised £5 million of operational investment in research and development, building in-house innovation and commercial capability as we continue to scale the business.

► [Read more](#) about Futures on page 31

# Ibstock Clay Operations Review continued

The Division experienced meaningful cost inflation compared to 2022 in both variable and fixed cost categories. Variable costs increases, included the impact of energy hedges entered into in the prior year, although softer spot prices during the first half helped to limit the scale of this increase. We now have around 70% of 2024 energy requirements covered at prices broadly in line with the comparative period.

Cost and capacity management was a major focus this year, with a comprehensive operational review completed to reduce fixed cost and align capacity to near-term market demand. This review resulted in permanent closure of two brick factories at Ravenhead and South Holmwood, and two specials sites at Gloucester and Hampshire. Ravenhead and South Holmwood are currently being decommissioned and we are exploring alternative options for the sites alongside disposal opportunities. A range of further steps to rationalise near-term capacity and cost across the Division were implemented during the second half of the year.

## Sustainable high performance

During 2023, brick imports reduced at a faster rate than domestic supply to 20% of total market (2022: 24%), as the UK industry was able to displace imported product. Our ability to fulfil this demand was supported by our available capacity and strengthened inventory position. Our EBITDA margin was marginally below the prior year as the impact of materially lower sales were largely mitigated by effective costs and capacity management action.

The Division retained its focus on strong commercial execution and providing high standards of service for our customers. Our On-Time, In-Full (OTIF) service levels continued to improve, and our enhanced scheduling capabilities supported a reduction in customer cancellation rates.

Throughout the year, the Division continued its long-term programme to dispose of surplus assets which contributed c.£2 million to EBITDA during 2023.

## Health, Safety and Wellbeing

We remain committed to driving our business to zero harm for everyone.

During 2023, 12 clay factories did not have a single Lost Time Incident (LTI). This was achieved through continued focus on our six safety rules as well as successful employee engagement events such as Safe Start days.



Operators at our Chesterton Site

The Division received several external industry awards, including the 'Award of Excellence for outstanding contribution to Health and Safety across the industry' from the Ceramics UK (formerly known as the British Ceramic Confederation (BCC)).

During 2023, over 109 Site Managers were trained in managing mental health conversations and an additional 12 have taken on Mental Health Ally responsibilities as part of their roles.

## Market-led innovation

During 2023, to strengthen our proposition targeted at displacing imported products, we launched a number of higher-end speciality bricks, including the new 'Rosa Blanca' range, which has received a very positive reaction from customers.

The new Rosa Blanca brick not only strengthens our commitment to innovation and new product development, but it strengthens our existing range of beautiful, British-made bricks.

## Selective growth

Commissioning of the new Atlas brick factory in the West Midlands commenced on schedule at the end of this year, with production expected to ramp up over the first half of 2024, in line with market conditions. Atlas will produce the UK's first externally verified carbon neutral brick and will increase annual network capacity by over 100 million bricks to support the Group's long-term growth objectives.

We also made significant investments in our Aldridge site as well as replacing the kiln at our Parkhouse site.

## ESG Performance

During 2023, we produced our first Environmental Product Declaration (EPD) with a roll-out plan to produce these for all our products by the end of 2024. The EPDs will help us to demonstrate to customers how we can support their net zero journeys as well as supporting our prioritisation of carbon saving projects.

The Division has also undertaken numerous projects, trials and research to support our ESG targets.

### These include:

- a pilot project to fire bricks using synthetic gas derived from waste as an alternative low carbon fuel
- investment in our Laybrook factory to reduce site carbon emissions by more than 15%
- increasing brick voids to reduce the use of virgin materials
- 300k bricks donated to schools and colleges to address sector skills shortages
- EcoHabitat talks to share the specification details with Bricklaying students to prepare them to support house builders to build biodiversity into homes of the future

▶ [Read more](#) – Pages 44 to 55

# Ibstock Concrete



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 five well-established and strong brands: Forticrete, Supreme, Anderton, Longley and Coltman.

The business is organised into six product groups: Roofing, Flooring and Lintels, Staircases and Lift Shafts, Fencing and Landscaping, Retaining Walls and Rail and Infrastructure.

Ibstock Concrete operates across 13 manufacturing sites geographically spread across the UK.

### 2023 performance

Despite the challenging market, the breadth of the Concrete Division's end-market exposure supported the delivery of a good performance during 2023.

During 2023, the Concrete Division achieved reported sales of £114 million which was 21% lower than 2022 (£144 million), reflecting a material decline in sales volumes within our residential product categories.

A strong performance from the Rail and Infrastructure category and good operational performance across the Divisional factory network helped mitigate the impact of lower residential sales on the Division's financial performance.

## 2023 Divisional Results

Revenue:

**£114m**

2022: £144m

Adjusted EBITDA\*:

**£19m**

2022: £24m

Statutory profit before tax:

**£5m**

2022: £12m

### Ibstock Concrete product categories



# Ibstock Concrete Operations Review continued

Within the Division, our operational excellence programme focused on cost and capacity, with a comprehensive operational review completed to increase process efficiency, automate and reduce fixed costs, flexing capacity to near-term market demand. This review resulted in the permanent closure of two concrete factories, relocating activity at our Masoncrete factory to Cebastone, and Castle Dawson in Northern Ireland to Coltman. A range of further steps to rationalise near-term functional capacity and cost across the Division were also introduced.

We continue to develop our Bespoke Precast Infrastructure business, which delivered strong progress by increasing its offerings into new markets such as solar, utilities and the water industry.

## Health, Safety and Wellbeing

We remain focused on developing our positive, proactive health, safety and wellbeing culture underpinned by a belief that driving proactive improvement every day will continue to reduce risk in our operations.

During 2023, our Concrete estate achieved a 32% reduction in minor incidents versus 2022. This was achieved through continued focus on our six safety rules, proactive improvement and investment along with employee engagement events such as safety stand down periods, Safe Start training and our behavioural safety roadshow.

During 2023, over 52 Divisional managers were trained in managing mental health conversations and an additional 7 have taken on Mental Health Ally responsibilities as part of their roles.

## Market-led innovation

During 2023, we rolled out our professional range of residential landscaping products, which offer increased functionality and industry-leading levels of embodied carbon. Within our rail and infrastructure category, our range of lower-carbon cable troughing products has enabled us to win new business serving the major HS2 infrastructure project.

## Selective growth

During the year, the Division completed two acquisitions.

**G-Tech** – The first was a small bolt-on asset acquisition in our infrastructure business, acquiring the trade and assets of G-Tech, an innovative designer and supplier of concrete railway platform solutions, to expand our differentiated proposition in the railway infrastructure



Precast lift shaft - Alexandra Hospital

market. G-Tech's concrete platform copers reduce embodied carbon of the material mix by almost 80%, compared with typical reductions of 30-40% achieved by competing solutions. The acquisition represents a further strategic step in broadening our rail and infrastructure offering.

**Coltman** – On 30 November 2023, Ibstock acquired Coltman Precast Concrete (Coltman). Coltman manufactures hollowcore, staircases and landings with flexibility to produce a wider range of pre-stressed and pre-cast products. The acquisition will strengthen Ibstock's national distribution model for both lintels and floor beams, widen our customer base, as well as enhance profit and revenue opportunities.

Our £3 million investment in automated equipment for our walling stone factory in Anstone, Yorkshire, is on track and will be commissioned during the first quarter of 2024. The fully automated line of the future will drive significant safety benefits, increased product quality for our customers and achieve at least a c.30% uplift in overall equipment effectiveness. This is expected to deliver around £1 million in incremental adjusted EBITDA\* from 2024.

We also have a pipeline of further fast-payback opportunities to invest capital in our Concrete business over the medium term.

## ESG Performance

During 2023, we developed our first Environmental Product Declaration (EPD) which will be produced for all our products over the near term. The EPDs are helping us to show customers how we can support their net zero journeys as well as supporting our prioritisation of carbon-saving projects.

The Division has also undertaken numerous projects, trials and research to support our ESG targets. These include:

- SL8 and Gemini roof tiles – our lowest embodied carbon roof tiles
- Trial of hot weather PPE as part of our climate adaptation measures
- Installation of a rainwater harvesting system at Northwich to reduce our mains water usage
- Raising funds, and matching them, through employee-led events such as a Charity Football Tournament
- Sites building relationships with local schools and colleges
- Isabella Walsh (Process Engineering Apprentice) being awarded Regional Apprentice of the Year in the Made UK awards
- Winning a prestigious sustainability award at the Siemens Mobility Awards in Munich for the development of an innovative sustainable Signal Base solution.

► [Read more](#) – Pages 44 to 55



## Ibstock Futures



Employees at Power Park

Modern methods of construction (MMC) is a significant area of opportunity for Ibstock which includes off-site manufacture and assembly, and modular house building.

To address this area of opportunity, the Group has created a growth engine, Ibstock Futures, which is a business unit that currently forms part of our Clay Division.

Ibstock Futures has two objectives:

- To enable Modern Methods of Construction in the UK; and
- To be at the forefront of sustainable construction by supporting the growth of lightweight construction methods as well as more carbon-efficient ways of manufacturing.

The focus is initially concentrated within the mid- to high-rise Façades market and modular construction segment.



Mechslip being constructed offsite

### 2023 performance

Throughout the year, Ibstock Futures has focused on enhancing its operational and commercial disciplines. The trading businesses within Ibstock Futures delivered an adjusted EBITDA\* in line with our expectations.

To scale this business, we invested around £5 million of operational costs into innovation and built capability during 2023 (in line with the level in 2022).

Whilst Ibstock Futures experienced a more cautious demand backdrop, in line with the core business, the levels of market activity proved relatively more resilient, and we believe that our customers in this segment value both the financial strength and industry expertise of a company such as Ibstock.

### Ibstock Futures categories



# Ibstock Futures Operations Review continued



Employees at Power Park

## Sustainable high performance

During 2023, we consolidated our new Futures businesses on a single site at Power Park, our innovation hub in the West Midlands. The hub, which saw its first operations commence during the year will, over time, become a state-of-the-art facility. Secured under a long-term lease, the Innovation Hub creates a scalable platform for the growth of Ibstock Futures in the years ahead.

## Health, Safety and Wellbeing

Health, safety and wellbeing is a critical focus for Ibstock Futures.

During 2023, we further integrated Ibstock Futures health and safety procedures with those of the Ibstock Group, benefiting from the Group's engagement events such as Safe Start and the Safety Stand down.

## Market-led innovation

During 2023, we have continued work on a number of exciting strategic projects that remain within the research and development stages, particularly around energy and alternative use of clays, with a circular economy approach.

We also continued to make progress within our Ibstock Ventures innovation arm. We have collaborated 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.

## Selective growth

The brick slips market continues to build, and our investments in capacity expansion remain on track. The development of our Nostell facility, in West Yorkshire, is progressing well and we expect the first phase, a new automated slip cutting line, which will deliver up to 17 million slips per annum, to commission during the first half of 2024. The development of the larger brick slips systems manufacturing line, which will initially deliver a further 30 million slips per annum, is also well underway, with equipment orders placed and contracts with OEMs well progressed. We intend to match the remaining build schedule of this factory to market growth over the next 12 to 18 months. Combined, this significant growth in slips capacity will create a strong and diversified position for Ibstock in this fast-growing and attractive product category.

## ESG Performance

During the year, Futures were part of the project to understand the sources and requirements of our environmental data to support how we monitor and report our continual improvement in performance.

► [Read more](#) – Pages 44 to 52

We continue to see a strong pipeline of opportunities to grow Futures, both organically and by acquisition, representing a significant opportunity for value creation as we selectively expand and diversify our product offering further over the medium term.

# The Group remains in a strong financial position



“Our strong balance sheet, combined with the inherently cash generative nature of our business, provides resilience and strategic optionality over the medium term”

**Chris McLeish**  
Chief Financial Officer

## Introduction

The Group delivered a resilient financial performance in 2023 against a subdued market backdrop, with both adjusted EBITDA\* and adjusted earnings per share\* in line with expectations set at the start of the year. Both revenue and profit were significantly below the comparative period, reflecting lower activity levels in our core residential markets, with the domestic brick market around 30% below the prior year.

The Group managed the reduction in sales volumes well, through stable pricing and a disciplined management of capacity and costs. This intense focus on commercial execution and cost management ensured that adjusted EBITDA\* margins remained strong at 26.5% (2022: 27.2%), despite a significant fall in activity levels.

Group statutory profit before taxation of £30.1 million (2022: £104.8 million), reflected the impact of lower underlying operating profits and an exceptional charge\* of £30.8 million (2022: credit of £6.3 million) arising from the Group’s restructuring plan.

The Group maintained a strong balance sheet, with closing net debt\* of £101 million at 31 December 2023 representing leverage\* of 1.1 times adjusted EBITDA\* (Dec 2022: 0.4 times). This robust year-end position was achieved through a resilient cash flow performance which included around £66 million of capital expenditure (including £45 million of growth expenditure) and a £25 million investment in finished goods inventories as levels were rebuilt from lower levels. We also acquired Valerie Colman Precast, a business engaged in the manufacture of precast and prestressed concrete products, for cash consideration

# Financial Review continued

## Group results

The table below sets out segmental revenue and adjusted EBITDA\* for the year

| Year ended 31 December 2023  | Clay £m | Concrete £m | Central costs £m | Total £m |
|------------------------------|---------|-------------|------------------|----------|
| Total revenue                | 292.2   | 113.6       | –                | 405.8    |
| Adjusted EBITDA <sup>†</sup> | 98.8    | 18.6        | (10.1)           | 107.4    |
| Margin                       | 33.8%   | 16.4%       |                  | 26.5%    |
| Profit/(loss) before tax     | 37.9    | 5.0         | (12.9)           | 30.1     |
| Year ended 31 December 2022  |         |             |                  |          |
| Total revenue                | 369.2   | 143.7       | –                | 512.9    |
| Adjusted EBITDA <sup>†</sup> | 126.7   | 23.6        | (10.6)           | 139.7    |
| Margin                       | 34.3%   | 16.4%       |                  | 27.2%    |
| Profit/(loss) before tax     | 104.9   | 12.5        | (12.7)           | 104.8    |

\* Alternative Performance Measures are described in Note 3 to the results announcement. Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

of £3 million. At 31 December 2023, the Group had £100 million of undrawn committed facilities in place.

With our robust financial position, and inherently cash generative business, we continue to expect to generate significant cash to support growth and shareholder returns over the medium-term.

## Climate Change & CFD

As a long-term, energy intensive business, a commitment to environmental sustainability and social progress is central to the company's purpose. In 2022 we launched the Group's ESG 2030 Strategy and remain committed to this approach. This strategy provides the framework for actions across the three key areas that the Group needs to focus on:

- Addressing climate change;
- Improving lives; and,
- Manufacturing materials for life.

At the same time, we have considered the impact of both transition and physical risks of climate change on the financial performance and position of the Company, through our viability scenario assessment, our impairment testing and assessment of the useful economic lives of our assets and also our assessment the resilience of our business model, as part of our strategic planning process. The outputs from this exercise are detailed in our TCFD disclosures in the 2023 Annual Report and Accounts.

The Group continues to be committed to increasing the transparency of reporting around climate impacts, risks, and opportunities. This year we have enhanced our disclosure to ensure full compliance with the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD) and those of Climate-related Financial Disclosure (CFD).

## 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.

## Revenue

Group revenues for the 2023 year decreased by 21% to £405.8 million (2022: £512.9 million), reflecting significantly lower activity levels in our core residential markets. Sales volumes in our residential product categories reduced in line with the broader domestic market, which was down by around 30% compared to the prior year, with selling prices remaining stable through the year.

In our Clay Division, revenues of £292.2 million represented a reduction of 21% on the prior year (2022: £369.2 million). Volumes reduced in line with the overall domestic brick market. Year-on-year average selling prices increased, following action to increase prices taken during the second half of the 2022 year. Our Futures business grew revenues to £12 million (2022: £4 million).

In our Concrete Division, revenue decreased by 21% year-on-year to £113.6 million (2022: £143.7 million), reflecting a material decline in sales volumes within our residential product categories. Our infrastructure business, which is focused on a number of attractive niche markets, delivered a strong performance, growing revenues to around £19 million (2022: £17 million).

## Adjusted EBITDA<sup>†</sup>

Management measures the Group's operating performance using adjusted EBITDA\*. Adjusted EBITDA\* decreased year on year to £107.4 million in 2023 (2022: £139.7 million) reflecting significantly lower activity levels in our core residential markets, mitigated by strong commercial execution and the disciplined management of capacity and cost.

Performance also benefited from the absorption of around £15 million of fixed cost into finished goods inventories, which increased during the year as the Group built back finished goods stocks from lower levels. Adjusted EBITDA\* margins remained strong at 26.5%, marginally below the prior year (2022: 27.2%) as a strong focus on commercial and operational execution largely offset the impact of materially lower sales volumes.

Within the Clay Division, adjusted EBITDA\* totalled £98.8 million (2022: £126.7 million), representing an adjusted EBITDA\* margin of 33.8% (2022: 34.3%). The reduction in adjusted EBITDA\* reflected significantly lower activity levels in our residential markets offset by resilient contribution margin performance and disciplined and decisive cost management.

The division also benefited from property gains totalling around £2 million in the year. In line with our expectations, the division recognised a cost of £5.0 million (2022: £5.3 million) in Istock Futures, as the business continued to invest in research & development, in-house innovation and commercial capability.

Adjusted EBITDA\* in our Concrete Division decreased to £18.6 million (2022: £23.6 million). Whilst the division experienced a significant decline in demand within its residential product categories, adjusted EBITDA\* margins were maintained at 16.4% (2022: 16.4%). This performance was achieved through significant action on cost and a strong performance from infrastructure, which achieved margins in excess of the divisional average on volumes broadly in line with the comparative period. The division also benefited from inventory build, which led to the absorption of around £2 million of fixed cost during the 2023 year.

Central costs decreased to £10.1 million (2022: £10.6 million) reflecting discretionary cost reduction action and lower variable remuneration costs.

### 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 cost of £30.8 million (2022: £6.3 million gain), comprising:

1. Exceptional cash cost of £10.2 million (of which £4.6 million was cash settled in the period), associated with the Group's rationalisation and closure of sites as part of the restructuring plan
2. An exceptional non-cash charge of £20.6 million comprising the impairments associated with the Group's closure of sites as part of this plan.

The Group expects to recognise additional cash costs of around £5 million over the next 12 months on final closure and decommissioning costs as part of our single coordinated plan for our site closures. These costs have not been accounted for in the 2023 results since the Group was not committed to this specific expenditure at year-end and so no provision could be recognised.

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

### Finance costs

Net cash interest paid of £5.8 million was slightly above the prior year (2022: £4.3 million) due to higher levels of average debt. The Group continued to benefit from its £100 million private placement at a fixed coupon of 2.19% per annum, and drew down amounts under its variable rate Revolving Credit Facility (RCF) towards the latter part of the year. For the 2024 year, we expect net cash interest expense to be around £8 million.

Statutory net finance costs of £5.0 million increased in the year (2022: £2.7 million) principally reflecting reduced interest income from the Group's main defined benefit pension scheme and increased interest expense following utilisation of the Group's RCF.

### Profit before taxation

Depreciation and amortisation pre fair value uplift increased to £29 million (2022: £26 million) due to charges related to new haulage assets and the Futures innovation hub in the West Midlands. We expect depreciation and amortisation pre fair value uplift to total around

£34 million in 2024, reflecting incremental depreciation from the Atlas and Nostell factories and a full year of the Futures innovation hub lease cost.

Group statutory profit before taxation of £30.1 million (2022: £104.8 million), reflected the impact of lower underlying operating profits and an exceptional charge\* of £30.8 million (2022: credit of £6.3 million) arising from the Group's restructuring plan.

### Taxation

The Group recognised a taxation charge of £9.0 million (2022: £17.9 million) on Group pre-tax profits of £30.1 million (2022: £104.8 million), resulting in an effective tax rate (ETR) of 30.0% (2022: 17.1%) compared with the average standard rate of UK corporation tax of 23.5%. The lower statutory tax charge arose from the significant reduction in taxable profits. The ETR increased as a result of the increase in standard rate of UK corporation tax, which impacted both current and deferred taxation as well as a reduction in the permanent benefit arising from the UK tax super deduction.

The adjusted ETR\* (excluding the impact of the deferred tax rate change and exceptional items) for the 2023 year was 24.6% (2022: 16.5%). The increase in adjusted ETR from the prior year was due to the increase in the standard rate of UK corporation tax and a reduction in permanent benefit arising from the super deduction which, until March 2023, provided statutory tax relief on 130% of qualifying capital expenditure. For the 2024 year, we expect the adjusted ETR to increase to around 26%, reflecting a full year of corporation tax at 25% and normal levels of non-deductible expenses.

### Earnings per share

Group statutory basic earnings per share (EPS) decreased to 5.4 pence in the year to 31 December 2023 (2022: 21.6 pence) as a result of the Group's reduced profit after taxation, reflecting the reduced trading result and exceptional costs arising from our 2023 restructuring plan.

Group adjusted basic EPS\* of 13.9 pence per share reduced from 22.7 pence in the prior year, reflecting: a decrease in adjusted EBITDA\*; an increase in the underlying depreciation charge from recent capital investment projects and leases; and a higher adjusted ETR following an increase in the headline UK corporation 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 7.

**Table 1: Earnings per share**

|                     | 2023<br>pence | 2022<br>pence |
|---------------------|---------------|---------------|
| Statutory basic EPS | 5.4           | 21.6          |
| Adjusted basic EPS* | 13.9          | 22.7          |

### Cash flow and net debt\*

Adjusted operating cash flow decreased by £58 million to £50.0 million (2022: 108.0 million), reflecting a reduction in adjusted EBITDA\* from significantly lower activity levels in our core residential markets. The Group also increased working capital levels by £37.0 million (2022: £1.8 million increase) as finished goods inventories were built back from lower levels.

Net interest paid in 2023 increased to £5.8 million (2022: £4.3 million) reflecting an increased interest cost as the Group drew down on its bank facilities during the latter part of the year. Cash tax amounted to a small inflow of £0.6 million (2022: payment of £11.7 million), as taxable profit decreased from the prior year and the Group continued to benefit from the accelerated tax deduction on qualifying capital expenditure. Other cash outflows of £14.9 million (2022: £12.1 million outflow) included £1.8 million in respect of carbon emission credits purchased during the year (2022: £5.6 million), Coltman consideration of £2.7 million and lease payments totalling £10.0 million (2022: £8.0 million).

The Cash conversion\* percentage decreased to 47% (2022: 77%), reflecting a material reduction in adjusted EBITDA\* and the investment in working capital as finished goods inventories increased during the year.

Adjusted free cash flow\* decreased significantly to an outflow of £15.6 million (2022: inflow of £49.7 million). Capital expenditure of £65.7 million increased by £7.3 million on 2022 (£58.4 million), reflecting the Group's continued investment in its organic growth projects to support our medium-term growth objectives. The 2023 capital expenditure figure comprised around £21 million of sustaining expenditure,

# Financial Review continued

£29 million on the Atlas and Aldridge redevelopments, £11 million on the slips project at Nostell (as we managed the pace of capital deployment on the larger slips systems factory) and around £5 million on other growth projects. In the 2024 year, sustaining expenditure is expected to remain at around £20 million, with growth investments in Atlas, Aldridge and Futures expected to total £25 million to £30 million.

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

|                                     | 2023<br>£m    | 2022<br>£m | Change<br>£m |
|-------------------------------------|---------------|------------|--------------|
| Adjusted EBITDA*                    | <b>107.4</b>  | 139.7      | (32.3)       |
| Adjusted change in working capital* | <b>(37.0)</b> | (1.8)      | (35.2)       |
| Net interest                        | <b>(5.8)</b>  | (4.3)      | (1.5)        |
| Tax                                 | <b>0.6</b>    | (11.7)     | 12.3         |
| Post-employment benefits            | <b>(0.3)</b>  | (1.8)      | 1.5          |
| Other <sup>1</sup>                  | <b>(14.9)</b> | (12.1)     | (2.7)        |
| Adjusted operating cash flow*       | <b>50.0</b>   | 108.0      | (58.0)       |
| Cash conversion*                    | <b>47%</b>    | 77%        | +30ppts      |
| Total capex                         | <b>(65.7)</b> | (58.4)     | (7.3)        |
| Adjusted free cash flow*            | <b>(15.6)</b> | 49.7       | (65.3)       |

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

<sup>1</sup> Other includes operating lease payments and emission allowance purchases in all years, and Coltman consideration in 2023.

The table above excludes cash flows relating to exceptional items\* in both years. During 2023, the Group incurred £4.6 million of exceptional cash costs relating to the Group's rationalisation and closure of sites (2022: £7.8 million inflow).

Net debt\* (borrowings less cash) at 31 December 2023 totalled £100.6 million (31 December 2022: £45.9 million; 30 June 2023: £89.1 million). The movement during the 2023 year reflected the investment of £37.0 million in working capital and £65.7 million of capital expenditure.

At 31 December 2023, the Group had drawn £25 million under its Revolving Credit Facility (RCF), and had £100 million of undrawn committed facilities in place.

The present value of lease liabilities increased to around £44 million (2023: £33 million) due principally to the long-term property lease entered into during the year for the Futures innovation hub in the West Midlands

## Return on capital employed\*

Return on capital employed\* (ROCE) in 2023 reduced to 13.4% (2022: 23.4%). The reduction reflected both a decrease in adjusted operating profit and an increase in the capital base, as the Group invested in both working capital and growth investments to support our medium-term growth objectives.

## Capital allocation

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

Our capital allocation framework is set out below:

- Firstly, we will prioritise investment to maintain and enhance our existing asset base and operations;
- We are focused on a progressive ordinary dividend, 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.

## Dividend

The Board has recommended a final dividend of 3.6p per share (2022: 5.5p), for payment on 31 May 2024 to shareholders on the register on 10 May 2024. This will bring the full year dividend to 7.0p (2022: 8.8p), a pay-out of 50% of adjusted basic earnings per share, consistent with our stated capital allocation framework.

## Pensions

At 31 December 2023, the defined benefit pension scheme (the scheme) was in an actuarial accounting surplus position of £9.8 million (31 December 2022: surplus of £15.2 million). Applying the valuation principles set out in IAS19, at the year end the scheme had asset levels of £373.7 million (31 December 2022: £373.6 million) against scheme liabilities of £363.9 million (31 December 2022: £358.4 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 insures the vast majority of the Group's defined benefit liabilities. This transaction, which involved no initial cash payment by the Company, completed during the 2023 financial year.

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 agreed that the Group would suspend paying contributions with effect from 1 March 2023.

## Related party transactions

Related party transactions are disclosed in Note 16 to the consolidated financial statements. During the current and prior year, there have been no material related party transactions.

## Subsequent events

Except for 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.

# Non-Financial and Sustainability Information Statement

This section of the Strategic Report constitutes our Non-Financial and Sustainability Information Statement. In compliance with Sections 414CA and 414CB of the Companies Act 2006, the information listed is incorporated into this statement by cross-reference to relevant content.

| Requirement  | Policies   | Additional Information  | Pages  |
|--|--|---|--|
| <b>Environmental matters</b>                           | <ul style="list-style-type: none"> <li>ESG 2030 Strategy reports</li> <li>Sustainable Procurement Policy</li> </ul>  | <ul style="list-style-type: none"> <li>Responsible Business</li> <li>Compliance and other statements</li> </ul>   | <ul style="list-style-type: none"> <li>Pages 37 to 71</li> <li>Page 88</li> </ul>  |
| <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> | <ul style="list-style-type: none"> <li>Responsible Business</li> <li>Nomination Committee Report</li> </ul>   | <ul style="list-style-type: none"> <li>Pages 37 to 71</li> <li>Pages 87 to 91</li> </ul>   |
| <b>Human rights</b>                                    | <ul style="list-style-type: none"> <li>Modern Slavery Statement</li> <li>Data Protection Policy</li> </ul>   | <ul style="list-style-type: none"> <li>Compliance and other statements</li> </ul>   | <ul style="list-style-type: none"> <li>Page 86</li> </ul>  |
| <b>Social matters</b>                                  | <ul style="list-style-type: none"> <li>ESG 2030 Strategy and Framework</li> </ul>  | <ul style="list-style-type: none"> <li>Responsible Business</li> </ul>  | <ul style="list-style-type: none"> <li>Pages 37 to 71</li> </ul>   |
| <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>  | <ul style="list-style-type: none"> <li>Compliance and other statements</li> <li>Corporate Governance Statement</li> </ul>   | <ul style="list-style-type: none"> <li>Page 86</li> <li>Page 77</li> </ul>   |
| <b>Description of the Business Model</b>               |  | <ul style="list-style-type: none"> <li>Our purpose and business model</li> </ul>  | <ul style="list-style-type: none"> <li>Page 14</li> </ul>  |
| <b>Principal risks and impact of business activity</b> |  | <ul style="list-style-type: none"> <li>Principal risks and uncertainties</li> <li>Corporate Governance Statement</li> <li>Audit Committee Report</li> <li>Responsible Business</li> <li>TCFD</li> </ul> | <ul style="list-style-type: none"> <li>Pages 22 to 26</li> <li>Pages 72 to 98</li> <li>Pages 94 to 98</li> <li>Pages 44 to 55</li> <li>Pages 56 to 69</li> </ul> |
| <b>Non-financial key performance indicators</b>        |  | <ul style="list-style-type: none"> <li>Strategic Report</li> <li>Key performance indicators</li> </ul>  | <ul style="list-style-type: none"> <li>Pages 02 to 71</li> <li>Pages 20 to 21</li> </ul>   |

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

# Stakeholder engagement



Employee at our Chesterton factory

The Board carefully considers the impact of its decisions 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.

Our key stakeholders have been identified by the Board through a careful review of the important groups that we need to work with to achieve our strategy and promote long-term success within our Company.

The Board considers each key stakeholder's interests, priorities and views, when making decisions, noting there may be times when stakeholders' interests and priorities potentially conflict. Although the Board engages directly 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 stakeholders 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.

The Board considers that our stakeholder engagement mechanism remains effective.

In 2023, the Executive Leadership Team (ELT) and Board received qualitative reporting to identify 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.

#### Find out more

- ▶ [The Section 172\(1\) Statement](#) p42
- ▶ [Stakeholder engagement](#) p81
- ▶ [Principal decisions undertaken by the Board in 2023](#) p43





## Our Investors

Individuals or institutions who own shares in Ibstock Plc



### Why they are important

Our current and potential investors ensure our continued access to the capital that enables us to pursue our Strategic objectives.

### Link to KPIs

- Revenue
- Adjusted EBITDA\*
- Net debt to adjusted EBITDA\*
- Adjusted ROCE\*, Adjusted\* EPS
- Women in senior management
- Carbon reduction metric

▶ Refer to KPIs p20-21

[Link to strategic outcomes](#)



### What they tell us matters to them

- 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 at Board level

- Members of the Board, including the CEO and CFO, meet with shareholders and analysts as part of the regular annual cycle
- The Board receives structured feedback after each market announcement from our Brokers

### How we engage across the Company

- Investor roadshows
- Results presentations
- Annual General Meeting
- One-to-one meetings and calls with investors and brokers
- Chair and Board Member meetings on request

### What Ibstock offers them

- 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

### Outcomes from engagement

- The Board considered shareholder views when assessing the options to manage our cost base and production capacity

### Priorities for 2024

- Strong communication and engagement
- Delivery of strategic projects and initiatives
- Execution of business plans and balance sheet management
- Board engagement with investors
- Construction Inclusion Coalition



## Our Customers

The businesses and organisations that buy our products



### Why they are important

Customers play a crucial role in shaping our growth and driving our innovation. Collaborative and long-term mutually beneficial relationships with our customers are the foundation of our success.

### Link to KPIs

- Revenue
- Net Promoter Score
- Carbon reduction metric
- Share of revenue from new and sustainable products

▶ Refer to KPIs p20-21

[Link to strategic outcomes](#)



### What they tell us matters to them

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

### 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

### How we engage across the Company

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

### What Ibstock offers them

- 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. 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

### Outcomes from engagement

- We have restructured our sales teams to bring a more co-ordinated, customer-centric commercial approach
- We took decisive action to manage our production capacity with a focus on ensuring continuity of supply and our ability to react quickly as demand returns

### Priorities for 2024

- Improved service through a joined up offer from One Ibstock
- Sustained high quality and depth for product range
- Sustainability enhancements and innovation



## Our Employees

Colleagues who work in our business



### Why they are important

Our talented and engaged employees play a vital role in the success of Istock. We not only have a legal obligation to look after our employees but an ethical obligation to ensure that we create an environment where everyone can be at their best.

#### Link to KPIs

- Lost time injury frequency rate
- Employee engagement
- Female representation in senior leadership

► Refer to KPIs p20-21

Link to strategic outcomes



### What they tell us matters to them

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

### How we engage at Board level

- The Listening Post is our formal mechanism for workforce engagement and sharing employee views with the Board. Each Board member attends at least one Listening Post per year. Peju Adebajo is our designated Non-Executive Director for workforce engagement and attends each meeting
- Regular direct progress reports on people and culture from the Group People Director
- Board members visit our sites and senior management join meetings for specific items, e.g. our Board Strategy meeting and through the ESG Committee visits

### How we engage across the Company

- The continuation of the 'Fire Up' cultural transformation programme
- The Week – weekly video update from an Executive Leadership Team member posted on our MyIstock intranet, displayed on digital screens in common areas at all sites and emailed to all employees
- Istock Informed presentations and live open Q&A panel sessions
- MyIstock news and employee blogs
- Safe Start conversations
- Employees are encouraged to visit other sites and share best practice

### What Istock offers them

- 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

### Outcomes from engagement

- Board oversight of employee pay and reward philosophy
- Senior leadership gender diversity target supported by the Board

### Priorities for 2024

- Joining up the organisation in service of performance and delivery of results
- Implementing the actions from the employee engagement survey results
- Development and implementation of a Diversity and Inclusion plan



## Our Communities

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



### Why they are important

Our activities can have a lasting impact on the communities in which we operate – we strive to leave a positive legacy.

#### Link to KPIs

- Carbon reduction metric

► Refer to KPIs p20-21

Link to strategic outcomes



### What they tell us matters to them

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

### How we engage at Board level

- The members of the ESG Committee receive a quarterly summary of material issues or points of interest from Istock's community stakeholder champions including the Estates Team, Early Careers, Charity Champions and Factory Managers
- Through MyIstock, significant content is shared by employees on our community work and charitable activities. This system enables the Board to engage with and monitor activity
- As part of its strategy day, the Board did a tour of the Bromley-by-Bow social housing initiative to better understand how Istock could support our communities

### 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
- MyIstock community stories

### Outcomes from engagement

- 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

### Priorities for 2024

- Continued skills development and early careers
- A focus on biodiversity
- Support for local community initiatives and engagement with local schools and colleges



## Government and Regulators

### Government bodies and agencies



#### Why they are important

Understanding and adapting to the changing laws and regulations is essential to ensure that Istock not only remains compliant with requirements but can also benefit from any opportunities that any changes presents.

#### Link to KPIs

- Carbon reduction metric

► [Refer to KPIs p20-21](#)

#### Link to strategic outcomes



#### What they tell us matters to them

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

#### How we engage at Board level

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

#### How we engage across the Company

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

#### What Istock offers them

- Through our involvement with industry bodies and other engagement activities, Istock seeks to support the development and assessment of laws and regulations within the construction sector

#### Outcomes from engagement

- 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

#### Priorities for 2024

- Adherence to new regulations such as the Building Safety Act and the Future Homes hub
- Support to achieve the objectives for the industry as led by the BDA, CPA and Construction Inclusion Coalition
- Construction projects information
- Continued focus on improving diversity within Istock and our industry



## Pension Fund Members and Trustees

### The Trustees and members of the Istock pension schemes



#### Why they are important

As part of our culture of care, we are committed to continue to look after our employees once they have retired.

#### Link to KPIs

- –

► [Refer to KPIs p20-21](#)

#### Link to strategic outcomes

#### What they tell us matters to them

- Pension scheme member interests

#### How we engage at Board level

- Regular reports from the finance team

#### How we engage across the Company

- Direct liaison with Trustees
- Financial oversight

#### What Istock offers them

- Confidence in the long term security of their pension

#### Outcomes from engagement

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

#### Priorities for 2024

- Regular engagement with the Trustees

# Section 172(1) Statement

**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.**

To ensure the Board complies with S.172 of the Companies Act 2006, each Director carefully considered the outcomes of key decisions for Ibstock's stakeholders as part of their duty to act in the way that they consider would most likely promote to the success of the Company. 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.

Examples of matters discussed in the year by the Board and their impact on our stakeholders are included in the tables below and discussed throughout the Strategic Report and Corporate Governance Statement. The tables below identify where in the Annual Report information on the issues, factors and stakeholders the Board has considered in respect of s172(1) can be found.

| s172(1) factor   | Where to find out more  | Page   |
|--|---|--|
| <p><b>(a) the likely consequences of any decisions in the long term;</b><br/> <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 cost and production restructuring work.</p>   | <p><b>Strategic Report</b><br/>                     Chair's Statement</p>   | 08   |
|  | Chief Executive Officer's Review  | 10   |
|  | Our markets   | 12   |
|  | Ibstock Futures Operations Review   | 31   |
|  | Our purpose and business model  | 14   |
|  | Our Strategy  | 16   |
|  | Key performance indicators  | 20   |
|  | Principal risks and uncertainties   | 22   |
|  | <p><b>Governance</b><br/>                     Board Leadership and Company Purpose</p>  | 78   |
|  | <p><b>(b) the interests of the Company's employees;</b><br/> <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 received and considered feedback from the Group's employees through the Listening Post and the employee engagement survey.</p>   | <p><b>Strategic Report</b><br/>                     Our purpose and business model</p> |
| Our Strategy   |   | 16   |
| Responsible Business   |   | 37   |
| <p><b>Governance</b><br/>                     Board Leadership and Company Purpose</p>   |   | 78   |
| ESG Committee Report   |   | 92   |
| <p><b>(c) the need to foster the Company's business relationships with suppliers, customers and others;</b><br/> <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 energy contracts and logistics suppliers during the year.</p>  |   | <p><b>Strategic Report</b><br/>                     Our markets</p>                    |
|  | Our purpose and business model  | 14   |
|  | Our Strategy  | 16   |
|  | Responsible Business  | 37   |
|  | <p><b>Governance</b><br/>                     Board Leadership and Company Purpose</p>  | 78   |
|  | <p><b>(d) the impact of the Company's operations on the community and environment;</b><br/> <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.</p> | <p><b>Strategic Report</b><br/>                     Responsible Business</p>           |
| ESG Committee Report   |   | 92   |
| <p><b>(e) the desirability of the Company maintaining a reputation for high standards of business conduct;</b><br/> <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.</p> |   | <p><b>Strategic Report</b><br/>                     People and culture</p>             |
|  | Responsible business  | 37   |
|  | <p><b>Governance</b><br/>                     Audit Committee Report</p>  | 94   |
|  | Compliance and other statements   | 77   |
| <p><b>(f) the need to act fairly between shareholders and the Company.</b><br/> <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 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.</p>   | <p><b>Strategic Report</b><br/>                     Chair's Statement</p>   | 08   |
|  | Responsible Business  | 37   |
|  | <p><b>Governance</b><br/>                     Board Leadership and Company Purpose</p>  | 78   |
|  | Directors' Report   | 117  |
|  |   |  |

## Principal decisions during 2023

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, sustainable and drive long-term success for the Company.

The main areas of Board activity can be found on page 80. 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 three principal decisions in 2023. 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 Groups              |   |   |
|---------------------------------|---|---|
| <b>Coltman Acquisition</b>      | Employees, Customers, Suppliers, Communities, Investors | <p>In making the decision to acquire the Coltman business, the Board considered the impact of this acquisition on the long-term success of the Group. During this process, it also considered the impact on the Group's colleagues, customers, suppliers and shareholders, as well as the environment and communities.</p> <p>During this decision process, the Board was mindful that the acquisition of Coltman provided an opportunity to consolidate the remote site in Northern Ireland. Relocating production to the North of England, whilst beneficial to the majority of our stakeholders, would have a negative impact on those colleagues based on that site. This was a key point of consideration for the Board.</p> |
| <b>Cost Management Activity</b> | Employees, Customers, Suppliers, Communities, Investors | <p>The Board recognised that due to challenging market conditions, decisive cost management activity was required to ensure the long-term success of the Group, including the closure of some factories. In making this decision, the Board considered how retained and displaced employees are supported through the process, the improvements in the customer and supplier ways of working that will be made, and the impact of the local communities when closing sites.</p> <p>The Board also considered the impact on short-term shareholder returns when making this long-term decision.</p>  |
| <b>Dividend</b>                 | Investors, Pension Fund Members and Trustees            | <p>When declaring a dividend, the Board is mindful of the importance of a dividend as an income stream for many of our shareholders, the financial position of the Company, and the financial strengths and prospects of the business.</p> <p>Upon considering all the above, the Directors decided it was appropriate to pay an interim dividend and recommend a final dividend totalling 3.6 pence per share.</p> <p>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.</p>   |

# Our ESG ambitions

Environment, Social and Governance (ESG) matters are increasingly important for all Ibstock stakeholders

## Highlights in 2023

- £12 million investment at Aldridge factory complete with expected 19% carbon reduction per brick
- Re-engineered SL8 and Gemini tiles provided our lowest embodied carbon roof tiles offering to the market
- Successful pilot project to fire bricks using synthetic gas derived from waste
- Programme of Environmental Product Declaration (EPD) roll out commenced, with a plan to produce these for all products in the near term
- Externally accredited by Best Companies as a 'good company to work for' with official 'ones to watch' status and a 76% employee participation rate
- 300k bricks donated to schools and colleges, supporting skills development in the sector

### Why it is important

During 2023, Ibstock reviewed the alignment of the ESG 2030 Strategy with the UN Sustainable Development Goals (SDGs) to provide greater focus for actions in performing as a responsible business.

▶ **Please see** our Sustainability Report found at [www.ibstock.co.uk](http://www.ibstock.co.uk) for more detail.

The two priority goals that Ibstock can contribute most significantly to are:



SDG 12 Ensure sustainable consumption and production patterns aligns to the Manufacturing Materials for Life pillar



SDG 13 Take urgent action to combat climate change and its impacts aligns to the Addressing Climate Change pillar

Climate change is considered a fundamental risk to the long-term viability of environment and society. 11% of global carbon emissions are attributed to construction products and processes

As an energy intensive manufacturer in this sector, Ibstock has a critical role in taking Climate Action to drive the shift to a low carbon built environment that is designed and manufactured for the long-term success of communities. To achieve this, Ibstock's products, processes and services will evolve, incorporating whole lifecycle design, preserving raw materials and adopting circularity principles, thereby promoting responsible production and consumption.

Ibstock's people are central to making a meaningful contribution to supporting these two global goals and delivering the business strategy. The Improving Lives pillar in the ESG 2030 Strategy is vital to tackle the skills shortage across the construction and manufacturing sectors. Investing in people, culture and communities, with health, safety and wellbeing as the central priority, the business is ensuring the workforce belong, thrive and grow.

We also note that the below SDGs, whilst not our priority goals, continue to be relevant to Ibstock.



**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 and opportunity to the sector



**Affordable and Clean Energy:**

Self generation of renewable energy reduces our carbon impacts and reliance on the national grid



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



**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

## ESG 2030 Strategy

In 2022, we launched Istock's ESG 2030 Strategy and remain committed to this approach.

This strategy provides the framework for actions across the three key areas that Istock needs to focus on – Addressing Climate Change, Improving Lives and Manufacturing Materials for Life. Each pillar provides a set of ambitions and KPIs against the nine priority material issues for the business and its stakeholders. Underpinning these actions is the commitment to doing business responsibly through corporate governance.



### Addressing Climate Change

|  |  |   |
|--|--|---|
| <p><b>Carbon reduction (Scope 1 and 2)</b></p> <p><b>37%</b></p> <p>2022: 20%</p> <p>% absolute carbon reduction tonnes CO<sub>2</sub> (relative to 2019 baseline)</p> <p><b>Target:</b> 40% by 2030; Net Zero by 2040</p> | <p><b>Water</b></p> <p><b>+8%</b></p> <p>2022: 31%</p> <p>% reduction in mains water use per tonne of production (relative to 2019 baseline)</p> <p><b>Target:</b> 25% by 2030</p> | <p><b>Biodiversity</b></p> <p><b>N/A</b></p> <p>2022: N/A</p> <p>Biodiversity Net Gain</p> <p><b>Target:</b> Net Gain by 2030</p> |
|--|--|---|

### Improving Lives

|   |  |  |
|---|--|--|
| <p><b>Health and safety</b></p> <p><b>60%</b></p> <p>2022: 61%</p> <p>% reduction in lost time injury frequency rate (LTIFR) (relative to 2016 baseline)</p> <p><b>Target:</b> 50% achieved in 2023</p> | <p><b>Earn and Learn positions</b></p> <p><b>6.9%</b></p> <p>2022: 7.5%</p> <p>% of colleagues in Earn and Learn positions</p> <p><b>Target:</b> 10% by 2030</p> | <p><b>Women in senior leadership</b></p> <p><b>35%</b></p> <p>2022: 27%</p> <p>% of women in senior leadership</p> <p><b>Target:</b> 40% by 2027</p> |
|---|--|--|

### Manufacturing Materials for Life

|   |   |  |
|---|---|--|
| <p><b>Product innovation</b></p> <p><b>11%</b></p> <p>2022: 13%</p> <p>% sales turnover from new sustainable products and solutions</p> <p><b>Target:</b> 20% by 2030</p> | <p><b>Waste</b></p> <p><b>5%</b></p> <p>2022: 10%</p> <p>% general waste to landfill</p> <p><b>Target:</b> Zero by 2025</p> | <p><b>Plastic packaging</b></p> <p><b>25%</b></p> <p>2022: 16%</p> <p>% reduction in preventable plastic packaging per tonne of production (relative to 2019 baseline)</p> <p><b>Target:</b> 40% by 2025</p> |
|---|---|--|

# Addressing Climate Change

As the largest brick manufacturer in the UK, we have an opportunity, as well as a responsibility, to reshape our future to one that's more sustainable and fairer. Carbon reduction, water management and improved biodiversity are all key to our strategy to address climate change.



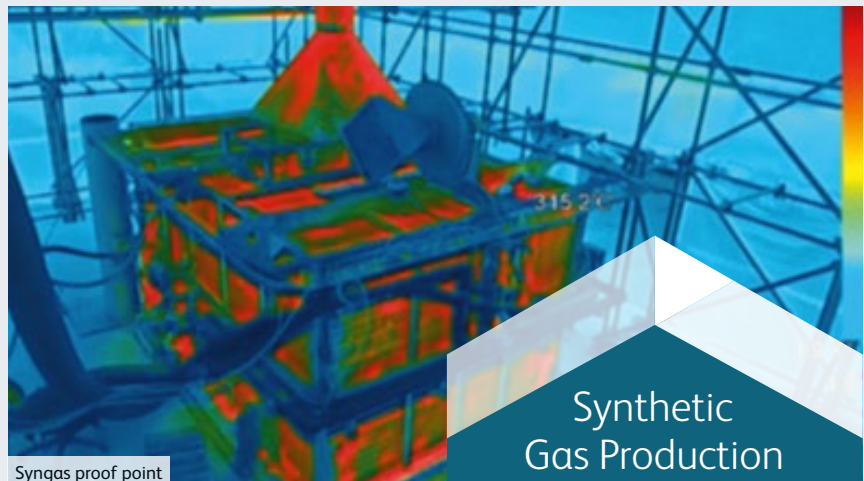
## Carbon reduction

We continue to act at all levels of the business to deliver our ambitious target of a 40% reduction in carbon by 2030.

It is pleasing to see a 37% reduction in our absolute Scope 1 and 2 carbon emissions against our 2019 baseline, and whilst a large proportion of this reduction links to lower production volumes during 2023, a number of operational efficiency and dematerialisation projects have contributed to this reduction.

The carbon intensity metric for 2023 was 0.151 tonnes of carbon per tonne of production, an increase on 2022 due to the estate running at a lower efficiency as the market slowed. We expect continued incremental improvements in carbon reduction in 2024 while focus remains on the longer term transformation projects, including alternatives to natural gas and process emissions reduction. Operational efficiencies for energy and carbon will benefit when the market returns as factories will operate at improved efficiency as they return to full capacity.

**37%**  
Decrease in absolute carbon relative to 2019 baseline



Syngas proof point

In 2023, the business continued to deliver against the Scope 3 carbon reduction strategy by:

- increasing the granularity of our Scope 3 carbon reporting, resulting in an increase in the business Scope 3 figure working with Emitwise (see page 54 for Scope 3 carbon figure)
- delivering our third supplier engagement day focusing on new low carbon solutions with over 50 key supply chain contacts
- working in partnership on low carbon materials and innovation with particular focus on cement reduction in our product range
- advocating for a lower carbon built environment in the supply chain through our partnerships with the Supply Chain Sustainability School, Future Homes Hub and UK Green Building Council

## Synthetic Gas Production

Research and development into synthetic gas (syngas) production, as an alternative to natural gas, continued in 2023.

We fired and tested further product successfully using 100% synthetic gas. This waste to energy project has potential in terms of decarbonisation and net impact. The advanced thermal conversion technology for syngas is pyrolysis, which is a clean and efficient process for this feedstock. The carbon saving from creating and utilising fuel gas from waste material in this way should provide a net reduction when compared to the current natural gas position. This presents a medium-term solution as technologies develop and we move towards our net zero targets.

We are now evaluating the feasibility of such an operation being installed into one of our factories.



## Carbon Transition Plan

We have developed our Carbon Transition Plan to set out our steps to achieve a 40% reduction in our Scope 1 and 2 carbon by 2030, against a 2019 baseline, whilst also supporting our Company’s mid-term financial targets.

As an energy intensive manufacturer, we know that achieving our carbon targets is complex and we are still developing some of the solutions required. However, Ibstock remains committed to and motivated by these targets, as we seek to evolve our business and seize the opportunities that this plan offers.

### As part of our plans to reduce our absolute Scope 1 and 2 carbon emissions by 2030, we will:

- cut emissions across our factories through careful investment in technology that supports and improves the efficiencies of our dryers, kilns and curing;
- continue to source renewable electricity across the Ibstock Group;
- increase the use of recycled content within our products;

- reduce the size and weight of our products including manufacturing ‘thin bricks’ and brick slips;
- focus our investment in new product development on producing lower carbon offerings;
- create strategic partnerships with suppliers to support the development of alternative fuels such as hydrogen and/or synthetic gas as a low carbon replacement for natural gas; and
- work with our customers to be a vital and strategic partner supporting their own carbon transition plans.

We recognise that our carbon reduction journey may not always be linear and that investments may take some time and effort to fully embed within our manufacturing processes. We are also mindful of our customers’ requirements and their appetite to change. That said, Ibstock is committed to continue to invest in creating a more sustainable company for our future.

### Risk

We recognise that there are some key risks to our Carbon Transition Plan including the failure of technology or Ibstock’s ability to implement key projects, the careful alignment and prioritisation of financial and environmental targets, and the appetite of our customers to adopt new lower carbon products.

### Governance

We have a clear and well organised governance framework to develop and implement the changes necessary within Ibstock. More detail on this is shown on page 60.

### Metrics

To measure and monitor progress, we will continue to externally report on absolute carbon and carbon intensity measures.

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



# 0.151

Tonnes of carbon per tonne of production

# Responsible Business continued

## Water efficiency

Following a review on how we measure and report total water use, in 2023 we have removed the water discharged from our quarries from this measure as it is not related to our water consumption. As a result our 2023 total water use is reported to be significantly lower and year-on-year comparisons are not relevant.

For mains water consumption we report an 8% increase in 2023 in m<sup>3</sup> of mains water per tonne of production relative to the 2019 baseline. Further improvements in accuracy of our mains water reporting is a partial contributor to the increased mains water consumption alongside one clay site being unable to use their quarry water for the year, significantly increasing their reliance on mains water in 2023.

# 8%

increase in mains water use per tonne of production (relative to 2019 baseline)

## Biodiversity

The business has for many years been managing land responsibly, as a principle, of our operations, as a neighbour and custodian of land. Biodiversity is a key priority in our estate management plans and all quarrying operations are covered by planning consents which include conditions for site restoration.

To support the business achieving the 2030 biodiversity commitment, a Biodiversity Management System was developed in 2023 to objectively score the biodiversity value of any given site, enabling tracking of long-term trends, recording the presence of protected and notable species and identifying enhancement opportunities. The Management System has been piloted across Ibstock's Leicester site and will be rolled out in 2024, with full Company completion expected in early 2025.

# 3,200

Bluebells planted in 2023



Rainwater tank at Bootle

### Rainwater harvesting

A new rainwater harvesting system was installed at Ibstock's concrete factory in Bootle provided 204m<sup>3</sup> mains water for the site from April to December 2023. Rainwater is collected from the factory roof into the harvested tank, then transferred into the process, taking priority over the mains feed. The newly installed system directly reduces the mains water consumption and is an example of our sites implementing their water reduction plans.



Colleagues at Leicester site tree planting

### Bluebell and tree planting

In 2023, we undertook significant planting activity, engaging Ibstock colleagues, as part of our estate enhancement activity. In total over 3,200 bluebells and 350 trees were planted, including our commemorative King Charles III Coronation tree plantation of oak and maple at Ibstock headquarters in Leicestershire, set into the woodland planted in 2016 when over 17,000 trees were set.

# Awards

Throughout the year, Ibstock has been externally recognised by winning many awards, as detailed below.



## East Midlands Business Leadership Awards, Green Leader and being named in the Top 100 Green Leaders in UK Manufacturing

Winner: Joe Hudson, CEO, for leading Ibstock's decarbonisation journey with ambitious targets backed by culture change and investment in transformation.



## British Ceramics Confederation Net Zero Leader Award

Winner: Darren Bowkett, for his leadership over 30 years in the industry in decarbonisation technology.



## Make UK Apprentice Endeavour Award 2023, Midlands Region

Winner: Isabella Walsh, Manufacturing Management Apprentice, for her commitment to taking action on inclusion and diversity and mental wellbeing at our Ibstock Northwich factory.



## Siemens Mobility Awards – Sustainable Supplier Award

Winner: Ibstock's innovative, sustainable solution for Rail and Infrastructure Signal Base structures for their low carbon concrete mix design 'off-site' enabling consistency of product, savings on resource and materials and less time needing to be spent by trackside installation teams.



Safety Pledge Awards from British Ceramic Confederation – October 2023

## Health and Safety Pledge Awards 2023 – Award for Excellence

Winner: Ibstock Plc for outstanding contribution to health and safety across the industry.

## Health and Safety Pledge Awards 2023 – Emerging Talent Award

Winner: Edward Slingsby, SHE Co-ordinator at Eclipse.



# Manufacturing Materials for Life

The inherent sustainability attributes of Istock's clay and concrete products are essential in supplying our customers with the right materials and solutions for a low carbon built environment.



## Istock product attributes are:

- **Resilience**  
a long product lifecycle, durable, weather proof and fire resistant
- **Efficiency**  
versatile, produced at scale with a high thermal performance
- **Circularity**  
reusable and recyclable at end of life

Building on these attributes, we are committed to manufacturing materials for life by both evolving our products and bringing new products to market with lower embodied carbon, preserving raw materials and providing product data transparency to promote informed and responsible consumption.

## Product innovation

New product development has dropped slightly in 2023, with 11% of revenue coming from new and sustainable products compared to 13% in 2022. Commissioning of the Atlas factory in late 2023 and rapid research and development in the Concrete Division shows a strong pipeline to achieve our 20% target by 2025. A number of new products were successfully offered to the market with stronger sustainability credentials, including roof tile ranges, fence posts and utility troughs and copers.

In response to customer needs, in 2023 Istock invested in resource and software to develop EPDs, providing the embodied carbon of products based on a full lifecycle analysis. In addition to our existing Telling GRC EPD, Istock now has verified data across a range of concrete and clay products to be published in early 2024. Further EPDs will be released through the year, enabling our customers and the business to make more accurate and informed decisions on material choice and processes.



Our SL8 roof tiles

### SL8 roof tiles

Istock's new improved SL8 roof tile is a large format tile with the visual aesthetics of a slate tile. Carbon reduction has been achieved through a new tile mix design used in conjunction with lower carbon cement to provide a strong and durable, lower carbon product. The large format design also provides roof coverage using less materials and is a lighter load for transportation.

“SL8 is a great product to work with. Its larger size tile means you don't have to transport as many to site and, with fewer tiles needed to cover the surface area of a roof, it helps to save time and money.”

**Russel Whitney**  
Roof Plus

## Dematerialisation

Reduction in material use presents a key opportunity for our customers as they seek to reduce the embodied carbon of their developments (homes and infrastructure). Ibstock is focusing on reducing the pressure on virgin resources, including our own reserves, by focusing on plastic reduction and secondary materials such as aggregates and cementitious replacements.

In the year under review, we achieved 25% 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.



Product from our fencing range

### Pro fencing range

In 2023, we launched a new Strongcast Professional Range concrete fence post, engineered to offer customers a superior and more sustainable fencing solution.

Ongoing investment in our new product development programme has been carried out alongside the upgrading of our manufacturing capabilities across many areas including concrete mixing technology. This, along with the redesign of the posts to reduce virgin material, results in the fence posts and gravel boards boasting up to 35% reduction in embodied carbon compared to the Strongcast Original Range. Whilst the Pro Range posts are of lightweight construction, the reduced section size and use of a super steel reinforcement cage means they retain the strength and longevity to withstand wind and weather and provide easier manual handling for installers.

# 25%

Reduction in preventable plastic packaging since 2019

## Circularity

Ibstock products are inherently reusable or recyclable at the end of their life, meaning they can already contribute to the circular economy. The business are working on those areas in their direct control – general and process waste reduction. Our research and development teams are focused on reduction of raw materials in our products and prioritising secondary and recycled content.

The business is on track to achieve our zero waste to landfill target by 2025, with only 5% of our general waste being sent to landfill in 2023.



Research and development into product design

# Improving Lives

Ibstock's people are key to the successful delivery of the business strategy and ESG 2030 commitments. Engaging with our colleagues and our communities is crucial to ensuring the business can support their needs and thrive.



## Health, Safety and Wellbeing

Safety is our number one priority. Details of our safety performance and activity are on page 17 and include Safe Start meetings at the start of each year.

Ibstock has increased the priority placed on health and wellbeing over the last few years. This trend continued in 2023, with the number of queries to the Employee Assistance Programme increasing to 7% of our employees accessing this service in 2023 from 5% in 2022. During 2023, we became a sponsor of the Lighthouse Charity, an organisation providing financial and emotional support to the construction community and their families. This further demonstrates Ibstock's commitments to not only look after our own employees, but also improve the wellbeing of all the construction community.

Following the launch of our mental health programme in 2022, we rolled out our Compassionate Conversations training for all senior leaders and people managers across Ibstock. In conjunction with the Lighthouse Charity, we also invested in Mental Health Allies training for 30 colleagues, delivered alongside Mental Health First Aid.

We continue to listen to our colleagues and take action on areas that they tell us are important to improving their health, safety, wellbeing and comfort at work. One example of this is the trial of hot weather Personal Protective Equipment (PPE) as part of our climate adaptation measures.

## Employee engagement

The business measures employee engagement through the externally accredited Best Companies survey. In 2023, 76% participation and improvements across all areas resulted in the business achieving a 'good company to work for' with official 'ones to watch' status.

Improved internal communication and visible leadership has been the foundation of developing Ibstock's employee experience. The framework of communications in place connects everyone across the Group, underpinned by our MyIbstock intranet site available on desktop and mobile app, this enables knowledge sharing, business updates and facilitates feedback.

- The Week – weekly vlog from a member of the Executive Leadership Team
- Ibstock Informed – monthly 'all colleague' forum with open Q&A
- Tier meetings – four levels of meetings at every factory site, from daily to quarterly, to cascade information and gather feedback
- Listening Post – colleague representatives discussing issues openly with the Executive Leadership Team and Board members in attendance



## Employee experience

At the 2023 year end female senior leadership representation stood at 35%. This is an improvement of 7% from last year and demonstrates the results from the diversity and inclusion work that we are doing throughout the year. The business is on track to meet the ambition of 40% female representation at senior leadership level by 2027. See page 91 for further information on diversity and inclusion.

Ibstock was one of ten founding members of the Construction Inclusion Coalition (CIC) launched in 2023. Responding to polling, which showed '46% of respondents said they'd be more likely to actively seek out employment opportunities in the construction industry if it demonstrated a stronger commitment to diversity and inclusion', Ibstock and the founding partners committed to the Built On Better Pledge to tackle equity, diversity and inclusion in the construction sector.

## Giving back

Colleagues across the business are supported to fundraise for charities and local causes that they are passionate about. The business implements a matched funding process that supports individuals and teams in colleague led events such as a Charity Football Tournament for the Lighthouse Charity and Macmillan Coffee Mornings. Our employees tell us that they value the opportunity and support that Ibstock provides.

## Inspiring futures

Ibstock is committed to providing development and growth for all colleagues, and to attracting new talent to the business. As members of the '5% Club', an employer-led initiative dedicated to addressing employee skills shortages, Ibstock had 7% of employees in Earn and Learn roles during 2023.

The Ibstock apprenticeship programme continues to be a driving force behind skills succession planning, with 51 apprentices on active programmes in 2023. 100% of those completing their course are offered a permanent role in the business and 76% remaining with the business 3 years after course completion.

Ibstock sites have continued to build relationships with local schools and colleges to help inspire future generations into the construction sector. Activities in 2023 have included site visits to factories, careers talks and product donations of over 300,000 bricks.

# 300,000

bricks donated to schools and colleges to support learning

## Apprentice Endeavour Award

Isabella Walsh, Manufacturing Management Trainee at Ibstock's Northwich factory, was awarded the Apprentice Endeavour Award by Make UK at the Midlands region awards.

Izzy is one of Ibstock's Concrete Manufacturing Management Trainee Apprentices at our Northwich factory, making a range of pre-cast concrete products for the infrastructure and housing market. Izzy received the Endeavour Award for bringing her passion for supporting others with Autism and ADHD to find their place in the workplace and feel supported to thrive in a career in manufacturing. Izzy has taken every opportunity presented to her, speaking to over 400 young people at careers events and sharing her experience of the challenges facing those with Autism and ADHD with Ibstock colleagues, including members of the Board through the Ibstock Listening Post. Izzy became one of Ibstock's Mental Health Allies in 2023 and is an inspiration to the local team.



Isabella Walsh, winner of Apprentice Endeavour Award by Make UK

# ESG data and reporting

## Streamlined Energy and Carbon Reporting (SECR) disclosure

|   | 2019      | 2020    | 2021      | 2022      | 2023           |
|---|-----------|---------|-----------|-----------|----------------|
| Scope 1 Tonnes of CO <sub>2</sub> e combustion of fuel and operation of facilities  | 349,200   | 223,229 | 299,698   | 303,173   | <b>237,032</b> |
| Gas MWh used per annum  | 1,230,000 | 780,000 | 1,050,000 | 1,080,000 | <b>804,915</b> |
| Scope 2 Tonnes of CO <sub>2</sub> e location based                                  | 28,429    | 16,429  | 19,912    | 17,514    | <b>14,799</b>  |
| Scope 2 Tonnes of CO <sub>2</sub> e market based                                    | 28,429    | 16,429  | –         | –         | <b>787</b>     |
| Electricity MWh used per annum  | 110,507   | 70,763  | 93,779    | 87,439    | <b>71,623</b>  |
| Solar generated electricity MWh used per annum <sup>1</sup>                         | –         | 2       | 2,480     | 4,160     | <b>4,019</b>   |
| Intensity Ratio Tonnes of CO <sub>2</sub> e per tonne of production                 | 0.159     | 0.160   | 0.141     | 0.145     | <b>0.151</b>   |
| Reduction in Scope 1 and 2 CO <sub>2</sub> e relative to 2019 baseline <sup>2</sup> | N/A       | N/A     | N/A       | 20%       | <b>37%</b>     |
| Scope 3 Tonnes of CO <sub>2</sub> <sup>3</sup>                                      | N/A       | N/A     | N/A       | 157,950   | <b>107,915</b> |

1 Measurements for solar generated electricity MWh used per annum started in 2020.

2 Scope 1 and 2 reduction in 2022 has been restated as it excluded Scope 2. 2022 figure was reported as 13%.

3 Scope 3 emissions in 2022 has been restated using more granular data. 2022 figure was reported as 103,000.

Market based Scope 2 emissions are used to calculate the carbon intensity ratio. Ibstock using a small amount of gas, equating to 787 tonnes CO<sub>2</sub> from landfill gas produced at one of our sites. The rest of our electricity is procured from the grid through a green tariff.

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. All emissions and energy are consumed in the UK.

Our ESG data and reporting does not include the recent acquisition of Coltman. This data will be captured and included during 2024.

## Group Scope 3 emissions categories reported

| GHG Protocol Scope 3 emissions category               | Included or excluded  | GHG Protocol Scope 3 emissions category              | Included or excluded   |
|---|---|--|--|
| Category 1 – Purchased goods and services             | Included (spend-based method)   | Category 10 – Processing of sold products            | Excluded: Ibstock’s products are not processed further before use by end customers.  |
| Category 2 – Capital goods                            | Included (spend-based method)   | Category 11 – Use of sold products                   | Excluded: Ibstock’s products do not lead to significant direct GHG emissions during their use by end customers. Further, attributing building energy usage to Ibstock’s products presents a significant data challenge and would likely be immaterial. |
| Category 3 – Fuel- and energy-related activities      | Included (average data method)  | Category 12 – End-of-life treatment of sold products | Included (average data method)   |
| Category 4 – Upstream transportation and distribution | Included (spend-based method)   | Category 13 – Downstream leased assets               | Excluded: Ibstock does not lease any assets to third parties.  |
| Category 5 – Waste generated in operations            | Included (average data method)  | Category 14 – Franchises                             | Excluded: Ibstock does not have any business franchises.   |
| Category 6 – Business travel                          | Included (hybrid approach)  | Category 15 – Investments                            | Excluded: Ibstock does not hold any significant investments in other companies or assets beyond those included in this inventory.  |
| Category 7 – Employee commuting                       | Included (average data method; modelled)  |  |  |
| Category 8 – Upstream leased assets                   | Excluded: Operation of Ibstock’s leased fleet and buildings are included in Scope 1 and 2 |  |  |
| Category 9 – Downstream transport and distribution    | Included (average data method)  |  |  |



# Our ESG performance

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

| Topic                              | Metric   | 2019    | 2020      | 2021      | 2022     | 2023           |
|------------------------------------|--|---------|-----------|-----------|----------|----------------|
| <b>Carbon Emissions and Energy</b> |  |         |           |           |          |                |
| Scope 1 emissions                  | Tonnes of CO <sub>2</sub> e combustion of fuel and operation of facilities   | 349,200 | 223,229   | 299,698   | 303,173  | <b>237,032</b> |
| Scope 2 emissions                  | Tonnes of CO <sub>2</sub> e electricity  | 28,429  | 16,429    | –         | –        | <b>787</b>     |
| Scope 2 (location based)           | Tonnes of CO <sub>2</sub> e from electricity consumed if our power was purchased from the grid applying averaged emissions | 28,429  | 16,429    | 19,912    | 17,514   | <b>14,799</b>  |
| Scope 2 (market based)             | Tonnes of CO <sub>2</sub> e electricity consumed purchased from renewable sources (this our reported Scope 2 total)        | 28,429  | 16,429    | –         | –        | <b>787</b>     |
| Scope 3 emissions                  | Tonnes of CO <sub>2</sub>  | N/A     | N/A       | N/A       | 157,950  | <b>107,915</b> |
| Company cars                       | Low emission cars as a % of the total fleet  | N/A     | N/A       | 45%       | 55%      | <b>74%</b>     |
| Company vehicles                   | Low emission vehicles as % of the total mobile plant fleet   | N/A     | N/A       | N/A       | N/A      | <b>11%</b>     |
| <b>Water</b>                       |  |         |           |           |          |                |
| Water Intensity ratio              | M <sup>3</sup> mains water use per tonne of production   | 0.105   | 0.110     | 0.092     | 0.072    | <b>0.113</b>   |
| Mains water                        | M <sup>3</sup> mains water use per annum   | 249,854 | 165,983   | 197,883   | 127,544  | <b>179,013</b> |
| Non-Mains water                    | M <sup>3</sup> non-mains water use per annum   | –       | –         | –         | –        | <b>65,531</b>  |
| Total water                        | M <sup>3</sup> total water use per annum   | 963,387 | 1,000,815 | 1,160,443 | 779,935  | <b>244,544</b> |
| <b>Waste</b>                       |  |         |           |           |          |                |
| Waste sent off-site                | Tonnes of waste sent off-site  | 6,570   | 5,801     | 3,490     | 5,945    | <b>6,524</b>   |
| Waste sent to landfill             | Tonnes of waste sent to landfill   | 1,879   | 1,888     | 278       | 143      | <b>105</b>     |
| Waste diverted from landfill       | Tonnes of waste diverted from landfill   | 3,565   | 3,709     | 3,034     | 5,605    | <b>6,370</b>   |
| Hazardous waste sent to landfill   | Tonnes of hazardous waste sent to landfill   | 1,126   | 204       | 178       | 48       | <b>50</b>      |
| Waste Intensity ratio              | Tonnes of waste sent to landfill per tonne of production   | 0.001   | 0.001     | 0.0002    | 0.0001   | <b>0.0001</b>  |
| <b>Plastic</b>                     |  |         |           |           |          |                |
| Plastic Packaging                  | Total tonnes of plastic packaging  | 1,887   | 998       | 1,476     | 1,447    | <b>1,492</b>   |
| Intensity ratio                    | Kg of preventable plastic per tonne of production  | 0.82    | 0.69      | 0.72      | 0.69     | <b>0.61</b>    |
| <b>Customer</b>                    |  |         |           |           |          |                |
| New & sustainable products         | % of sales turnover from new and sustainable products  | 11.5%   | 11.7%     | 13.0%     | 13.0%    | <b>10.8%</b>   |
| Net Promoter Score                 | % of customers likely to recommend Ibstock   | 34%     | 39%       | 33%       | 45%      | <b>32%</b>     |
| <b>Social</b>                      |  |         |           |           |          |                |
| Health and safety – LTIFR          | Number of work-related accidents per million of hours worked   | 3.4     | 2.2       | 2.1       | 1.47     | <b>1.51</b>    |
| Employee deaths                    | Number of work-related employee deaths   | 0       | 0         | 0         | 0        | <b>0</b>       |
| Contractor deaths                  | Number of work-related contractor deaths   | 0       | 0         | 0         | 0        | <b>0</b>       |
| Earn and Learn positions           | % of employees in formal earn and learn training   | N/A     | N/A       | N/A       | 7.5%     | <b>6.9%</b>    |
| Apprentices                        | Number of apprentices  | –       | 35        | 38        | 47       | <b>51</b>      |
| Employee population                | Number of employees  | 2,350   | 2,064     | 2,119     | 2,293    | <b>1,943</b>   |
| Employee diversity – Gender        | % of all employees that are female   | N/A     | 15.7%     | 15.0%     | 16.0%    | <b>16.7%</b>   |
| Board diversity – Gender           | % of the board that are female   | N/A     | 28.5%     | 37.5%     | 37.5%    | <b>37.5%</b>   |
| Senior leader diversity – Gender   | % of senior leaders that are female  | N/A     | 18.5%     | 19.0%     | 27.0%    | <b>35%</b>     |
| Employee engagement                | Best companies score %   | N/A     | N/A       | 61.2%     | N/A      | <b>65%</b>     |
| Charitable contributions           | Bricks donated to colleges/charities   | N/A     | N/A       | 83,094    | >140,000 | <b>300,000</b> |

In 2023, we have refined our non-mains water use per annum metric to exclude any quantities of non-mains water transferred and not directly used by Ibstock. Therefore, previous year's figures for this metric and total water use are not directly comparable.

# Managing climate-related risk

In line with the Task Force on Climate-Related Financial Disclosures (TCFD), our assessment and mitigation of climate-related risk is integrated into our Group risk management programme, which underpins our robust, risk-based approach to the physical and transitional risks associated with climate change.



BeeHabitat Brick

## TCFD highlights

To provide a meaningful understanding, we have considered two contrasting climate scenarios in our analysis

Scenarios considered:

**IPCC RCP2.6**  
**Below 2°C**

Limits global warming to below 2 degrees

**RPPC RCP8.5**  
**>4.3°C**

High emission scenario where warming may exceed 4 degrees

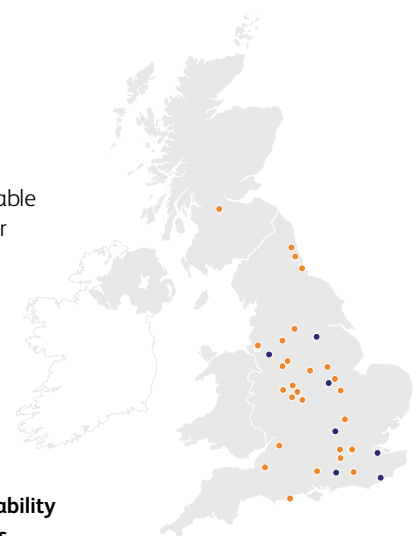
Timescales considered:

| 2023 to 2030 | 2031 to 2040 | 2041 to 2050 |
|--------------|--------------|--------------|
| Short term   | Medium term  | Long term    |

### Climate risk sites

As a new metrics for 2023, we have assessed each site's vulnerability to physical climate change risks. The vulnerability assessment has considered river flood and surface water flood risk.

We have concluded that, without mitigation, there are 7 sites vulnerable to physical climate change risk over the medium term.



Key:

- Sites with no significant vulnerability
- Sites vulnerable to physical risks

► [Read more page 62](#)



## How we have listened

Ibstock has a long-standing commitment to manage our business responsibly.

We published our ESG 2030 Strategy in 2022 which focuses on three strategic pillars:

1. Addressing Climate Change
2. Improving Lives
3. Manufacturing Material for Life

We have an ambitious target to reduce our Scope 1 and 2 carbon emissions by 40% by 2030 against a 2019 baseline.

This is our third year reporting on TCFD

### How we have acted upon FRC recommendations

Based on our 2022 disclosures, the FRC recommended that we include more granular, company specific information on how climate-related issues have affected our financial planning, and detail whether metrics performance is progressing in line with expectations. This report addresses both of these recommendations.

► [Read more about our ESG Strategy](#) on pages 44 and 45

## TCFD content

These climate-related financial disclosures comply with the TCFD recommendations as required by the FCA Listing Rule 9.8.6R (8) and the requirements of the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

### Governance

Our governance structure on climate-related risks and opportunities.

- Our Board's oversight – page 59
- The role Management takes – page 59

► [Read more p59](#)

### Strategy

The actual and potential impacts of climate-related risks and opportunities on the business, strategy and financial planning.

- Our short-, medium-, and long-term climate-related risks and opportunities – page 61
- The impact of climate-related risks and opportunities on Ibstock – page 62
- The resilience of Ibstock's strategy to different climate-related scenarios – page 64

► [Read more p61](#)

### Risk management

How we identify, assess and manage climate-related risks.

- How we identify and assess climate-related risks – page 67
- How we manage climate-related risks – page 67
- How climate-related risks are integrated into our overall risk management – page 67

► [Read more p62](#)

### Metrics and targets

The metrics and targets we use to assess and manage relevant climate-related risks and opportunities

- The climate-related risks and opportunities metrics we used – page 68
- Our greenhouse gas (GHG) emissions and the related risks – page 69
- Our climate-related risks and opportunities targets and performance – page 69

► [Read more p68](#)

# Alignment to TCFD requirements Climate-related Risks

The climate-related financial disclosures made by Istock Plc comply with the TCFD recommendations as required by the FCA Listing Rule 9.8.6R (8); and the requirements of the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

Istock disclosures are fully consistent with all 11 of the TCFD disclosure recommendations.

|  |  |
|--|--|
| <b>Governance</b>  |  |
| Disclose the organisation's governance around climate-related risks and opportunities.   |  |
| ▶ Pages 59 to 61   | <ul style="list-style-type: none"> <li>a. Describe the Board's oversight of climate-related risks and opportunities.</li> <li>b. Describe management's role in assessing and managing climate-related risks and opportunities.</li> </ul>  |
| <b>Strategy</b>  |  |
| Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material. |  |
| ▶ Page 61  | <ul style="list-style-type: none"> <li>a. Describe the climate-related risks and opportunities the organisation has identified over the short-, medium- and long-term.</li> <li>b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.</li> <li>c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</li> </ul> |
| <b>Risk management</b>   |  |
| Disclose how the organisation identifies, assesses and manages climate-related risks.  |  |
| ▶ Pages 62 to 67   | <ul style="list-style-type: none"> <li>a. Describe the organisation's processes for identifying and assessing climate-related risks.</li> <li>b. Describe the organisation's processes for managing climate-related risks.</li> <li>c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.</li> </ul>   |
| <b>Metrics and targets</b>   |  |
| Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities, where such information is material.   |  |
| ▶ Pages 68 to 69   | <ul style="list-style-type: none"> <li>a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.</li> <li>b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risks.</li> <li>c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.</li> </ul>                                       |



Board members visiting Power Park

**Ibstock has a long-standing commitment to doing business responsibly and climate impact is a key part of the Board's strategy discussions.**

Building on this commitment, we published our ESG 2030 Strategy in 2022. This focuses on three strategic pillars

- Addressing Climate Change, Improving Lives and Manufacturing Material For Life. The strategy includes an ambitious target to reduce our Scope 1 and 2 carbon emissions by 40% by 2030 against a 2019 baseline.

The ESG 2030 Strategy was reviewed during 2023 and the Board consider that the ambitions set in this document remain our short-term priorities for managing climate-related risk.

## Governance

### Our Board has ultimate oversight of climate-related risks and opportunities

This page shows the full governance structure showing how the consideration of climate-related issues is integrated within governance processes.

The Board delegates specific climate-related matters to its Committees and Executive Leadership Team (ELT).

| Board Committees and climate change responsibilities  |   |  |
|---|---|--|
| Responsibilities related to climate change  | Examples  | Skills and competencies  |
| <p><b>Board</b> Met eight times in 2023</p> <p>The Board has ultimate oversight for the long-term strategy, including oversight of climate change related risks and opportunities and the setting of performance objectives</p> <ul style="list-style-type: none"> <li>• Considering climate-related issues as a fundamental part when planning Group strategy, approving annual budgets and business plans, making acquisition and divestiture decisions, and overseeing capital expenditure</li> <li>• Considering climate-related issues as part of the discussions on risk management and our principal risks and uncertainties</li> <li>• Overseeing progress against our ESG ambitions, which align to our risk mitigation plans to address climate-related issues</li> </ul> | <p>▶ <b>Role and responsibilities p83</b></p> <p>When setting the 2024 budget and strategic plan, the Board considered the requirements and sensitivities for mitigating transitional and physical climate change risks</p> <p>Climate and carbon impact is considered as part of all the Board's decision-making</p>                               | <p>As per the skills matrix shown on page 88, the Board has sufficient skills and competencies in strategy, ESG and financial planning</p>   |
| <p><b>ESG Committee</b> Met four times in 2023</p> <ul style="list-style-type: none"> <li>• Overseeing, challenging and monitoring the ESG 2030 Strategy implementation</li> <li>• Reviewing performance against KPIs and targets, including carbon reduction</li> <li>• Overseeing and monitoring of risks and opportunities associated with climate change</li> <li>• Informing the Board on mechanisms to engage wider stakeholders with regard to ESG</li> </ul> <p>Members of the ESG Committee inform all other Committees about climate-related issues as key topics are identified or discussed.</p>  | <p>▶ <b>Role and responsibilities p92</b></p> <p>At each meeting, the ESG Committee considers the horizon scanning report produced by RSM UK Consulting LLP (RSM), including emerging climate transition risks</p> <p>The Committee monitored and scrutinised the development of the carbon reduction plan and improvements in ESG data quality</p> | <p>Chaired by Claire Hawkins, who has extensive experience in sustainability and ESG</p> <p>RSM provides expert technical advice to the Committee</p> <p>Training for the ESG Committee delivered by RSM, including biodiversity and nature related training</p> |
| <p><b>Audit Committee</b> Met four times in 2023</p> <ul style="list-style-type: none"> <li>• Reviews and makes recommendations on risk management and controls to the Board</li> <li>• Oversees the internal controls including carbon, and financial statement review of disclosures</li> </ul>   | <p>▶ <b>Role and responsibilities p94</b></p> <p>The Audit Committee received a detailed update on the carbon credits process and controls, as well as a carbon market update</p> <p>Consideration of climate impact on accounting judgements and disclosures, e.g. impairment</p>  | <p>The Audit Committee has sufficient skills and competencies in audit, controls and strategy. Skill Matrix on Page 88</p>   |
| <p><b>Remuneration Committee</b> Met six times in 2023</p> <ul style="list-style-type: none"> <li>• Aligns LTIP performance to ESG key performance indicators (KPIs)</li> </ul>   | <p>▶ <b>Role and responsibilities p99</b></p> <p>In setting the 2024 LTIP performance targets, the Remuneration Committee considers the alignment to the ESG 2030 Strategy</p>  | <p>The Remuneration Committee has sufficient skills and competencies in executive remuneration and ESG. Skill Matrix on Page 88.</p>   |
| <p><b>Executive Leadership Team (ELT)</b> Met ten times in 2023</p> <ul style="list-style-type: none"> <li>• Implements and delivers the ESG 2030 Strategy</li> </ul>   | <p>▶ <b>Role and responsibilities of the ELT p83</b></p> <p>During day to day strategic and operational decisions, the ELT considers the alignment to the ESG 2030 Strategy</p>   | <p>The ELT has sufficient strategic, operational and management experience to implement and execute the carbon reduction plan</p>  |

# Task Force on Climate-Related Financial Disclosures (TCFD) continued

We have included a focus on our Carbon Transition Plan throughout the TCFD report.

## Governance of the Carbon Transition Plan

Our Carbon Transition Plan is detailed on page 47.

The ESG Committee monitors and oversees the progress against the goals and targets for addressing climate-related issues at each meeting by reviewing the ESG KPIs which include carbon reduction, and progress against the milestones set in the ESG 2030 Strategy. The ESG Committee considers, challenges and recommends changes to the Carbon Transition Plan to the Board for its approval.

The Board has oversight of the execution of the Carbon Transition Plan, including approval of the plan and climate-related targets.

## Management assess and manage climate-related risks and opportunities

The CEO is responsible for assessing and managing climate-related risks and opportunities, and is supported by the ELT to implement the ESG 2030 Strategy. The ESG 2030 Strategy pillars have an executive-level sponsor and are supported by a Divisional Director.

### ► The ESG 2030 Strategy update is on page 45.

The ELT is supported by a dedicated ESG function with subject matter experts to support other business units, led by the Group Company Secretary & ESG Director. The ESG team supports upskilling other roles and departments, recognising that all roles have a part to play in the implementation of the ESG 2030 Strategy. For example, the ESG team supports factory managers with understanding the carbon emissions from the factory and opportunities to improve carbon reduction.

### ► The reporting structure for management is detailed on page 82.

The cross-functional TCFD working group, which includes members from the ESG function and finance, defines the approach for identifying and assessing climate-related risks.

### ► The TCFD working group defined the risk gradings, detailed on page 61, to assess the impact of climate-related risks and opportunities.

### ► Please see page 67 for the risk management process.

The ELT own material climate-related risks and opportunities to ensure there is clear ownership for mitigations.

The ESG team provides monthly updates to the ELT, and quarterly updates to the ESG Committee.

## CASE STUDY

### Aldridge gas efficiency improvements

Our operations at the Aldridge brick factory produce a range of highly sought-after products in keeping with the local vernacular, including the Anglian Red Rustic, for our merchant market. The factory's last major upgrade was in the 1960s, meaning its current gas efficiency was poor. The decision to replace tired assets was approved in 2022, with the business case demonstrating production efficiency with associated energy and carbon savings. An investment of c£12 million has enabled significant kiln repairs and full replacement of the dryers, which are now fully automated with robotic product handling. The work was commissioned and completed in 2023 and the factory began production at the start of 2024 as it ramps up towards full production in Q1. The early indicators show we will achieve an approximate gas reduction of 25% per annum, which equates to a 19% carbon reduction when compared to the old factory.

c£12m

Investment in tired assets

25%

Approximate gas reduction per annum

| Management working groups assessing or managing climate-related risks |  |  |   |
|---|--|--|---|
| Working group   | Areas of responsibility  | Group Chair                            | Example outputs and deliverables  |
| <b>Net Zero Working Group owns the Carbon Transition Plan</b>         | <ul style="list-style-type: none"> <li>Modelling the effect of carbon reduction initiatives to produce a Carbon Transition Plan</li> <li>Monitoring progress of the operational efficiency, decarbonised material, and alternative fuel &amp; power groups in delivering carbon reduction projects against plan and targets</li> </ul> | Group Company Secretary & ESG Director | Carbon Transition Plan – see page 47  |
| <b>Clay, Concrete and Futures operational efficiency groups</b>       | <ul style="list-style-type: none"> <li>Developing and implementing operational efficiencies to drive carbon reduction (e.g. heat retention and energy usage efficiency)</li> </ul>   | Divisional Directors                   | Clay – Aldridge dryer investment<br>Concrete – rainwater harvesting to reduce mains water consumption   |
| <b>Clay, Concrete and Futures decarbonised materials groups</b>       | <ul style="list-style-type: none"> <li>Developing and implementing programmes to reduce the carbonisation in the materials (e.g. raw material reduction and circularity)</li> </ul>  | Divisional Directors                   | Clay – increased void space in bricks at Cattybrook to take out weight and embodied carbon<br>Concrete – roof tiles redesigned to reduce embodied carbon<br>Futures – low carbon slip system research and development project |
| <b>Alternative Fuel &amp; Power Group</b>                             | <ul style="list-style-type: none"> <li>Developing and implementing lower carbon sources of fuel and power (e.g. solar, wind, hydrogen, syngas)</li> </ul>  | Divisional Director                    | Successful pilot project to fire bricks using synthetic gas derived from waste  |
| <b>TCFD working group</b>   | <ul style="list-style-type: none"> <li>Identify, assess and manage climate-related risks and opportunities</li> <li>Inform and update functions of the business on the results of the climate change risk assessments</li> </ul>   | Group Financial Controller             | Scenario analysis impact to financial planning<br>Climate-resilience assessment of every factory  |

Areas of responsibility are reflected in the Terms of Reference and are reviewed annually.

## Strategy

Material risks and opportunities are evaluated by considering their potential impact, financial or reputational, together with their likelihood. Please see page 67 for further details of the risk assessment process.

Our time horizon and impact definitions are shown below, detailing how these align to our organisation. The scenario analysis principally focuses on our short-term time horizon, to support our decision making processes on strategy, capital allocation and costs. Beyond this time period, the scenario analysis has less reliable internal and external data and there is less certainty around the impact of climate-related risks, as this is greatly impacted by external factors such as the pace and effectiveness of the transition to a lower-carbon economy.

| Time horizons considered in climate risk assessment |   |   |
|---|---|---|
| Short term – To 2030                                | Medium term – 2031 to 2040                    | Long term – 2041 to 2050                        |
| Aligns to ESG 2030 Strategy                         | Aligns to medium-long-term strategy decisions | Aligns to longer-term climate reduction targets |

Impact on Adjusted EBITDA\* over time

Low  
<5%

Medium  
5–15%

High  
>15%

The thresholds for quantifying risks based against our strategic and long-term financial forecasts, and aligned to existing risk management processes.

# Task Force on Climate-Related Financial Disclosures (TCFD) continued

## Our principal climate risks and opportunities

The following material risks have been identified through considering the impact across the business value chain. All product types, business functions, customer segments and suppliers have been included in the assessment. Our two Divisions, Clay and Concrete, experience similar climate risks and opportunities. We have referenced where risks are specific to one Division or sector. Principal risks, if unmitigated, have the potential to impact Group Adjusted EBITDA\* by over 5%.

| Climate risks   |   |                |                                       |  |  |
|---|---|----------------|---------------------------------------|--|--|
| Climate-related financial risk  | Description   | Impact grading | Scenario with greatest impact         | Link to Metrics and Targets                      | Expected financial impact  |
| <b>CCR1:</b> Increased prices of carbon credits or reductions in the number of 'free' allowances<br><i>Transition, policy and legal</i>                   | <ul style="list-style-type: none"> <li>Since our Clay Division is part of the UK Emissions Trading Scheme (UK ETS), the rising costs of carbon credits and the reduction in 'free' allowances are likely to increase costs if internal carbon reduction initiatives are unsuccessful</li> </ul>   | <b>HIGH</b>    | <2°C<br>Medium and long term          | GHG emissions<br>Internal carbon price           | <b>Increased costs</b> of carbon credits if our carbon reduction initiatives are unsuccessful for our Clay Division. The allowances for UK ETS are aligned to a net zero consistent cap from 2024  |
| <b>CCR2:</b> The availability of, and ability to, transfer to new energy technologies<br><i>Transition, technology</i>                                    | <ul style="list-style-type: none"> <li>We will be reliant on unproven technology to transition to net zero, e.g. carbon capture and storage</li> <li>Transitioning to new energy technologies might require skills and experience not currently available in Istock and/or significant capital investment</li> <li>Alternative fuels, including syngas and hydrogen, may increase costs due to the investment requirement to migrate to alternative energy sources</li> </ul> | <b>HIGH</b>    | >4.3°C<br>Medium and long term        | Capital deployment                               | <p><b>Increased capital costs</b> to transition to new energy technologies including syngas and carbon capture and storage</p> <p><b>Increased R&amp;D costs</b> to position business to respond to changes in technology</p> <p><b>Financial and human resources</b> are required to complete industry trials</p> |
| <b>CCR3:</b> Transition to new building technologies and approaches redefining the type and nature of materials required<br><i>Transition, market</i>     | <ul style="list-style-type: none"> <li>Customers switching to alternative products with lower embodied carbon due to regulations or carbon reduction targets</li> <li>Changes in revenue mix from traditional brick and concrete product lines to products used within Modern Methods of Construction (MMC)</li> </ul>  | <b>HIGH</b>    | >4.3°C<br>Short, medium and long term | Climate-related opportunities                    | <p><b>Increased R&amp;D costs</b> for new products</p> <p><b>Demand changes</b> lead to reduced revenue</p> <p>Increased <b>operational costs</b> to use more recycled content or other methods to reduce embodied carbon</p>  |
| <b>CCR4:</b> Maintaining credibility and value of the Istock brand and its ESG credentials against a backdrop of changing behaviours<br><i>Reputation</i> | <ul style="list-style-type: none"> <li>Failure to deliver ESG targets will damage reputation and credibility with our key stakeholder groups</li> </ul>   | <b>HIGH</b>    | >4.3°C<br>Medium and long term        | GHG emissions<br>Water usage<br>Waste management | <p>Reduced <b>revenues</b> due to reputational damage</p> <p><b>Ability and cost</b> to raise finance is affected</p>  |
| <b>CCR5:</b> Extreme variability in weather patterns such as storms, cyclones, and floods<br><i>Physical, acute</i>                                       | <ul style="list-style-type: none"> <li>Disruption to own operations through damage to factories, impacting employees working on site</li> <li>Disruption to supply chain as suppliers are impacted by acute physical risks or in transit</li> </ul>   | <b>LOW</b>     | >4.3°C<br>Medium and long term        | Physical climate risks                           | <p><b>Reduced revenue</b> from decreased production capacity</p> <p><b>Increased operating costs</b> (e.g. purchasing required for climate mitigation)</p> <p><b>Increased repair costs</b> (e.g. damage to infrastructure)</p> <p>Increase in <b>insurance premiums</b></p>                                       |
| <b>CCR6:</b> Changes in precipitation patterns and extreme variability in weather patterns<br><i>Physical, chronic</i>                                    | <ul style="list-style-type: none"> <li>Increased precipitation may disrupt own operations water content of clay requiring more energy during the production process</li> <li>Impact of droughts on water usage in brick manufacturing process and drier clay requiring more energy for extraction</li> <li>Increased risks of flooding may prevent site operations for several weeks</li> </ul>   | <b>MEDIUM</b>  | >4.3°C<br>Medium and long term        | Physical climate risks<br>Water usage            | <p><b>Increased costs</b> to mitigate impact of extreme weather patterns and mitigate impact on land changes</p> <p><b>Increased capital or repair costs</b> (e.g. damage to infrastructure)</p> <p>Business disruption leading to loss of revenue</p>   |



Other risks considered to not be material risks include:

- Increased reporting obligations, data integrity and data assurance requirements
- Poor data availability and comparability on environmental impact and lifecycle analysis of products
- Rising mean temperatures
- Rising sea levels
- New or changing legislation that will directly or indirectly impact our business
- Impact of changing attitudes of investors and financial stakeholders

We will continue to monitor the risks through our TCFD working group.

| Climate-related opportunities  |   |                |                                 |  |
|--|---|----------------|---------------------------------|--|
| Climate-related financial opportunity  | Description   | Impact grading | Scenario with greatest impact   | Expected financial impact  |
| <b>TR1:</b> Production of more sustainable products<br><i>Transition, market</i>   | <ul style="list-style-type: none"> <li>• We are developing lower carbon products. For example, redesigning our concrete fencing range with lower carbon cement and less material whilst providing the same strength attributes</li> </ul>   | <b>HIGH</b>    | Below 2<br>Medium term          | Increased sales driven from new product development and Istock Futures |
| <b>TR2:</b> Changes in customers' preferences and building practices resulting in new and emerging products and solutions<br><i>Transition, market</i> | <ul style="list-style-type: none"> <li>• Changes in the building approaches or preferences of customers could lead to new markets for building products</li> <li>• The opportunity is managed through close industry relationships, for example, membership of the UK Green Building Council</li> </ul> | <b>HIGH</b>    | Below 2<br>Medium and long term | Increased sales driven from new product development and Istock Futures |
| <b>TR3:</b> ESG transition<br><i>Reputation</i>  | <ul style="list-style-type: none"> <li>• By demonstrating ESG performance and meeting commitments to transition to lower carbon operations, Istock may experience a lower cost of capital (e.g. through reduced interest costs)</li> </ul>  | <b>LOW</b>     | Below 2<br>Medium term          | Lower financing costs  |

### Our approach to scenario analysis

Scenario analysis is a process for identifying and assessing the potential impact of a range of climate scenarios. This is not designed to deliver precise outcomes or forecasts but has been used by our teams to assess strategic resilience and support business planning decisions.

Our scenario analysis is integrated into our strategic planning cycle, including financial forecasts, and covers our operational footprint. We have considered two contrasting climate scenarios to provide a contrasting perspective – one below 2 degrees scenario and a failed transition. This is consistent with the scenario analysis approach within our sector.

We have a detailed strategic plan to 2030 that has been used within the scenario analysis. The full scenario analysis extends to 2050, however, the data available for this timeframe is less sophisticated.

### CASE STUDY

#### Lowering the embodied carbon of our roof tile range

To respond to market opportunities for lower carbon productions, during 2023, Istock launched a new improved SL8 roof tile which is a large format tile with the visual aesthetics of a slate tile. Within this product, carbon reduction has been achieved through a new tile mix design used in conjunction with lower carbon cement to provide a strong and durable, lower carbon product. The large format design also provides roof coverage using less materials and is a lighter load for transportation.

# Task Force on Climate-Related Financial Disclosures (TCFD) continued

| Approach to scenario analysis           |  |  |
|---|--|--|
| Climate scenario                        | Below 2 degrees  | Above 4.3 degrees  |
| Data sets considered                    | IPCC RCP 2.6   | RPCC RCP 8.5   |
| Description of scenario                 | Limits global warming to below 2 degrees<br>Increased transition risks depending on pathway to meet emission reduction target<br>Projected carbon price in 2035: USD450.9  | High emission scenario where warming may exceed 4 degrees<br>Lower transition risks as there is no further action on climate change<br>Projected carbon price in 2035: USD25.2 |
| Assumptions that apply to all scenarios | <ul style="list-style-type: none"> <li>• Current market share is consistent with performance today</li> <li>• The location of factories and quarries is consistent with today's footprint</li> <li>• Acceleration of the removal of carbon credits within UK ETS for the Clay Division</li> <li>• Capital and research and development investments increase in both climate scenarios</li> </ul> |  |
| Data sets used                          | IPCC<br>2021 Climate Biennial Exploratory Scenario for transition risks<br>UK CP18 Met Office projection for physical risks  |  |

## Scenario analysis results

The tables that follow show the results of our scenario analysis and the strategic response. The financial impact represents the expected impact to Adjusted EBITDA\* and cost impact. The output is aligned to the risk thresholds on page 61. Overall, the results of the scenario analysis indicate the unmitigated physical and transition risks and opportunities will have an impact on the business strategy, however, as our business strategy includes mitigating factors to these risks, Istock remains resilient to the assessed risks.

The highest-impact risks overall are the transition to new building technologies and approaches to redefining the type and nature of materials required and maintaining the credibility and value of the Istock brand and its ESG credentials against a backdrop of changing behaviours. This scenario analysis was refreshed and further developed during 2023.

| Below 2 degrees scenario  |  |
|---|--|
| Risks/opportunities with greatest impact in scenario  | How the risk is modelled   |
| <ul style="list-style-type: none"> <li>• <b>Increased prices of carbon credits or reduction of free allowances over time</b></li> <li>• <b>Availability of new, and the ability to transfer to new, energy technologies due to the lack of, or failed, investments</b></li> <li>• <b>Development of new sustainable products and services to satisfy customer demand</b></li> <li>• <b>Willingness to pay for low carbon solutions. Change in customer preferences and building practices resulting in new and emerging markets developing</b></li> </ul> | <p>The carbon price is projected to increase yearly with the removal of free allowances, impacting the Clay Division which operate within UK ETS. We have used data from the Bank of England projected shadow price, and an accelerated removal of free allowances.</p> <p>We have assumed research and development costs will increase, and there is also an increased risk of impairment of assets.</p> <p>We have assumed there will be an increase in sales volume for clay and concrete as a result of increased demand for new and sustainable products, including Futures, to grow sales until 2050.</p>  |
|   | <p><b>Impact from scenario analysis</b></p> <p>In the short to medium term, unmitigated transition risks present the greatest risk to financial performance. The highest impact risks are:</p> <ul style="list-style-type: none"> <li>• Increased prices of carbon credits or reduction in free allowances: Our scenario assumes carbon-free allowances decline to 50% by 2030 with additional increases of costs in line with climate pathways outlined by the Bank of England.</li> <li>• Availability of new, and the ability to transfer to new, energy technologies due to the lack of or failed investments. Our scenario analysis assumes that we have not met our carbon reduction objectives and are required to purchase additional carbon credits at a higher credit cost.</li> <li>• Development of new sustainable products and services to satisfy customer demand. The scenario assumes a 20% sales volume increase for Clay and Concrete Divisions from 2023 to 2050.</li> </ul> |
|   | <p><b>Strategic response</b></p> <ul style="list-style-type: none"> <li>• The carbon reduction transition plan is a high-level, quantified action plan, including the financial cost and expected carbon reduction from planned initiatives. Achieving the carbon reduction transition plan will reduce the risk exposure to carbon prices.</li> <li>• We are creating strategic partnerships with suppliers to develop alternative fuels, including synthetic gas, as a lower carbon alternative to natural gas.</li> <li>• Developing products to reduce virgin materials and increase recycled content contributes to circularity and reduces carbon emissions.</li> </ul>  |

| Above 4.3 degrees scenario   |   |
|--|---|
| Risks/opportunities with greatest impact in scenario   | How the risk is modelled  |
| <ul style="list-style-type: none"> <li>• <b>Maintaining credibility and value of the Ibstock brand and ESG credentials</b></li> <li>• <b>Increased severity of precipitation patterns and extreme variability in weather</b></li> <li>• <b>Transition to new building technologies</b></li> <li>• <b>Redefining the type and nature of materials required</b></li> </ul> | <p>We have assumed a decrease in sales volume and no increased move to low embodied carbon bricks. There is also an increased cost of financing linked to Bank of England projections.</p> <p>We have assumed a loss of production at seven of our factories that we have assessed as having an increased risk identified through UK CP18 projections. We have modelled an increased loss of production as we progress between the medium and long term. The loss of production increases until 2050.</p>   |
|  | <p><b>Impact from scenario analysis</b></p> <p>In the medium to long term, physical risks also present a risk to financial performance. The highest impact risks are:</p> <ul style="list-style-type: none"> <li>• Transition to new building technologies and approaches to redefining the type and nature of materials required. Our scenario assumes a 30% decrease in sales volume from 2024 to 2030 for the Clay and Concrete Division. Maintaining credibility and value of the Ibstock brand and its ESG credentials against a backdrop of changing behaviours. Our scenario assumes there will be a reduced demand for products and services and being unable to raise finance to fund the transition to net zero. There is increased cost of financing modelled using the Bank of England scenarios. Financing costs increase by 12% in 2030.</li> <li>• Increased severity of precipitation patterns and extreme variability in weather. Our scenario assumes a one to two month lost production for red and amber surface and river flood risk factories.</li> </ul> |
|  | <p><b>Strategic response</b></p> <ul style="list-style-type: none"> <li>• We have piloted individual climate resilience plans. All other factories have an emergency response plan. For factories with the highest risk, we have an individual climate resilience plan. All other factories have a business continuity plan that considers processes in light of business disruption that can be applied during a climate event.</li> <li>• Trialling hot weather Personal Protective Equipment (PPE) at one site during the summer to improve working conditions in periods of extreme heat.</li> <li>• Implementing a feedback process for improvements and mitigation actions following climate impacts. For example, after a factory flooded this year, we shared a case study across the business summarising learning points and good practice, including drainage ditch and settlement pond maintenance.</li> <li>• Investment in rainwater harvesting systems continues. For example, our Northwich factory saved 600m<sup>3</sup> of mains water in 2023.</li> </ul>   |

# Task Force on Climate-Related Financial Disclosures (TCFD) continued

## Impact on business, strategy and financial planning

### This year, Ibstock has made progress against the ESG 2030 Strategy, which includes:

- The creation of a high-level carbon reduction transition plan. This has been summarised on page 47
- The completion of an environmental data discovery project to understand, simplify and enhance the environment data framework in the business to achieve a single source of truth for sustainability data
- Diversification of the product mix, led by research and development through Ibstock Futures. We have a 20% revenue target from new and sustainable products by 2030
- Integrating Life Cycle Analysis into our new product development (NPD) decision making
- The inclusion of a high-level assessment of financial commitments to deliver our carbon reduction plan and mitigate our climate related risks within our financial planning

Operations were impacted by two localised flooding events that stopped production for less than a week combined. Following the event, additional processes and/or emergency response plans will be adopted to reduce the impact of floods and alert the business to severe weather events by enhancing the climate resilience plans.

We have considered the potential impact of identified climate change risks and opportunities through our indicators of impairment reviews and also assessment of useful economic lives of assets. There are seven sites deemed to be vulnerable to physical risk over the medium term. Management expects any changes required due to climate change will be covered through maintenance and refurbishment spend and phased over multiple years. Therefore, the related cash outflow would not be material in any given year. With no mitigations in place, management expects the carbon costs will increase in the future but would impact the whole industry. We would expect any carbon-related costs to increase the sales price and there would be no material impact in the forecast cash flows. See the Metrics and Targets for the investment in the low carbon transition made in the year and the impairment and PPE notes for further information.

Due to economic conditions, factories have been closed in the year to reflect reduced demand. A number of factors were considered during the decision-making process, including carbon management.

An internal carbon price was developed this year and will be embedded into strategic decision-making in 2024, including major capex projects and new produce development (NPD). The carbon price is a shadow carbon price based on the UK ETS carbon price, as our Clay factories are covered by the regime. However, we will take an average for the year due to short-term variability in the market price. The internal carbon price covers all the business over Scope 1 and 2 emissions.

### The internal carbon price will be used for the following processes:

- Position management for the valuation of assets to inform replacement and maintenance schedules
- Investment decisions, including new capital expenditure to assess carbon savings
- Impact of new product development for reduced embodied carbon

Capital expenditure and new product development processes currently assess the impact of carbon emissions savings, but this is not quantified using the internal carbon price. This is a planned action for 2024.

The UK ETS carbon price is expected to increase over time and this trend is reflected in our scenario analysis. In 2023, the average carbon price under UK ETS was £83.03.

## CASE STUDY

### Developing our carbon reduction transition plan

The high level carbon reduction transition plan includes actions in the short, medium and long term to reduce carbon emissions with financially quantified impacts. During 2024, this plan will be further developed through establishing a detailed and fully costed 5-year decarbonisation plan at every Clay site.

The transition plan supports <2 degrees pathway and is aligned to industry transition pathways.

### Identifying and assessing climate risks and opportunities

Climate change is a principal risk to Ibstock and has been integrated into the enterprise risk management processes. Climate change is therefore assessed and managed in line with Ibstock's risk management framework, as detailed under the governance pillar and on page 59.

However, we recognise that climate change risks and opportunities are complex and can crystallise over a longer time period than typically considered in our enterprise risk management processes. Therefore, we have a specialist climate related risk assessment process which provides the framework for identifying material climate-related risks and opportunities, ensuring that climate-risk considerations are reviewed appropriately, and the outputs and considerations are fed into the broader risk management processes of the Group. This involves a working group of subject matter experts, advisers, and representatives from around the business.

The process to identify and assess climate-related risks includes:

1. A long list of climate-related risks and opportunities and consideration of horizon-scanning reports for legislation and policy risk across all revenue streams.
2. Climate-resilience assessments at each factory to support physical climate risk assessment.
3. Impact on stakeholders, including investors and employees, is considered.
4. Expected financial impact and areas of value chain impacted by the risk is documented.
5. Impact from scenario analysis, or qualitative review of potential impact where data is not available (e.g. reputational risks).

The climate-related risks and opportunities are assessed for impact and likelihood, and shown on heat maps after considering mitigations. The principal risks are shown on page 22.

Following the completion of the risk management review, each risk is considered relative to its residual rating having taken into account all existing controls.

### Managing climate-related risks

The climate change risks are graded as low, medium and high risk. Principal risks have at least one ELT member assigned as the risk owner. The working groups on page 61 also have responsibilities to manage climate risk.

With recognition of the nature of our industry, Ibstock has set a low to medium risk tolerance and has a robust process to identify any changes to the risk landscape, agreeing proportionate further mitigating actions where appropriate. As documented on page 22, Ibstock has a three lines of defence structure to the internal controls. This extends to climate change risk. The first line of defence is operated by management and covers the day-to-day risk management activities of implementing and executing internal controls. This extends to a risk register for factories, including carbon reduction and resilience to climate change risk.

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).

### Integration into risk management processes

As noted above, the climate change risks are integrated into the enterprise risk management processes, with climate change being a principal risk. In addition, a climate risk assessment takes place to ensure all climate risks and opportunities are captured through the process. Climate change is considered as part of the operational risk registers at the half and full year. The results are reviewed and mapped to the principal risk register. The ELT reviews the risk register ahead of review by the Audit Committee and Plc Board.

Ibstock applies the same risk thresholds and risk appetite for climate change-related risks.

# Task Force on Climate-Related Financial Disclosures (TCFD) continued

## Metrics and targets

The table below shows the metrics used to monitor climate risks and opportunities. The metrics cover both transition and physical risks, as illustrated through the aligned risks. We recognise that our carbon reduction journey may not always be linear and that investments may take some time and effort to fully embed within our manufacturing processes. We consider ourselves to be on track to deliver our 2030 ESG targets.

In determining the metrics, Ibstock has considered the 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.

| Category                            | Metric and target   | Linked climate risk or opportunity  | Explanation of movement  |
|-------------------------------------|---|---|--|
| GHG emissions                       | <b>40% reduction in Scope 1 and 2 carbon by 2030 based on 2019 benchmark. Net zero carbon emissions by 2040 (Scope 1 and 2).</b><br>Net zero carbon includes Scope 1 and 2 emissions, and less than 10% of the reduction is delivered through carbon credits or carbon capture and storage. | Increased prices of carbon credits or reductions in the number of 'free' allowances.  | Scope 1 and 2 carbon emissions reduced by 37% during 2023 versus the 2019 baseline. This was driven by the reduction of carbon used during our production processes as well as decreased production volumes during 2023.   |
| GHG emissions                       | <b>Carbon intensity – Intensity (tCO<sub>2</sub>e) per tonne of production</b>  | Increased prices of carbon credits or reductions in the number of 'free' allowances.  | The carbon intensity metric for 2023 was 0.151 tonnes of carbon per tonne of production, an increase since 2022 due to the estate running at a lower efficiency as the market slowed. We expect continued incremental improvements in carbon reduction during 2024 and for energy and carbon operational efficiencies to benefit factories when the market returns and they return to full capacity. |
| GHG emissions                       | <b>Scope 3 carbon emissions net zero before 2050.</b>   | Increased prices of carbon credits or reductions in the number of 'free' allowances.  | Scope 3 has been calculated using spend-based emission factors.  |
| Physical climate risks <sup>1</sup> | <b>Number of sites vulnerable to physical risks</b><br>We have assigned each factory a climate risk grading for flood risk, extreme temperature and precipitation.  | Changes in precipitation patterns and extreme variability in weather patterns.  | Seven our sites are vulnerable to physical risks by 2050. As this is a new metric for FY23. We are working to decide an appropriate target and timescale.  |
| Climate-related opportunities       | <b>Proportion of revenue, assets or other business activities aligned with climate-related opportunities. 20% of revenue from new and sustainable products by 2030.</b>   | Production of more sustainable products.  | During 2023, 11% of revenue came from new and sustainable products. More information on this is given on page 50.  |
| Capital deployment                  | <b>Amount of capital expenditure and investment deployed towards climate-related risks and opportunities.</b>   | Production of more sustainable products.<br>Changes in precipitation patterns and extreme variability in weather patterns.                                    | Investment in climate resilience. This is a new metric for FY23. Expenditure is in investment in R&D for low carbon products and services.   |
| Internal carbon price               | <b>Price of each tonne of GHG emission used internally</b>  | Increased prices of carbon credits or reductions in the number of 'free' allowances.  | The internal carbon price is aligned to UK ETS price as brick sites are part of the UK ETS scheme. During 2023, we used the internal carbon price of £83.03.   |
| Water usage                         | <b>25% reduction in mains water usage by 2030 based on 2019 benchmark.</b>  | Supports the success of the Carbon Transition Plan and reduces water stress in periods of drought.  | Water consumption increased during 2023 due to improved data accuracy and one factory unable to use quarry water in 2023 (this issue has been resolved).   |
| Waste management                    | <b>Zero waste to landfill by 2025.</b>  | Supports the Carbon Transition Plan and circularity principles to develop lower carbon products to meet customer demand.                                      | Waste to landfill decreased in 2023 due to lower production and closer working with waste management providers to prioritise segregation and materials recycling.  |
| Remuneration                        | <b>20% of Long Term Incentive Plan is assessed on ESG factors:</b><br><ul style="list-style-type: none"> <li>• Carbon emission reduction</li> <li>• % female leadership</li> <li>• % sales from new and sustainable products</li> </ul>   | Drives the leadership behaviours to support the success of the Carbon Transition Plan including development of lower carbon products to meet customer demand. | The outcomes of the 2021 LTIP scheme is described on page 110.   |

<sup>1</sup> Following a review of Ibstock's transitional risks, we have concluded that a metric and target around site level transitional risk is inappropriate as these risks will be managed, mitigated and governed at a Group level.

We have verification of over 90% of our Scope 1 and 2 emissions by Lucideon CICS. Lucideon CICS are accredited to ISO 14065 by the United Kingdom Accreditation Service (UKAS) to provide independent third-party verification and verify of our emissions as part of compliance with UK ETS to ISO 14064-3. The Scope 1 and 2 emissions are included in the SECR disclosure on page 54.

Scope 3 emissions are on page 54.

The related risks around achieving carbon reduction for the scope of emission:

| Scope 1  | Scope 2   | Scope 3  |
|--|---|--|
| <p><b>Failure to transition away from natural gas in manufacturing processes. Istock are investing in trialling syngas and hydrogen. Please see page 47 for transition plan.</b></p> | <p><b>Failure to reduce energy consumption leading to increased energy costs. Please see page 47 for transition plan.</b></p> | <p><b>Aligns to longer-term climate reduction targets.</b></p> |

The ESG team prepares an ESG data dashboard including the following metrics:

- Carbon emissions
- Water usage
- New product development

This is reviewed by the ELT and the ESG Committee four times a year. The ESG team provides an overview of progress towards the targets, including any challenges or risks.

The carbon reduction target is also considered by the Net Zero Working Group. The carbon targets were recommended by the ELT and approved by the ESG Committee as part of the ESG 2030 Strategy that was set in 2022. The targets were aspirational and leading within our sector. Our Carbon Transition Plan provides an analysis to demonstrate the 2030 target remains achievable.

Please see page 47 for the transition plan summary.

### Performance against our 2023 priorities

|  |   |
|--|---|
| 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 | <ul style="list-style-type: none"> <li>• The Board and ESG Committee considered performance against the ESG 2030 Strategy during the year</li> <li>• The governance framework has been reviewed, including the management working groups</li> </ul>   |
| Continue upskilling the Board and the ESG Committee with respect to the ongoing development of the climate change landscape                                    | <ul style="list-style-type: none"> <li>• The ESG Committee receives a bespoke horizon scanning report four times a year that includes developments in the climate change landscape</li> <li>• In addition, the Board received training on biodiversity, nature loss and climate change</li> </ul> |
| Continued focus to embed climate change initiatives within the business so that management of climate-related risks becomes part of the Group's culture        | <ul style="list-style-type: none"> <li>• Short training sessions have been made available for employees, including procurement and the sales team. For example, training through the Supply Chain Sustainability School</li> </ul>  |
| Further climate change risk analysis and mitigation training   | <ul style="list-style-type: none"> <li>• Factory managers have informed the climate change risk assessments, and subsequent mitigations including business continuity plans</li> </ul>  |
| Continued horizon scanning and enhanced risk planning  | <ul style="list-style-type: none"> <li>• The ESG Committee receives a bespoke horizon scanning report four times a year that includes developments of the climate change landscape</li> </ul>   |
| Supply chain visibility and resilience   | <ul style="list-style-type: none"> <li>• A supply chain climate risk assessment has been undertaken. Further work is required to strengthen the resilience in 2024</li> </ul>   |
| Continue to develop our approach to impact assessment and scenario analysis  | <ul style="list-style-type: none"> <li>• The scenario analysis approach includes EBITDA impact and cost impact</li> <li>• The approach to scenario analysis has used additional third party data to strengthen quality of assessment</li> </ul>   |
| Deliver our augmented suite of reporting metrics   | <ul style="list-style-type: none"> <li>• We have reported against all metrics this year, including improved granularity in Scope 3 emission numbers</li> </ul>  |

### Priorities for 2024

We believe that we have complied with the requirements of TCFD and are starting to adopt climate change into business decision-making. We recognise that there are always improvements to make. Therefore, the 2024 priorities include:

- Complete a gap analysis in preparation for adopting IFRS ISSB S1 and S2
- Consider the integration of nature-related risks and opportunities within climate risk assessments
- Apply the internal carbon price in financial and business processes, starting with new product development and capital expenditure
- Develop our approach to supply chain resilience further
- Develop our approach to understand the impact of climate change on the quarries
- Develop a circular economy approach integrated into new product development
- Develop and prioritise carbon transition plans at site level

# Viability and Going Concern Statements

## 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 22 to 26, 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 wider economy and future uncertainty. The Group has leading positions within the markets in which it operates, as noted on pages 12 to 13, and its business strategy (see page 16) 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 investment decisions 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 broader level of macroeconomic activity, which is influenced by factors outside of the Group's control, including demographic trends, the status of the housing market, mortgage availability, interest rates, changes in household income, inflation and also Government policy. These macroeconomic drivers are currently producing a period of prolonged uncertainty.

The Group's financing 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 matures in Q4 2026, and £25 million was drawn at 31 December 2023.

## Stress testing

Although each of the Group's principal risks has a potential effect and has been considered as part of the overall 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. The Group's viability assessment also considered two compound scenarios whereby firstly the Group experienced reputational damage during an economic downturn and secondly the Group experienced business disruption during an economic downturn.

The Group's viability assessment 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 due to 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 6 – Economic conditions
- Risk 10 – Anticipating product demand and innovation

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 downturn or negative impacts of geopolitical 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 40% for the Clay and Concrete products in 2024 versus 2022, recovering to a 28% reduction in 2024 and 23% 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 the reduction of shift patterns at other factories, thereby providing flexibility if the market returns more quickly.

## Scenario 2

### Production cost increases

#### Link to risk

- Risk 2 – Regulatory and compliance
- Risk 6 – Economic conditions
- Risk 7 – Financial risk management
- Risk 9 – Climate change

A situation whereby the cost of production for all products increases by 10% and 20% for energy and 25% for carbon (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, geopolitical 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 and 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 1 – Business continuity
- Risk 4 – Cyber and information systems
- Risk 9 – Climate change

The impact of an event, such as prolonged weather events as a result of climate change (for example 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 vulnerable to the climate-related physical risk of increased precipitation for a period of 1 month as identified in the TCFD risk assessment. 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 3 – People and talent management
- Risk 8 – Maintaining customer relationships and market reputation

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 audits.

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 2027.

## 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 71 has been approved and signed by order of Board by:

#### Becky Parker

Group Company Secretary

5 March 2024

# Governance at a glance

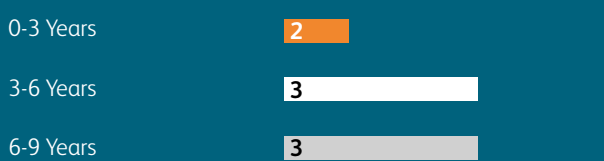
**Documents available at: [www.ibstock.co.uk](http://www.ibstock.co.uk)**

- Ibstock Plc Articles of Association
- Matters Reserved to the Board
- Terms of Reference for Board Committees
- Board Diversity and Inclusion Policy
- Modern Slavery Statement 2023
- Tax Strategy 2023
- Gender Pay Gap Report 2023
- Notice of Annual General Meeting 2024
- Whistleblowing Policy

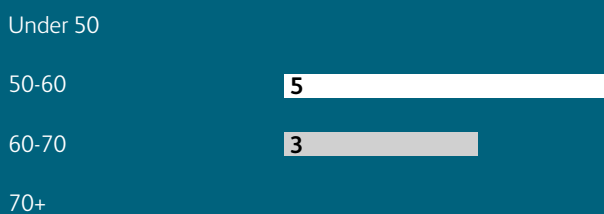
**Composition of the Board**



**Length of tenure**



**Age**



**Gender**



## Compliance to the UK Corporate Governance Code

The Corporate Governance Report, including the Committee Reports and Directors' Report, explains how the Board has applied the principles and complied with the provisions of the UK Corporate Governance Code 2018 (the Code).

The Code is available to view on the website of the Financial Reporting Council at [www.frc.org.uk](http://www.frc.org.uk).

The Board believes that, throughout 2023, the Company has applied the principles and complied with all the provisions of the Code.

The table below sets out where the key content can be found in this report.

**1. Board Leadership and Company Purpose**

- IFC Purpose statement
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- 78 Culture, purpose and values
- 80 Activities of the Board

**2. Division of Responsibilities**

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**3. Composition, Succession and Evaluation**

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**5. Remuneration**

- 104 Aligning remuneration and culture
- 99 Remuneration Committee Report

The Corporate Governance Statement (Pages 72 to 98) has been approved and is signed by order of the Board by:

**Becky Parker**  
Group Company Secretary

5 March 2024

## Introduction to Governance



“On behalf of the Board, I am pleased to introduce Ibstock’s Corporate Governance Report for 2023.”

**Jonathan Nicholls**  
Chair

### Compliance with the UK Corporate Governance Code

The Board operates in accordance with the UK Corporate Governance Code 2018 (the Code) and is committed to delivering long-term sustainable value to our stakeholders. This Corporate Governance Report, together with the Committee Reports and other sections of the Strategic Report, sets out in detail how the principles and provisions of the Code have been fulfilled and how the Board and its Committees have discharged their responsibilities for ensuring robust governance practices throughout the Group.

### 2023 highlights

Throughout 2023, the Board and its Committees have played a key role in guiding the Group through a challenging year, by both supporting management and, where appropriate, providing necessary challenge.

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.

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. In a challenging economic climate where decisive and wide-reaching cost reduction action was required, the Board was pleased by the approach taken from all involved, with the focus on supporting our colleagues during this difficult period in line with our culture.

### External Board Effectiveness Review

This year, the Board commissioned an External Board Effectiveness Review, which provided reassurance that the Board and

Committees were effective in discharging their duties as well as offered some useful recommendations that we will action during 2024. Page 84 details the findings from this review.

### Non-Executive recruitment and Board succession

The Board recognises the need to maintain an effective succession plan for both Board and senior management positions. Throughout the year, following a carefully managed recruitment process, we appointed Nicola Bruce as Non-Executive Director and Chair of the Remuneration Committee to replace Tracey Graham who stepped down at our 2023 Annual General Meeting (AGM). Louis Eperjesi replaced Tracey Graham as the Senior Independent Director from the conclusion of the 2023 AGM.

As this is now my eighth year as Ibstock’s Chair, the Nomination Committee recognises the need to ensure an effective succession plan for the role of Board Chair. As such, it was agreed to commence a Chair recruitment exercise during 2024 with the aim of allowing a handover period for the new Chair ahead of commencing the role following the 2025 AGM.

### Diversity

We are committed to promoting equal opportunities in employment and improving the diversity of our workforce. The Board recognises that gender diversity is a wider issue within our industry, with many of our roles, especially those which are factory based, traditionally being less popular with females. Motivated by this historical challenge, we remain committed to further improvement of our diversity statistics. We also note the diversity data collection activity during the year to better understand other elements of diversity within our workforce to enable future targets to be established.

The Board supports the aims and objectives of the Listing Rules (LR 9.8.6R(9)) and the FTSE Women Leaders Review, striving to achieve an appropriate balance of women on our Board and in senior positions throughout the Group. Whilst we recognise that the appointment of Louis Eperjesi as Senior Independent Director has resulted in us not having at least one woman in the Chair, Senior Independent Director, Chief Executive Officer or Chief Financial Officer role, we remain committed to ensuring that diversity is a key consideration in our appointment process.

**Jonathan Nicholls**  
Chair

5 March 2024

## Our highly experienced Board of Directors



### Key to Committee membership:

- N** Nomination Committee
- R** Remuneration Committee
- A** Audit Committee
- E** ESG Committee
- Chair

### Board members left to right

**Nicola Bruce**  
**Peju Adebajo**  
**Justin Read**  
**Christopher McLeish**  
**Joe Hudson**  
**Jonathan Nicholls**  
**Becky Parker (Company Secretary)**  
**Claire Hawkings**  
**Louis Eperjesi**

### Jonathan Nicholls BA (Hons), ACA, FCT

#### Chair

Date appointed to the Board:  
 22 September 2015  
 (Chair since 24 May 2018)

Tenure on Board:  
 8 years 5 months

Committee memberships:

**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:**

- Shaftesbury Capital PLC – Chairman (appointed September 2016).

**Past board roles include:**

- SIG plc – NED
- DS Smith plc – SID
- Great Portland Estates plc – SID
- Hanson plc – CFO
- Old Mutual plc – CFO

### Joe Hudson BA (Hons), FCIPD

#### Chief Executive Officer

Date appointed to the Board:  
 2 January 2018  
 (CEO since 4 April 2018)

Tenure on Board:  
 6 years 2 months

Committee memberships:

**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 (Officer) of Construction Products Association.

**Past board roles include:**

- Aggregate Industries UK – Managing Director, Cement & Concrete Products
- Lafarge Africa plc – CEO

### Christopher McLeish BSc, ACA

#### Chief Financial Officer

Date appointed to the Board:  
 1 August 2019

Tenure on Board:  
 4 years 7 months

Committee memberships:

None

**Independent:** No  
**Relevant skills and experience:**  
 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. Experience in digital transformation within complex, global operating environments.

**Current external appointments:**

- None

**Past board roles include:**

- Tate & Lyle North American Sugars – Finance Director

### Louis Eperjesi

#### Senior Independent Director

Date appointed to the Board:  
 1 June 2018

Tenure on Board:  
 5 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. 12 years' experience in UK roofing and brick markets. Experience of strategy development, change management programmes and M&A activity. Strong commercial, marketing and product background. 14 years' experience in UK capital markets.

**Current external appointments:**

- Howden Joinery Group Plc – NED and member of the Audit, Remuneration, Nominations and Sustainability Committees (appointed June 2023).
- Trifast plc – NED and member of the Audit, Remuneration and Nomination Committees (appointed January 2023).
- Accsys Technologies PLC – NED and member of the Audit, Remuneration and Nomination Committees (appointed June 2022).

**Past board roles include:**

- Kingspan Group plc – Executive Director
- Tyman plc – Chief Executive Officer



**Peju Adebajo** <sup>BSc, MEng, MBA</sup>

**Non-Executive Director**

Date appointed to the Board:  
26 November 2021

Tenure on Board:  
2 years 3 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 14 years' experience in commercial expansion and development of products and services. Experience in sustainability leadership, turnarounds and value creation. 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:

- Wolseley Jersey Limited – NED (appointed July 2022).

Past board roles include:

- Major State Agricultural Department, Nigeria – CEO/MD
- Lafarge Africa PLC – MD
- Mouka Ltd (Nigeria) – CEO

**Nicola Bruce** <sup>MA, MBA, FCMA</sup>

**Non-Executive Director**

Date appointed to the Board:  
29 March 2023

Tenure on Board:  
0 years 11 months

Committee memberships:

**R A N**

Independent: Yes

Relevant skills and experience:

Extensive experience as a Remuneration Committee Chair. Breadth of strategy, business development and non-executive director experience including within residential property and building materials sectors. Degree in PPE from Oxford University, an MBA from INSEAD and a Chartered Management Accountant.

Current external appointments:

- MJ Gleeson Plc – NED, Remuneration Committee Chair and Audit and Nomination Committee member (appointed March 2023).
- Stelrad plc – NED, Remuneration Committee Chair and Audit and Nomination Committee member (appointed October 2021).
- OFWAT – NED and Casework Committee Chair (appointed December 2020).
- Anchor Hanover Group – SID and Remuneration Committee Chair (appointed November 2018).

Past board roles include:

- Hanover Housing Association – NED
- Civil Service Healthcare Society – NED
- The Money Advice Service – NED
- De La Rue plc – Group Director of Strategy & Business Development

**Claire Hawkins** <sup>BSc (Hons), MBA</sup>

**Non-Executive Director**

Date appointed to the Board:  
1 September 2018

Tenure on Board:  
5 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.

Current external appointments:

- Defence Equipment and Support (MOD) – NED, Programme Review and Audit Committee member (appointed April 2021).
- James Fisher and Sons Plc – SID, NED, and Audit, Remuneration and Nomination Committee member (appointed January 2022).
- FirstGroup plc – NED, Responsible Business Committee Chair, and Audit and Nominations Committee member (appointed January 2022).

Past board roles include:

- Tullow Oil Netherlands – Director
- Tullow Oil Bangladesh – Director
- Gujarat Gas Co. Ltd. – Director
- British Gas India Pvt. Ltd – Director

**Justin Read** <sup>MA, MBA</sup>

**Non-Executive Director**

Date appointed to the Board:  
1 January 2017

Tenure on Board:  
7 years 2 months

Committee memberships:

**A R 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:

- Grainger PLC – NED, SID, Audit Committee Chair, and Remuneration and Nomination Committee member (appointed February 2017).
- Affinity Water Limited – NED, Audit Committee Chair and Remuneration & Nomination Committee member (appointed July 2020).
- Marshall of Cambridge (Holdings) Ltd – NED, Audit & Risk Committee Chair, and Remuneration and Nomination Committee member (appointed October 2021).

Past board roles include:

- Carillion plc – NED (for a six-week period from 1 December 2017)
- Segro plc – Group Finance Director
- Speedy Hire plc – Group Finance Director

# Executive Leadership Team



## Becky Parker

BSc (Hons), MSc, ACMA/CGMA, GradCG

### Group Company Secretary & ESG Director

Joined the business in 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. Over 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.

## Chris Murray

BSc, MSc, MBA

### Managing Director – Clay & Concrete

Joined the business in November 2023

**Relevant skills and experience:** BSc in Civil Engineering, MSc in Materials Handling Technology awarded by Glasgow Caledonian University and an MBA from Newcastle Business School. 27 years of experience in FTSE 100 Manufacturing Companies. 20 years in Rio Tinto, starting as a Graduate Engineer and moving onto multiple Factory General Manager roles and ultimately the Chief Operating Officer for the Middle East. Following Rio Tinto spent almost 7 years with DS Smith Managing Director UK & Ireland.

## 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 & Group Strategy

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 start up ventures) and general management roles in Europe and fast-growing emerging markets. Experience in construction industry including Cement, Aggregates, Concrete and Plasterboard.

## Christopher McLeish

BSc, ACA

### Chief Financial Officer

See page 74 for skills and experience.

## Joe Hudson

BA (Hons), FCIPD

### Chief Executive Officer

See page 74 for skills and experience.

# 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 2023, the Company has applied the principles and complied with the relevant provisions of the Code.

► **Read more** 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

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 Istock'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.

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 38.

#### Division of Responsibilities

The roles and responsibilities of key aspects of the Group's governance framework can be found on page 82.

#### Composition, Succession and Evaluation

The Nomination Committee Report on page 87 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 85 and the Audit Committee Report on page 96 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 103 contains information on the Company's Remuneration Policy as well as its application in 2023 and for the coming financial year.

## 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 85. Further details on the emerging and principal risks and uncertainties can be found on page 22.

## 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 96.

### Section 172(1)

The s172(1) Statement is presented on page 42.

## Our purpose and values

The construction industry plays a vital part in the UK economy. Istock has a clear and simple purpose: 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.

► **Our purpose** is on page 14.

## Our strategy

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.

► **Our Strategy** is on page 16.

## Our culture

The Board is very proud of the culture within Istock and each Director acts with integrity to lead and promote the desired culture.

► **More detail** is on page 78.

## 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 95.

## Viability and going concern

Statements in respect of viability and going concern are set out on pages 70 to 71.

# Board Leadership and Company Purpose

## Culture

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 remains satisfied with the values of the Group during 2023.

The table below sets out how policies and practices support Ibstock's culture and explain how the Board monitors our culture.

| Driving sustainable performance  |   |
|--|---|
| <p><b>Health, safety and wellbeing</b></p> <p>We remain focused on creating a positive, proactive safety culture underpinned by a belief that all incidents across our operations are preventable. We remain committed to driving our business to zero harm for everyone through continued focus on our six safety rules; successful employee engagement events such as Safe Start days; and continuing investment in wellbeing with the introduction of a network of Mental Health Allies. Every employee has the objective to raise two safety concerns through the internal Health and Safety monitoring system each year. Action is taken to investigate, prioritise and close concerns with employees able to track progress through the monitoring system.</p> |   |
| How the Board monitors our Health, Safety and Wellbeing culture  | Result  |
| <p>The Board receives and discusses a detailed update on health and safety at the start of every Board meeting. This allows the Board to monitor the development and implementation of initiatives to improve safety as well as Ibstock's prioritisation of completing safety actions.</p> <p>The CEO and senior leaders continuously monitor the Group's safety performance, starting all internal communications with a focus on driving health and safety prioritisation throughout the Group.</p> <p>The Group recognises factories that meet key milestone dates without Lost Time Incidents.</p>   | <p>60% reduction in lost time injury frequency rates (LTIFR) from the 2016 baseline</p>   |
| <p><b>Operational Excellence</b></p> <p>As a manufacturer, operational excellence is critical to our success. Throughout the year, the reduction in market demand has required a keen focus on cost and capacity management, where we have taken decisive steps to mitigate the impact on our business performance in the short term and position the business for longer-term sustainable growth. Please review our Operations Reviews on Page 27 for more information.</p>   |   |
| How the Board monitors our Operational Excellence culture  | Result  |
| <p>The Board received regular updates on performance and discussed and approved actions required to manage our cost and capacity. When discussing such proposals, a keen focus was given on the approach Ibstock will take to this work to ensure that the strong collegiate culture is not damaged by the necessary actions taken.</p>  | <p>Additional support was provided to colleagues impacted by cost and capacity decisions</p>  |
| <p><b>Environmental performance</b></p> <p>We continue to take action at all levels in our business to deliver our ambitious target of a 40% reduction in carbon by 2030, and are pleased to receive further external recognition for the leadership role we are playing in ESG as detailed on Page 49.</p>  |   |
| How the Board monitors our Environmental Performance culture   | Result  |
| <p>Through the ESG Committee, the Board receives regular updates on the Group's performance against our ESG targets.</p>   | <p>The development of a high level Carbon Transition Plan ensures carbon reduction is embedded into our culture</p> <p>See Page 47 for more information</p> |



## Market-led innovation

### Product Innovation

As market leader in clay and concrete products, Ibstock has the broadest range of building products and solutions available in the UK, and has a culture of investment to enhance our offer.

#### How the Board monitors our Product Innovation culture

The Board and its Committees receives updates on new product innovation within their meetings. During 2023, the ESG Committee received training on Environmental Product Declarations (EPDs) and monitors the EPD publication programme.

#### Result

11 % sales revenue from new and sustainable products

### Customer experience

Providing the highest standard of products and service to our customers is critical to our success. Developing our culture and processes to offer integrated solutions, rather than single products, has been a large focus of this year.

#### How the Board monitors our Customer Experience culture

The Board monitors our customer experience culture through updates of customer feedback, sales figures and our Net Promoter Score.

#### Result

The launch of the “One Ibstock” brand

### Digital transformation

Developing our digital culture and processes to offer more efficient and secure solutions.

#### How the Board monitors our Digital Transformation culture

The Board received an update during the 2023 year on the progress made on our digital strategy.

The Audit Committee received updates on cyber and information security during 2023.

#### Result

Continued support and commitment for our digital transformation

## Selective growth

### Investment in our Core

We continue to invest in our brick manufacturing network and concrete automation in line with our objective of maintaining the lowest cost, most efficient and most sustainable capacity in the industry.

#### How the Board monitors our Core Investment culture

The Board received regular updates in their Board meetings on growth opportunities.

#### Result

Completion of two bolt-on acquisitions and the establishment of a more robust pipeline of further opportunities

### Diversified Growth

We continue to seek diversification opportunities into adjacent market segments.

#### How the Board monitors our Diversified Growth culture

Key opportunities were discussed as part of the Board Strategy meeting.

The Board received updates on new opportunities as plans develop through the year.

#### Result

Oversight of the progress of our slips investment projects in Nostell

A visit to Power Park to oversee the organic growth in our Façades business

### People

The Listening Post, our chosen method of workforce engagement.

#### How the Board monitors our People culture

The Board received updates on new initiatives and the development of plans through the year.

Each Non-Executive Director is required to attend a Listening Post, with Peju Adebajo attending all sessions in her role as the Non-Executive Director responsible for workforce engagement.

The Board considered the minutes from each Listening Post as well as updates from the Board attendees at subsequent Board meeting.

#### Result

The results of our bi-annual employee engagement survey demonstrated very solid progress, with participation rates increasing to 76 % (2021: 62 %) and all engagement measures showing improvement

# Activities of the Board in 2023

The key activities considered by the Board during the year are set out below.

## STRATEGY AND GROWTH

- **Review and approve the Strategic Plan** – Annually, the Board reviews, challenges and approves the Strategic Plan presented by the CEO and CFO.
- **Strategy meeting** – A dedicated session is assigned to the consideration and review of the Group's strategy on an annual basis. During this session, the Board receive inputs from its key advisers, the Executive Directors and members of the senior management teams. This year, the Board also visited a Social Housing Site (Bromley by Bow) to provide further insight into the Social Housing sector.
- **Acquisitions** – The Board reviewed and approved the acquisitions of Coltman and the G-Tech assets.

## HEALTH AND SAFETY

- **Reports** – 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.
- **Health and safety culture** – The Board uses The Listening Post and factory visits as opportunities to receive feedback on the health and safety culture within Ibstock.

## OPERATIONAL

- **Operational performance reporting** – The CEO provides regular reports to the Board.
- **Cost and capacity management** – This year, the Board carefully reviewed management's cost and capacity reduction plans ahead of approving the activities within them.
- **Site visits** – Formal Board and Committee visits were held at our Longley and Power Park sites during the year. The Board members also visited several sites outside of formal meetings. During these visits, operational performance is discussed with the Factory Managers.

## FINANCIAL

- **Financial performance reporting** – 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.
- **2025 Budget** – The Board discussed, challenged and approved the 2025 Budget presented by Management.

## RISK MANAGEMENT AND INTERNAL CONTROL

- **Risk management** – Following a detailed review by the Audit Committee, the Board review Ibstock's approach to risk management, risk appetite and the Group's risk register twice a year.
- **Internal controls** – Upon guidance from the Audit Committee, the Board review the internal risk management framework and internal controls.

## GOVERNANCE

- **Formal governance updates** – Formal updates on governance are provided by the Group's advisers.
- **Governance updates** – The Board receives regular updates on other major legal, governance or compliance developments from the Group Company Secretary.
- **Board evaluation** – This year, the Board discussed the findings and agreed the action plan from the External Board Effectiveness Review.

# Shareholder engagement

The Board recognises the value of maintaining close relationships with all of its stakeholders, understanding their views and the importance of these relationships in delivering our strategy and the Group's purpose.

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.

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 42.

Throughout the year, the Board engaged with Istock shareholders through multiple formal channels including the below.

#### ▶ 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 2023 financial year, we held over 95 meetings with groups of existing and potential investors.

The Chair 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.

Louis Eperjesi, 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.

#### ▶ 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 Istock's business.

#### ▶ Shareholder feedback

The Chair 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.

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 Istock's major shareholders. Further information on engagement with shareholders can be found in the Stakeholder engagement section on page 38.

#### ▶ Annual General Meeting (AGM)

Istock's AGM will be held on 16 May 2024. 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.

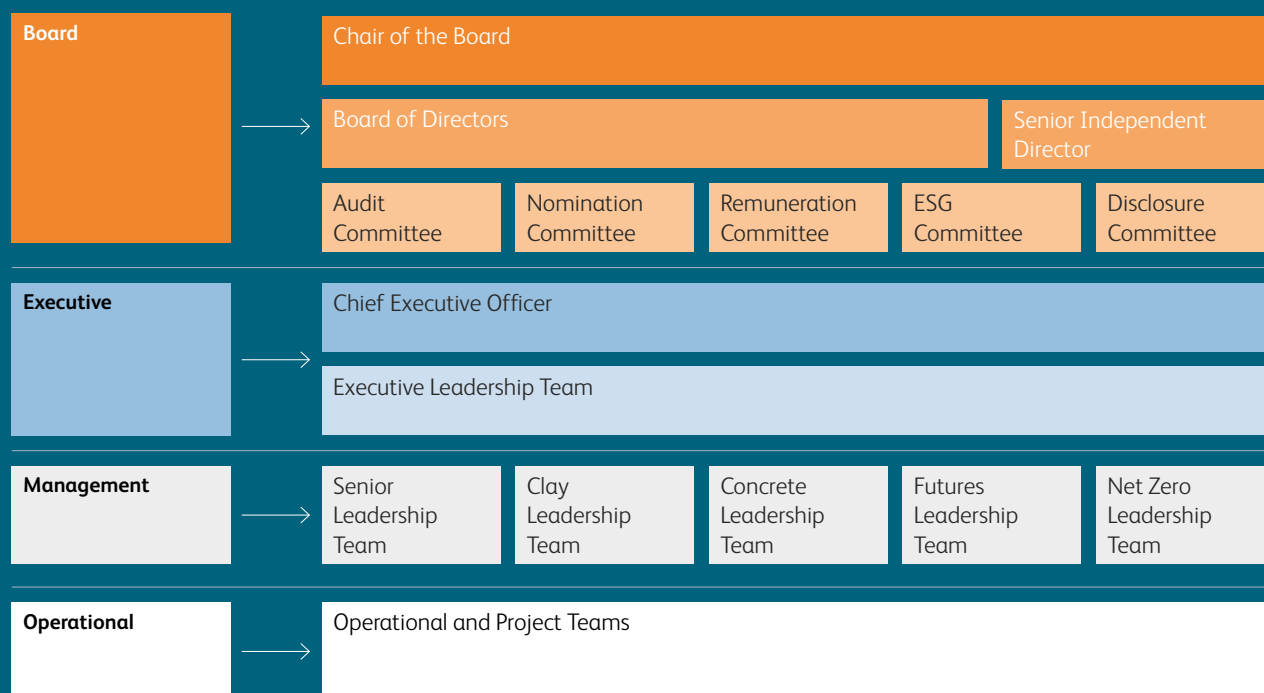
Details of the arrangements together with the resolutions to be proposed at the AGM can be found in the Notice of Meeting (Notice). The Notice, together with explanatory notes on the resolutions to be proposed and full details of the deadlines for appointing proxies, will be circulated to all shareholders at least 20 working days before the AGM, together with this Annual Report. This document will also be available on our website [www.ibstock.co.uk](http://www.ibstock.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.



Brick Slips at our Midlands factory

# Division of responsibilities

## Governance framework



## Meeting attendance

|                          | Board | Audit Committee | Remuneration Committee | Nomination Committee | ESG Committee |
|--------------------------|-------|-----------------|------------------------|----------------------|---------------|
| <b>Jonathan Nicholls</b> | 8/8   | –               | 6/6                    | 2/2                  | –             |
| <b>Joe Hudson</b>        | 8/8   | –               | –                      | –                    | 4/4           |
| <b>Chris McLeish</b>     | 8/8   | –               | –                      | –                    | –             |
| <b>Tracey Graham</b>     | 2/2   | 1/1             | 1/1                    | 0/0                  | –             |
| <b>Justin Read</b>       | 8/8   | 4/4             | 6/6                    | 2/2                  | –             |
| <b>Louis Eperjesi</b>    | 8/8   | 4/4             | 6/6                    | 2/2                  | 4/4           |
| <b>Claire Hawkings</b>   | 8/8   | 4/4             | 6/6                    | 2/2                  | 4/4           |
| <b>Peju Adebajo</b>      | 8/8   | 4/4             | 6/6                    | 2/2                  | 4/4           |
| <b>Nicola Bruce</b>      | 5/6*  | 3/3             | 5/5                    | 2/2                  | –             |

\* Nicola Bruce was unable to attend one meeting date due to an unavoidable conflict with another Company's Board meeting set prior to her appointment to Ibstock. She received papers on all matters to be discussed at the meeting and provided the Board, Chair, CEO and other members with comments and questions prior to the meeting.

The Board has clearly defined the roles of the Chair, CEO and Senior Independent Director (SID) and, as required by the Code, the roles of Chair and CEO are not being exercised by the same individual.

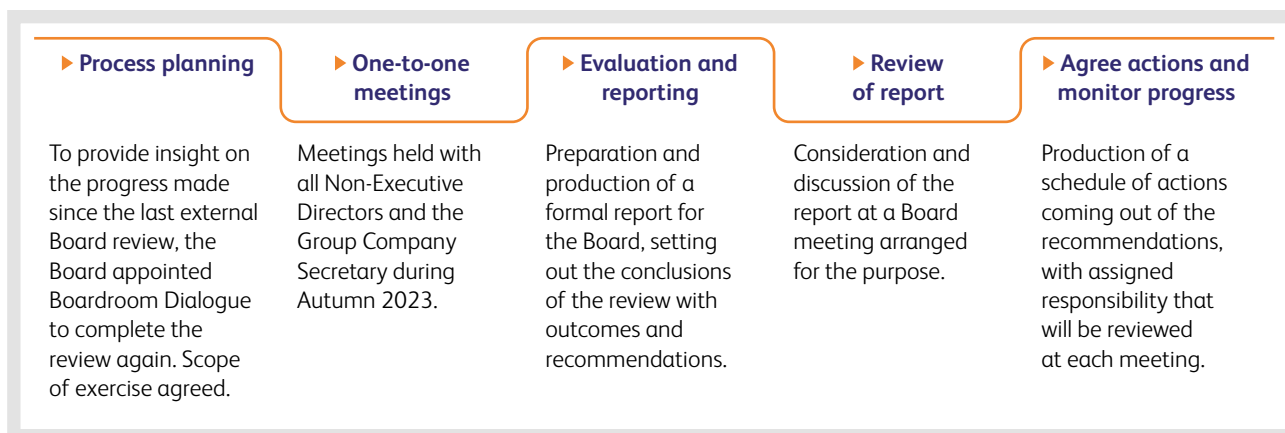
Full details of the roles and responsibilities of all parts of the Group's governance arrangements including those concerning the Chair, CEO and SID can be found on the Company's website and on the next page.

## Roles and responsibilities

|  |   |
|--|---|
| <b>Chair</b>   | The Chair is responsible for the leadership and effectiveness of the Board. The Chair, with the 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. They also hold meetings without the CEO and CFO being present.  |
| <b>The Board</b>                                     | <p>There are a number of key areas that are specifically reserved for the decision of the Board. A list of these can be found on our website <a href="http://www.ibstock.co.uk">www.ibstock.co.uk</a>.</p> <p>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.</p> <p>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.</p>   |
| <b>Independent Non-Executive Directors</b>           | 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 Chair meet regularly without any Executive Directors being present.   |
| <b>Senior Independent Director (SID)</b>             | The SID provides advice to the Chair and serves as an intermediary for the other Directors and shareholders. The Non-Executive Directors meet without the Chair present at least annually to appraise the Chair's performance, and on other occasions as necessary.   |
| <b>Board Committees</b>                              | <p>The Board has five main committees: the Audit Committee, Nomination Committee, Remuneration Committee, ESG Committee and the Disclosure Committee.</p> <p>The Terms of Reference for each Committee are available on the Group's website <a href="http://www.ibstock.co.uk">www.ibstock.co.uk</a>.</p>   |
| <b>Chief Executive Officer (CEO)</b>                 | 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 direct the day to day business of the Group. The CEO is also responsible for the recruitment, leadership and development of the ELT.   |
| <b>Executive Leadership Team (ELT)</b>               | The ELT has been established to support the CEO's 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 Managing Director – Clay & Concrete, the Managing Director – Ibstock Futures & Group Strategy, the Group People Director and the Group Company Secretary & ESG Director. Meetings are held on a monthly basis.  |
| <b>Chief Financial Officer (CFO)</b>                 | 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 manages the relationships with Ibstock's investors and analysts. Further information can be found in the Financial Review on page 33.   |
| <b>Board support and the Group Company Secretary</b> | <p>The Group Company Secretary supports and works closely with the Chair, 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 Chair 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.</p> <p>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.</p> |
| <b>Directors' Availability</b>                       | The Board is content with the level of external directorships held by the Chair 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.  |
| <b>Independence</b>                                  | 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.   |

# Board Evaluation

## Board evaluation process



### Process and methodology

During 2023, Boardroom Dialogue conducted an externally facilitated evaluation of the Board's performance, and that of its Committees. Boardroom Dialogue was selected as the Board believed that this would allow the most appropriate insight on improvements and progress made as it also completed the 2020 externally facilitated evaluation. Boardroom Dialogue has no other connection to the Company or any individual Director.

The review was undertaken in accordance with the principles and provisions of the FRC UK Corporate Governance Code, 2018 edition (the Code) and the FRC Guidance on Board Effectiveness, July 2018 (Guidance).

This was the second externally facilitated review process for Istock that involved the use of individual interviews with all members of the Board, although an external, questionnaire-based review was completed in the 2018 financial year. The next fully externally facilitated review will be undertaken in 2026.

The review was delivered by way of interviews in order to capture non-attributable views, with additional commentary based on best practice and emerging trends. The focus was on the identification of things the Board and Committees were doing well in addition those to areas that would benefit from further improvement.

The process included an initial briefing meeting with the Chair to finalise the scope of work, a desktop review of all Board and Committee papers for a certain period, together with related governance documentation, interviews with all Board members plus the Company Secretary, and the observation of Board and Committee meetings. These actions were presented in a draft report that was initially discussed with the Chair and the CEO before its circulation and discussion at a meeting of the Board.

### Outcomes

The key findings from this process was that the Board was operating effectively, with no significant issues or concerns that were not already under consideration.

The Board currently operates with a high level of trust, effective leadership and a culture of constructive challenge, and contains appropriate skills.

- The Chair provides strong leadership, clarity of direction and creates a safe environment, which encourages constructive debate
- The Chair and CEO work well together
- The Board and Committee meetings are well chaired
- The Board is open and collegiate where Directors have a high level of trust and confidence in each other
- The skills around the Board table are felt to be appropriate for the current challenges facing the business
- The CEO and CFO are open and transparent with the Board

A number of recommendations were made to further improve the Board's operation. These included:

- The need for consideration of how to provide the Board with even more insight into customers and employees
- Holding more Board meetings at sites
- Increase Non-Executive Director visibility across the Group
- Develop a skills matrix for the Board

A number of other recommendations and ideas were discussed by the Board and it was agreed that a formal action plan would be developed with support from the Company Secretary to address the recommendations. This plan would form a standing part of the activities of the Board over the course of the coming year.

### Progress against actions

During 2023, the Board made progress on the actions from the 2022 and 2023 Board evaluations including the development of a skills matrix for the Board which is shown on page 88.

# Audit, Risk and Internal Control

## Board assessment of risk management and internal control

The Board has overall responsibility for the Group's system of risk management and internal control, including the setting of risk appetite.

The Audit Committee has a key role to play in overseeing risk management and internal controls and advising the Board. More information on page 96.

The Board is responsible for reviewing the effectiveness of risk management and internal control systems and specifically that:

- There is an ongoing, systemised process for identifying, evaluating and managing the principal risks faced by the Group.
- This system has been in place for the year under review and up to the date of approval of this Annual Report.
- The system is regularly reviewed by the Board.
- The system accords with the Financial Reporting Council (FRC) guidance on risk management, internal control and related financial and business reporting.

During the year, the Board has directly, or through the Audit Committee, overseen and reviewed the development and performance of risk management activities and practices and the systems of internal control in place across the Group. As a result, the Board is satisfied that the risk management and internal control systems that are in place remain robust and effective.

The Board delegated the responsibility for conducting the work required for it to provide the 'fair, balanced and understandable', 'going concern' and 'viability' statements to the Audit Committee. In conducting this work, the Audit Committee acts on behalf of the Board and its activities remain the responsibility of the Board.

The relevant Board statements on these matters are set out on page 70 and page 71. The principal risks and uncertainties are set out on pages 22 to 26.

## System of risk management and control

The system of internal control is designed to manage and mitigate rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has delegated the day to day management of the Group to the Chief Executive Officer and Executive Leadership Team (ELT).

The risk governance model is based on 'three lines of defence' as follows:

### 1st line of defence

A risk management framework is in place which includes the agreed risk appetite, policies and procedures. The Group's management operates a formal process for identifying, managing and reporting on the strategic, operational and financial risks faced by each of the Group's businesses. Risks are reviewed in detail at Divisional risk meetings and, on an overall basis, by the ELT and the Audit Committee. Support is provided by the 2nd line of defence oversight functions.

### 2nd line of defence

Oversight is provided by the various control functions, including risk, compliance and specialist functions such as health and safety and information security. The 2nd line provides advice to the Board and the Audit Committee on risk appetites, review of risk ratings and action plans and reports on risk management.

### 3rd line of defence

The Group has a dedicated Internal Audit function and a formal audit plan is in place to address the key risks across the Group and the operation and effectiveness of internal controls. The function reports to the Board through the Audit Committee.

## Risk management cycle

### Risk appetite

Risk appetite is defined as the amount and type of risk we are willing to pursue or retain in order to meet our strategic objectives. Our assessment of risk appetite is guided by our vision and mission and informed by our strategic objectives. It is used as a measure against which all of our current and proposed activities are tested.

Risk appetite is reviewed bi-annually to ensure that it is aligned with strategy.

### Risk framework

A risk framework is in place across the Group which includes risk appetite. Each business is expected to adhere to the Group risk framework and to report regularly on its risk registers and key risk indicators, but, if appropriate, the Group framework may be customised to local requirements as long as minimum standards are met. A mechanism exists to extend the Group's risk framework to any significant new business that is acquired or established immediately upon acquisition or start-up.

## Risk assessment and risk registers

Our assessment of risk is approached from a top-down and a bottom-up perspective. Through the ELT, we identify Group Enterprise Risks, which are those risks that directly link to our business model and strategy. At a Divisional level, each business identifies strategic and operational risks, which are captured on detailed risk registers. Divisions are also required to ensure that risks designated by the Group to be 'critical' risks are actively managed. These are risks where compliance with a minimum level of control is considered to be non-negotiable (an example of a 'critical' risk is health and safety). Best practice in respect of identifying and mitigating 'critical' risks is shared across the Group.

All risks are assessed in respect of likelihood and impact based on the materiality matrix included in the Group risk framework. Risks are then scored on a mitigated and unmitigated basis and rated as high, medium or low. Consideration is given to whether risks are within or outside appetite and particular attention is given to the controls that are in place and the actions being taken to mitigate the risks. Incidents are recorded and reported on at the relevant risk meetings.

Risk registers are reviewed at Divisional risk meetings, with the ELT and the Audit Committee having regular oversight of both the Group Enterprise Risks and the principal risks identified by each Division.

### Risk oversight

Oversight of the risk management process is provided by the Group Financial Controller, Divisional risk teams, the Audit Committee and, ultimately, the Board.

### Internal control

Internal Audit acts as the 3rd line of defence. In order to ensure the independence of the Internal Audit function, RSM's primary reporting line is to the Chair of the Audit Committee.

The Internal Audit function fulfils its role and responsibilities by delivery of the annual, risk-based audit plan. There are no restrictions on the scope of Internal Audit's work.

A report is issued after each audit which provides an opinion on the control environment and details any issues found. Internal Audit then works with the businesses to agree remedial actions, which are tracked to completion.

RSM attends and reports to every Audit Committee meeting.

# Audit, Risk and Internal Control continued

## Financial reporting

The long-term business plan, annual budget and material investment proposals are formally prepared, reviewed and approved by the Board.

A clearly defined organisation structure is in place, with clear lines of accountability and appropriate division of duties. The Group's financial regulations specify authorisation limits for individual managers with all material transactions being approved by the Board.

Consolidated financial results, including a comparison with budgets and forecasts, are reported to the Board at each meeting, with variances being identified and understood so that mitigating actions can be implemented, where appropriate. Monthly Divisional meetings are held, attended by Executives, representatives from the Group Finance function and local senior management. These meetings provide an opportunity for a detailed review of performance and to identify any issues or trends.

Half-year and annual consolidated accounts are prepared and verified by the finance team, and reviewed by the Executive Directors and the External Auditor. The accounts are then considered by the Audit Committee, which makes a recommendation in respect of their approval to the Board. The Board then reviews and approves the accounts prior to the announcement of the half-year and annual results.

The Board considers that the processes undertaken by the Audit Committee are appropriately robust, effective and in compliance with the guidelines issued by the FRC. During the year, the Board has not been advised by the Audit Committee on, or identified itself, any failings, fraud or weaknesses in internal control which have been determined to be material in the context of the financial statements.

## Viability Statement

The approach to the Viability Statement and the statement itself are set out on pages 70 to 71.

## 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 2023.

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.

## Additional standalone policies

### 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.ibstock.co.uk](http://www.ibstock.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 4 incidents reported through the external whistleblowing line during the year (2022: 3). Each case was thoroughly investigated and appropriate actions were taken.

### 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.

## Sustainable Procurement Policy

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

## Sustainability (ESG) Policy

As part of our vision for sustainable growth, we continuously work to minimise our impact on the environment. More information is found on page 44.

## 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.

► **Read more** There is also a Diversity Policy specifically for the Board – more information found on page 90

## 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.

► **Read more** For more information relating to all our policies, please see our corporate website, [www.ibstock.co.uk](http://www.ibstock.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.ibstock.co.uk](http://www.ibstock.co.uk). This formalises the Group's approach to conducting its tax affairs and managing our tax risks. Our view on 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.



# Nomination Committee Report



**Jonathan Nicholls**  
Chair of the Nomination Committee

## Committee purpose

The Nomination Committee (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

### Committee meetings and membership

At Year End, the Committee comprises the Chair of the Board and five Independent Non-Executive Directors.

| Member                           | Membership dates                        | Meeting attendance | % attendance |
|----------------------------------|---|--------------------|--------------|
| <b>Jonathan Nicholls (Chair)</b> | <b>22 September 2015</b>                | <b>2/2</b>         | <b>100%</b>  |
| <b>Justin Read</b>               | <b>1 January 2017</b>                   | <b>2/2</b>         | <b>100%</b>  |
| <b>Peju Adebajo</b>              | <b>26 November 2021</b>                 | <b>2/2</b>         | <b>100%</b>  |
| <b>Nicola Bruce</b>              | <b>29 March 2023</b>                    | <b>2/2</b>         | <b>100%</b>  |
| <b>Louis Eperjesi</b>            | <b>1 June 2018</b>                      | <b>2/2</b>         | <b>100%</b>  |
| <b>Claire Hawkings</b>           | <b>1 September 2018</b>                 | <b>2/2</b>         | <b>100%</b>  |
| <b>Tracey Graham</b>             | <b>3 February 2016 to 27 April 2023</b> | <b>0/0</b>         | <b>100%</b>  |

► **Read more** – Biographies of the Committee members are on page 74

## Priorities for 2024

- To conduct an orderly process for the recruitment of a new Chair to Ibstock.
- To support the induction and handover to the new Chair once appointed.
- To address compliance to the targets in the Listing Rules (LR 9.8.6R(9)) and the recommendations of the FTSE Women Leaders Review.

**“The Nomination Committee appointed Nicola Bruce to the Board and deepened our progress on our Board’s succession planning.”**

### 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 Chair, the Chief Executive Officer, and the Chief Financial Officer are undertaken annually
- Recommend, where appropriate, the re-election of Directors

► **Read more** – The Committee’s Terms of Reference are available in full at [www.ibstock.co.uk](http://www.ibstock.co.uk)

### Main activities of the Nomination Committee during 2023

- The appointment of Nicola Bruce as Chair of the Remuneration Committee, following Tracey Graham’s planned departure at the close of the 2023 Annual General Meeting.
- **More information on Nicola’s appointment process and her induction is found on page 89**
- Supporting the recruitment process of Chris Murray as Managing Director – Clay & Concrete.
- Reviewed and supported initiatives to support improved diversity, economic and social benefit throughout the Group, as we are conscious that this needs to be an area of focus for Ibstock as a leader within the building sector.
- Reviewed succession plans for key members of the Board, including the Chair. Following deliberation, the Committee concluded that to ensure an orderly and well organised transition to a new Chair at the end of Jonathan Nicholls’ tenure, the search for a new Chair will start during 2024. As Senior Independent Director (SID), Louis Eperjesi will lead this appointment process and a specialist third party recruitment specialist will be appointed in early 2024 to support this process.

# Nomination Committee Report continued

## 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 managed the process to appoint Nicola Bruce as a Non-Executive Director and Chair of the Remuneration Committee. The Committee also oversaw the process undertaken to recruit Chris Murray as Managing Director – Clay & Concrete, with his appointment starting on 1 November 2023.

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 in character and judgement.

In line with good practice, given the tenure of Justin Read as Audit Committee Chair, the Committee considered and concluded that he remains independent, when reviewing the independence of all our Non-Executive Directors.

To support this, the Committee has developed a skill matrix of the Board Directors which will be used to better understand the training requirements of the Board, as well as to understand the skills and experience requirements within the Board’s succession plans.

As Jonathan Nicholls has been the Chair of Istock for eight years, the Nomination Committee recognises the need to ensure an effective succession plan for the role of Board Chair. As such, it was agreed to commence a Chair recruitment exercise during 2024 with the aim of allowing a handover period for the new Chair ahead of commencing the role following the 2025 AGM.

### Skills matrix of Board Directors

|                          | Strategy and Leadership | Built environment/construction | Financial Reporting and Controls | Remuneration | Sustainability | Government Regulation | Health and Safety | Manufacturing | Product Innovation | Customer Experience | Cyber and Technology | M&A | People and Culture |
|--------------------------|-------------------------|--------------------------------|----------------------------------|--------------|----------------|-----------------------|-------------------|---------------|--------------------|---------------------|----------------------|-----|--------------------|
| <b>Jonathan Nicholls</b> | ●                       | ●                              | ●                                | ●            | ●              | ●                     | ●                 | ●             |                    |                     |                      | ●   | ●                  |
| <b>Joe Hudson</b>        | ●                       | ●                              |                                  | ●            | ●              |                       | ●                 | ●             | ●                  | ●                   |                      | ●   | ●                  |
| <b>Chris McLeish</b>     | ●                       | ●                              | ●                                |              |                |                       | ●                 | ●             |                    |                     | ●                    | ●   | ●                  |
| <b>Peju Adebajo</b>      | ●                       | ●                              |                                  |              | ●              |                       | ●                 | ●             | ●                  | ●                   |                      |     | ●                  |
| <b>Nicola Bruce</b>      | ●                       | ●                              | ●                                | ●            | ●              | ●                     |                   |               |                    | ●                   |                      | ●   | ●                  |
| <b>Louis Eperjesi</b>    | ●                       |                                |                                  | ●            | ●              |                       | ●                 | ●             | ●                  | ●                   |                      | ●   | ●                  |
| <b>Claire Hawkings</b>   | ●                       |                                |                                  | ●            | ●              |                       | ●                 | ●             |                    |                     |                      | ●   | ●                  |
| <b>Justin Read</b>       | ●                       | ●                              | ●                                | ●            | ●              |                       | ●                 | ●             |                    |                     |                      | ●   | ●                  |

## Board appointment process

| ► Appointment process   | ► Evaluate the Board  | ► Identify suitable candidates   | ► Recommend to the Board  |
|---|---|--|---|
| <p>The process for appointing new Board members is set out in the Committee Terms of Reference, which can be found on our website <a href="http://www.ibstock.co.uk">www.ibstock.co.uk</a>.</p> <p>The Committee is responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise.</p> | <p>Before any appointment is made to the Board, the Committee takes into account of 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 process, the Committee prepares a description of the role and capabilities required of the particular appointment, and assesses the time commitment expected.</p> | <p>In identifying suitable candidates, the Committee:</p> <ul style="list-style-type: none"> <li>• Uses open advertising or the services of external advisers to facilitate the search</li> <li>• Considers candidates from different genders and a wide range of backgrounds</li> <li>• Considers candidates on merit and against objective criteria, taking into account the benefits of diversity on the Board</li> <li>• Ensures that appointees have enough time to devote to the position</li> </ul> | <p>The Nomination Committee considers the selection and reappointment of Directors carefully before making a recommendation to the Board. Non-Executive Directors and the Chair 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.</p> |

### Recruitment agency

To assist with the search for suitable candidates to appoint a new Remuneration Committee Chair, the Committee appointed Russell Reynolds, a specialist third party recruitment agency which has no other connection to the Company or to individual Directors.

### New Non-Executive Director induction programme

A comprehensive induction programme is arranged for all newly appointed Non-Executive Directors.

This year, following her appointment as a Non-Executive Director on 29 March 2023, a detailed induction programme was arranged for Nicola Bruce.

Details of some of the activities undertaken by Nicola Bruce are set out below:

| Area   | Provided by  | Subjects discussed/matters covered   |
|--|--|--|
| <b>Board and Committees</b>  | Non-Executive Directors<br>Group Company Secretary                                   | Board and Committee operation<br>Skills and backgrounds of Board members<br>Board responsibilities   |
| <b>External and Internal Audit</b>                                 | External Audit partner<br>RSM (Internal Auditor)                                     | Audit cycle, audit plans<br>Interaction with Audit Committee<br>Audit development horizon<br>Overview of risks and controls                                |
| <b>Brokers and Legal Advisers</b>                                  | Managing Director, UBS<br>Partner, Slaughter and May                                 | Market and industry development<br>Investor landscape<br>Key legal, regulatory and best practice environment   |
| <b>Head Office functions and Clay operations<br/>Group Finance</b> | CEO<br>Senior managers<br>CFO  | Group strategy<br>Operations overview<br>Insight into Head Office functions<br>Financial control framework and governance processes<br>Financial reporting |
| <b>Remuneration</b>  | Tracey Graham<br>Remuneration Committee Adviser<br>Group People Director             | Remuneration landscape<br>Remuneration within Istock<br>Directors' Remuneration Policy   |
| <b>Manufacturing</b>   | Manufacturing Development Director<br>Technical and Strategic Projects Director      | Manufacturing and Production<br>Strategic projects   |
| <b>Health, Safety and Environment</b>                              | Head of Group SHEQ   | Istock's focus on health and safety<br>Environmental performance   |
| <b>Concrete operations, site visit</b>                             | Operations Director, Concrete<br>Factory Manager, Cebastone                          | Concrete operations overview<br>Concrete factory operations and production   |
| <b>Clay Operations, site visit</b>                                 | Operations Director, Clay<br>Factory Manager, Eclipse<br>Factory Manager, Chesterton | Clay operations overview<br>Clay factory operations and production   |
| <b>Environmental, Social and Governance</b>                        | ESG Director   | ESG Strategy<br>Roadmap to Net Zero<br>Challenges and opportunities  |

# Nomination Committee Report continued

## Board Diversity

### Board diversity targets

In accordance with the Listing Rules (LR 9.8.6R(9)), Ibstock confirms that as at 31 December 2023, and as at the date of this report at least one individual on its board of directors is from a minority ethnic background.

Ibstock notes that it has not met the target that at least 40% of the board of directors are women with 37.5% of our board of directors being women.

Ibstock also notes that it has not met the target that one of the following senior positions on its board of directors is held by a woman – the chair, the chief executive, the senior independent director; or the chief financial officer. This target also aligns with the FTSE Women Leaders recommendation.

Whilst Ibstock met this target at the 2023 AGM, the appointment of Louis Eperjesi as SID during the year, has led to this target not being met by year end.

The Committee retains the strong belief that a diverse Board membership supports the Group strategy by bringing the widest range of viewpoints and experience possible to the debate.

We will seek to meet this Board diversity target and recommendation as part of the next Board changes.

Ibstock collects diversity data from the Board and wider workforce through diversity data collection surveys.

### 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.

In line with the recommendation in the Parker Review, aimed at improving the Ethnic Diversity of UK Business, we will be reviewing our approach to Ethnic diversity now we have completed our data collection and will set appropriate targets as relevant.

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 the Board's commitment to appropriately diverse membership and compliance with reporting regulations, and can be found on the Group website [www.ibstock.co.uk](http://www.ibstock.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.

## Board Diversity Policy

### Objectives

We are committed to promoting equal opportunities in employment and apply this policy to all Board Committees. As an organisation we believe that by providing a harmonious working environment, all employees should be able to maximise their potential and contribute to our success. Ibstock's Diversity and Inclusion Policy, which applies to all employees, supports our Diversity and Inclusion Strategy, and Working Group activities, which aim to increase diversity and promote inclusion within our workforce.

| Policy objectives  | Implementation   | Progress against objectives   |
|--|--|---|
| The Board acknowledges and supports the recommendations of the FTSE Women Leaders' (previously the Hampton-Alexander) and Parker reviews | We will continue to make appointments which reflect our strategic aims to sustain, innovate and grow our business, with due regard for the need for diversity on the Board.  | We maintained our Board gender diversity of 38% through 2023 having appointed a new Non-Executive Director who is also the Chair of the Remuneration Committee. |
|  | On a comply or explain basis, we will continue to report on the diversity of our Board composition with reference to the voluntary targets outlined within these reviews in our Annual Report and Accounts, and in compliance with legal and regulatory requirements as may be applicable from time to time. | We have increased our diversity disclosures within this Annual Report and Accounts.   |

## 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.

We have also progressed our consideration of other elements of Diversity, with the collection of wider diversity data from our workforce during 2023. We will be reviewing this data and agreeing next steps during 2024.

# 40%

We retain our stated target to increase female representation in the senior management group to 40% by 2027.

The Committee 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 Committee 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.

Whilst the Board met this recommendation as at the 2023 AGM, with the appointment of Louis Eperjesi as Senior Independent Director during 2023, we no longer comply but will seek to ensure compliance as part of the next Board changes.

### Jonathan Nicholls

Chair of the Nomination Committee

5 March 2024

## Diversity disclosure

### Gender identity of members of the Board and Executive Committee as at 31 December 2023

|  | Number of Board members | Percentage of the Board | Number of Executive Leadership Team (ELT) | Percentage of the ELT | Percentage of Senior Management |
|--|-------------------------|-------------------------|---|-----------------------|---------------------------------|
| <b>Men</b>                               | 5                       | 62%                     | 4   | 67%                   | 65%                             |
| <b>Women</b>                             | 3                       | 38%                     | 2   | 33%                   | 35%                             |
| <b>Not specified / prefer not to say</b> | 0                       | 0%                      | 0   | 0%                    | 0%                              |

### Ethnicity of members of the Board and Executive Committee as at 31 December 2023

|  | Number of Board members | Percentage of the Board | Number of Executive Leadership Team (ELT) | Percentage of the ELT | Percentage of Senior Management |
|--|-------------------------|-------------------------|---|-----------------------|---------------------------------|
| <b>White – English/Welsh/Scottish/N Irish</b>    | 7                       | 87%                     | 5   | 83%                   | 88%                             |
| <b>White – Any other</b>                         | 0                       | 0%                      | 1   | 17%                   | 3%                              |
| <b>Asian/Asian British – Chinese</b>             | 0                       | 0%                      | 0   | 0%                    | 3%                              |
| <b>Asian/Asian British – Pakistani</b>           | 0                       | 0%                      | 0   | 0%                    | 3%                              |
| <b>Black/African/Caribbean/British – African</b> | 1                       | 13%                     | 0   | 0%                    | 3%                              |
| <b>Not specified / prefer not to say</b>         | 0                       | 0%                      | 0   | 0%                    | 0%                              |

# ESG Committee Report



**Claire Hawkings**  
Chair of the ESG Committee

## Committee purpose

To oversee Ibstock’s strategies, policies and performance in relation to environmental, social and governance (ESG) matters and suggest ways to drive improvement in these areas as appropriate.

### 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 and the impacts, risks and opportunities of climate change
- Oversee the promotion of socially responsible values and standards that relate to employees as well as 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
- Work with the Audit Committee on understanding the risk and opportunities of climate change, and ensuring mitigation plans are developed and implemented
- Oversee Company disclosures of ESG matters in the Annual Report and Accounts

► **Read more** – The Committee’s Terms of Reference are available in full at [www.ibstock.co.uk](http://www.ibstock.co.uk)

“The ESG Committee has made significant progress supporting the organisation on a broad, varied and increasing remit, and on delivery of the ESG Strategy”

## Priorities for 2024

- Continue to drive the implementation of the ESG 2030 Strategy and integration of ESG performance across the Group.
- Maintain focus on climate change, not least on ensuring detailed transition plans are owned at a site level.
- Progress understanding of the impact of the business on nature and further progress plans for biodiversity enhancement and protection.

## ESG 2030 Strategy

► **Read more** – page 44

### Main activities of the ESG Committee during 2023

- Monitoring the Group’s performance against the ambitious interim targets set out in the ESG 2030 Strategy.
- Ensuring the ESG Strategy remains aligned with the Company’s purpose, values and culture.
- Recommending the ESG targets to be included into the LTIP performance conditions.
- Visiting an Ibstock site as well as a potential alternative fuel site to further understand the progress, challenges and opportunities of delivering our ESG 2023 Strategy.
- Improved the granularity of our TCFD Disclosure.
- Training and developing an approach to Task Force for Nature-related Financial Disclosures (TNFD) and biodiversity.

### Committee meetings and membership

The ESG Committee (the Committee) comprises three Independent Non-Executive Directors and the CEO.

| Member                            | Membership dates        | Meeting attendance | % attendance |
|-----------------------------------|-------------------------|--------------------|--------------|
| <b>Claire Hawkings</b><br>(Chair) | <b>1 September 2018</b> | <b>4/4</b>         | <b>100%</b>  |
| <b>Peju Adebajo</b>               | <b>26 November 2021</b> | <b>4/4</b>         | <b>100%</b>  |
| <b>Louis Eperjesi</b>             | <b>1 June 2018</b>      | <b>4/4</b>         | <b>100%</b>  |
| <b>Joe Hudson</b>                 | <b>2 January 2018</b>   | <b>4/4</b>         | <b>100%</b>  |

► **Read more** – Biographies of the Committee members are on page 74

The Committee receives assistance from the Group Company Secretary & ESG Director, who attends in her capacity as the member of the ELT responsible for ESG and Sustainability issues at Ibstock.

Our specialist adviser from RSM, members of the ESG team, and members of other group functions attend meetings at the invitation of the Committee Chair.

As part of our governance process, the CEO was absent from any discussions or final decision-making on any remuneration target proposals.

## Introduction

Following the ESG Committee's third year in operation, I am pleased to introduce the 2023 ESG Committee Report. Due to the broad, varied and increasing remit of this Committee, our workload over the past year has continued to increase in volume and complexity. As a Committee, we continue to adapt and evolve our annual programme of work to reflect the increasing demands on the Committee and the Group.

We are particularly encouraged by the number of awards that Istock has won this year and would like to congratulate all involved in these testaments to the hard work, ambition and achievements towards a more sustainable Company.

## 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 RSM, specialist advisers in the ESG field who provide expert technical advice to the Committee. Implementation of the strategy is the responsibility of the CEO, 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 co-ordinated by the ESG team. A full description of how our ESG governance operates can be found in the Responsible Business section on page 44, and in the TCFD statement on page 56.

The Committee continues to focus on ensuring that the Committee and Board are fully briefed and appropriately trained on ESG matters. The Committee continues to mature 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 adviser, who has provided practical advice on a range of issues.

## Net zero

A key part of our ESG strategy is the commitment to become a net zero carbon operation by 2040

### 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. The Committee remains cognisant that the carbon reduction journey will not always show linear progression.

In 2023 we had a 37% reduction in our absolute Scope 1 and 2 carbon emissions against our 2019 baseline, and whilst a large proportion of this reduction links to lower production volumes during the year, a number of operational efficiency and dematerialisation projects have contributed to this reduction.

The carbon intensity metric for 2023 was 0.151 tonnes of carbon per tonne of production, an increase on 2022 due to the estate running at a lower efficiency as the market slowed.

The implementation and performance of our Carbon Transition Plan will require Group-wide focus and prioritisation, and we are heartened by the progress that Istock has made to align the Divisional Strategies to the Carbon Transition Plan, as this will create further momentum and pace in the implementation of carbon reduction activities.

The Committee remains confident that the Group remains on course to achieve the ambitious carbon commitments made in our ESG 2030 Strategy.

► [Read more: page 44](#)

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

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 and to ensure alignment with Istock's Business Plan.

Positive progress has been made on TCFD through more granular assessments of the risks and opportunities of climate change for Istock and the development of our Carbon Transition Plan.

► [Read more: page 56](#)

### Biodiversity

The Committee continues to drive progress in this area including the development and roll-out of the Istock Biodiversity Management System.

### Social Impacts

We continue to make positive progress on the Social Value Framework, the diversity and inclusion agenda, and employee development in line with the commitments in our ESG 2030 Strategy.

We also continue to ensure rigour and focus on our safety performance which was evidenced by achieving a loss time injury frequency rate (LTIFR) reduction of 60% against our target of 50% by 2023.

### Committee effectiveness

During 2023, the Committee was deemed to be operating effectively with strong Committee leadership. The Committee continues to focus on ensuring the right proportion of Committee time is given to training, progress updates, horizon scanning and discussion to really consider and debate issues. This will continue to be a focus throughout 2024.

### Claire Hawkings

Chair of the ESG Committee

5 March 2024

# Audit Committee Report



**Justin Read**  
Chair of the Audit Committee

## Introduction

As Chair of the Audit Committee (the Committee), I am pleased to present my report for the year ended 31 December 2023.

## Committee purpose

To critically assess and make recommendations on the reporting, control, risk management and compliance aspects of the Directors' and the Group's responsibilities.

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 to 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 significant time reviewing the Group's TCFD reporting processes, our principal risks and uncertainties risk matrix, and enterprise control systems.

A continued feature of the Committee's annual work programme is to target specific risk areas with 'deep dive' sessions held with appropriate members of the management team. Cyber risk continues to be a significant risk area for the Group, in common with businesses worldwide, and was the focus of our 'deep dive' session held in November. During this review, the Committee was briefed on the progress made over the last 12 months, and gained comfort that appropriate protections were in place to secure the Group's technology estate. Due to the material cost and associated price risk, energy and carbon risk management activities were also the focus of a 'deep dive' session during the year and resulted in the Committee's increased comfort that appropriate processes and controls were in place.

## Committee meetings and membership

At the year end, the Committee comprises five Independent Non-Executive Directors.

| Member                     | Membership dates                        | Meeting attendance | % attendance |
|----------------------------|---|--------------------|--------------|
| <b>Justin Read (Chair)</b> | <b>1 January 2017</b>                   | <b>4/4</b>         | <b>100%</b>  |
| <b>Peju Adebajo</b>        | <b>26 November 2021</b>                 | <b>4/4</b>         | <b>100%</b>  |
| <b>Nicola Bruce</b>        | <b>29 March 2023</b>                    | <b>3/3</b>         | <b>100%</b>  |
| <b>Louis Eperjesi</b>      | <b>1 June 2018</b>                      | <b>4/4</b>         | <b>100%</b>  |
| <b>Claire Hawkings</b>     | <b>1 September 2018</b>                 | <b>4/4</b>         | <b>100%</b>  |
| <b>Tracey Graham</b>       | <b>3 February 2016 to 27 April 2023</b> | <b>1/1</b>         | <b>100%</b>  |

► **Read more** – Biographies of the Committee members are on page 74

**“The Committee continues to work effectively to oversee the reporting, control, risk management and compliance within Ibstock.”**

## Priorities for 2024

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 within them.

Specific focus areas for the Committee will be:

- Continuing to assess the effectiveness of the Group's risk management and internal control systems, and to make recommendations to the Board in this regard
- Planning implementation of changes to UK Corporate Governance Code
- Performing deep dives into key risk areas
- Reviewing management's plans and recommendations for identified areas of improvement in the Group's internal controls
- Progression on climate-related disclosures

## Role and responsibilities

- To make recommendations on the reporting, control, risk management and compliance aspects of the Directors' and the Group's responsibilities.
- To provide independent monitoring, guidance and challenge to management in these areas.
- To provide a forum for reporting and discussion with the Group's External Auditor in respect of the Group's half-year and full-year results.
- To review and make recommendations to the Board on the Group's financial reporting, internal control and risk management systems.
- To assess the effectiveness of the External Audit process.
- To assess the effectiveness of the External and Internal Auditor.
- To ensure high standards of corporate and regulatory reporting, risk management and compliance, and the maintenance of an appropriate control environment.

► **Read more** – The Committee's Terms of Reference are available in full at [www.ibstock.co.uk](http://www.ibstock.co.uk)

## Main activities of the Audit Committee during 2023

- Reviewed the full- and half-year results and 2022 Annual Report
- Considered the effectiveness of the risk management and internal control processes.
- Review of Internal Audit activities.
- External Audit planning and reporting.
- Considered the effectiveness of the internal and external audit functions.
- Reviewed significant accounting matters and judgements.
- Reviewed the Group's TCFD reporting.
- Received updates on cyber and information security.
- Considered the FRC's consultation on reforms to the UK Corporate Governance Code.
- FRC's Corporate Reporting Review Response.



- Risk deep dives into Cyber Security, Energy and Carbon procurement.

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.

### Financial and narrative reporting

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 120
- 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 2023 Annual Report.
  - Received updates on training for Committee members, including changes in financial reporting requirements and company law.
  - 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 70 and 71.

### 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.

### Alternative Performance Measures (APMs) and 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.

The Committee conducted a review of the items categories as exceptionally in the year, including the items resulting from factory closures and restructuring. Additionally, the Committee sought views from the External Auditor as to the appropriateness of items categorised by management as exceptional. Upon conclusion of this review, the Committee concurred with management's analysis of proposed exceptional items.

#### ► Details of exceptional items\* are set out in Note 5 to the financial statements

Additionally, the Group financial statements present a number of APMs within its published financial information, including the 2023 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 2023, the scheme had an actuarial accounting surplus of £9.8 million (2022: £15.2 million), including liabilities of £363.9 million (2022: £358.4 million), as detailed in Note 20 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 of the assumptions.

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.

### Impairment of non-current assets

#### Matter considered

The Group holds significant asset values in the form of brands, customer relationships, mineral reserves, land and buildings and property, plant and equipment. At the interim and year end balance sheet date, these assets were considered for indications of impairment. At the interim reporting date, an impairment charge of £9.2 million was recognised following the announcement of the proposed cessation of production at the Ravenhead site in the Clay Division. There were no other general indicators of impairment. At 31 December 2023 following the subsequent announcement of the proposed cessation of production at

# Audit Committee Report continued

the South Holmwood, Gloucester and Hampshire in the Clay division and Masoncrete and Castle Dawson in Concrete division, a total impairment charge of £20.6 million was recognised within cost of sales within the Group's consolidated income statement.

At 31 December 2023, detailed impairment tests assessing the value-in-use (VIU) concluded that there was no impairment at a Cash Generating Unit (CGU) level across the Group for any of those sites expected to continue in operation. As at 31 December 2023, the value of these non-current assets was £572 million (2022: £546 million).

## Committee's response

In approving the interim and full year financial statements of the Group, the Committee considered and appropriately challenged the analysis of impairment proposed by management, in light of the Group's restructuring plans recently approved by the Board. In addition, the Committee carefully considered management's VIU assessments, the related sensitivity analyses and the disclosure included within the Group's financial statements. The Committee sought views from the External Auditor regarding management's process for completion of VIU impairment tests and the conclusions reached.

In conclusion, the Committee assessed the impairment charge as appropriate and concurred with management's view that no further impairment was required. The Committee carefully considered management's VIU tests and the associated sensitivity analysis and assessed the impact on the analysis of changes to the underlying assumptions. This compared the assumed performance of the CGUs to the recently Board-approved budget and strategic plan. Additionally, the Committee sought the External Auditor's views as to the process adopted by management at the year end date to assess VIU. Following its review, the Committee concurred with management's judgement that no indicators of impairment existed at the balance sheet date for the sites that will continue in operation.

In conclusion, after reviewing the reports from management, the Committee was satisfied that the financial statements appropriately reported the value of the assets and that they were fairly stated. The Committee reflected upon management's proposal to include the critical accounting estimate disclosure relating to the impairment of non-current assets and concluded this 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 70 and 71. 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 2023 Annual Report and Accounts are fair, balanced and understandable. The Committee reviewed the process for preparing the 2023 Annual Report, reviewed management's analysis of the 2023 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 2023 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 120.

## 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.

## Assessment of principal risks

The Committee 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 22 to 26.

## Committee review of risk and controls

Twice a year the Committee considers in detail the risk management and internal control environment within Ibstock. During this meeting, the Committee considers the current and proposed regulatory and best practice requirements. It also reviews the internal control framework, including Group's culture and values, risk management evaluation and procedures, financial controls, Internal Audit focus and processes, and ethics and compliance. It also considers the improvement and development areas within these areas.

Compliance with internal controls is monitored throughout the year and reported to the Audit Committee for their consideration. The Committee receives Internal Audit Reports throughout the year from RSM. There is also six-monthly independent testing of our internal controls completed by RSM that is shared with the Audit Committee.

During this process, input is received from Group Finance, the Company Secretary and Internal Audit (RSM).

## Internal controls

The Group's systems of internal control are based on an assessment of risk, a framework of control procedures to manage risks and processes to monitor compliance with procedures. The internal control systems are designed to meet the particular needs of the Group and the risks to which it is exposed. Such systems can only provide reasonable and not absolute assurance against material misstatement or loss.

## Management structure and authority

There is a clearly defined management responsibility and reporting structure.

The Executive Leadership Team (ELT), comprising the Executive Directors and key functional heads, meets on a frequent basis in order to consider the assessment and control of risk, including review and challenge of Divisional and head office risk registers, and the consideration of strategic and emerging risks. They also consider the prioritisation and allocation of resources.

The Group has an established and well-understood management structure with documented levels for the authorisation of business transactions and clear bank mandates to control the approval of payments.

#### Outcomes of the review

No material weaknesses were identified and good progress has been made on the recommendations from last year.

A number of improvement areas were identified as part of this review which are being actioned and tracked on a monthly basis by both management and Internal Audit with progress reporting to the Audit Committee.

These areas included improved evidential support for controls operation and compliance, and continuing to develop and increase the compliance of monthly control reporting.

#### External Auditor

Following a competitive tender process conducted in 2016, Deloitte LLP (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 second year in role for the year ended 31 December 2023.

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.

#### Financial Reporting Council (FRC) Review

The FRC elected to review the Company's 2022 Annual Report and Accounts in accordance with Part 2 of the FRC Corporate Reporting Review Operating Procedures. Following this review, no questions or queries were raised. The FRC noted some recommendations to disclosure and analysis within the Annual Report which have considered and adopted where appropriate.

#### External Audit relationship

- Reviewed and concurred with Deloitte's plans for their review of the 2023 half-year statement and audit of the 2023 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 2023
- 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.

#### 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 this year's 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 2023. The External Auditor is responsible for the annual audit of the main Group subsidiary companies 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 11:1.

# Audit Committee Report continued

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 reappointment to the Board. A resolution to reappoint Deloitte as the External Auditor will therefore be proposed at the AGM to be held on 16 May 2024.

## Auditor appointment

The Audit Committee reviews annually the appointment of the auditor (taking into account the auditor's effectiveness and independence and all appropriate guidelines) and makes a recommendation to the Board accordingly. Any decision to open the external audit to tender is taken on the recommendation of the Audit Committee. There are no contractual obligations that restrict the Company's current choice of external auditor. Following the last tender process, Deloitte was appointed as auditor of the Company in 2017. Lee Highton became the lead audit partner for the year ended 31 December 2022, following the rotation of the previous partner, and will remain as audit partner for the year ending 31 December 2024 onwards. The Company is required to have a mandatory audit tender after 10 years and, as the Audit Committee considers the relationship with the auditors to be working well and remains satisfied with their effectiveness and the quality of audit work and professional capabilities, the Audit Committee does not currently anticipate that it will conduct an audit tender before it is required to do so in 2026. The Audit Committee considers this to be in the best interests of the Company's shareholders for the reasons outlined above and will continue to monitor this annually to ensure the timing for the audit tender remains appropriate, taking into account the effectiveness and independence of the auditor.

The Company has complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (CMA Order) for the year ended 31 December 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.

RSM have provided Ibstock's Internal Audit services since February 2017.

## 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 anticipation of potential new requirements arising from 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 2024 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 pages 22 to 26
- 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
- Concluded that, whilst there remained opportunities to improve in certain areas, overall the systems of internal control and risk management were effective

## Effectiveness of Internal Audit

The Committee is responsible for overseeing the effectiveness of the Internal Auditors. The Committee received and considered the feedback provided about the Internal Audit effectiveness that was collated using a questionnaire sent to the Committee members and Management.

The Committee considers that RSM continue to be independent and that the Internal Audit function is effective.

## 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 98.

A non-material fraud incident was identified via our whistleblowing processes. Following an independent investigation by our Internal Auditors at one site, four factory employees were found to have colluded to circumvent business process and controls. Ibstock have taken immediate steps to put in place additional safeguards to prevent this from occurring again and are pursuing enforcement action against the individuals involved (who no longer work in the business).

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 Committee effectiveness was considered as part of the External Board Effectiveness Review. The output from this process was reviewed by both the Board and the Committee itself, in compliance with the Code. Further information regarding the evaluation process can be found in the Corporate Governance Report on page 84. 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 evaluation.

## Justin Read

Chair of the Audit Committee

5 March 2024

# Directors' Remuneration Report



**Nicola Bruce**  
Chair of the Remuneration Committee

## Annual Statement

I am pleased to share the Remuneration Committee's report, and my first as Chair of the Committee. I would like to thank my predecessor, Tracey Graham, for her service to the Committee and for her valuable support in ensuring a smooth handover. I would also like to thank my fellow Committee members for their support and contribution to the work of the Committee throughout the year.

Our directors' remuneration policy received strong support at the 2022 AGM (with 99% of votes cast in favour). I can confirm that we have operated in line with the approved policy in 2023, a summary of which is included in this report.

### This report consists of three sections:

- Annual Statement: A summary of the work of the Committee during the year and our approach to remuneration  
▶ [Read more](#) on pages 99 to 102
- Summary of the 2022 Directors' Remuneration Policy: Details the framework and parameters within which Directors are paid  
▶ [Read more](#) on pages 103 to 106
- Annual Report on Remuneration: Sets out the pay and incentive outcomes for the year under review and how the Remuneration Committee intends to implement the Policy in 2024  
▶ [Read more](#) on pages 107 to 116

The Committee considers that the Policy has worked well in 2023 and continues to support our strategy effectively. We will therefore not be asking shareholders to vote on a revised Policy at the 2024 AGM, in line with the usual three-year timetable.

### ▶ Find out more

CEO Review p10  
Key performance indicators p20  
Responsible Business p37  
Financial Review p3  
Our stakeholders p38

**“The focus of the Committee this year has been on ensuring rewards are commensurate with performance in a challenging trading environment”**

### Business performance in FY23

Against the backdrop of a very challenging market, Istock has delivered a resilient and robust performance this year. Despite the reduced activity levels in our core residential market, through continued focus on customer service and disciplined capacity and cost management, the business delivered adjusted EBITDA\* of £107 million (2022: £140 million), in line with expectations.

This has been achieved through:

- A strong commitment to customer service and execution, supporting stable pricing in a tougher market environment, and retaining our position of UK market leadership as the number 1 manufacturer of clay bricks by production capacity.
- An intense focus on cost and capacity management, with the business benefiting from a major restructuring programme undertaken towards the later part of the year.
- Continued development of our compelling growth strategy, including investment in acquisitions and the development of Istock Futures to capture growth from faster-growing segments of construction markets.

The Group remains focused on its medium term financial targets.

Our margin performance in 2023 remained broadly in line with these targets, and we continue to manage the business with a commitment to delivering in line with these targets over the cycle.

We have also continued to deliver progress against our ESG 2030 Strategy. Some notable achievements include: a reduction in the carbon per tonne of product; our in-year Lost Time Incident Frequency Rate (LTIFR) performance remains ahead of our medium-term target; and we have increased the representation of females in our senior management team.

### Remuneration outcomes for FY23

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.

In line with our remuneration philosophy, incentive outcomes are largely driven by corporate performance and shareholder value creation. Consistent with previous years, the 2023 annual bonus for our Executive Directors was based 70% on the Group's financial performance and 30% on non-financial objectives.

### Annual Bonus

Full details of the targets and performance against them is set out on page 108.

- Adjusted EBITDA\* for FY 2023 accounted for 50% of total bonus. Despite resilient performance, as a consequence of challenging trading conditions, the adjusted EBITDA\* threshold was not met.
- Adjusted Operating Cashflow for FY 2023 accounted for 20% of total bonus. Reflecting the reduction in adjusted EBITDA\* from lower activity levels in our core residential markets, alongside continued investment in projects to support our medium-term growth objectives, the Adjusted Operating Cashflow threshold was also not met.
- Directors each had a set of non-financial objectives that were specific to their roles and the Company's strategic ambitions. The Committee noted the very strong performance in relation to these non-financial targets, and after detailed consideration, determined that a bonus of 29.4% (out of a total potential award of 30%) was appropriate.

# Directors' Remuneration Report continued

The Committee is conscious of the sensitivity involved with paying bonus when financial targets have not been achieved and has considered this very carefully. In particular, the Committee considered the importance of the Executive Directors' personal performance objectives and noted their relevance to external stakeholders. Objectives relating to employee wellbeing, the customer experience, the securing of future growth, and the operational and financial resilience of the company are crucial to the company's medium and long term performance. The delivery of these challenging objectives is considered key to future financial success and ensuring that Istock is well positioned to take full opportunity of a market recovery.

On balance, and after detailed consideration, the Committee concluded that the formulaic annual bonus outcome of 29.4% is an appropriate reflection of the commitment and performance of our Executive Directors in extremely tough market conditions.

## LTIP Vesting

LTIP awards granted in 2021 were based on three-year EPS, ROCE, TSR and ESG targets.

- The EPS measure for FY23 accounted for 30% of the award. As a consequence of challenging trading conditions, the EPS threshold target was not met and this component of the award vested at 0%.
- Relative TSR performance for the three year period from the date of grant (25 March 2021) accounted for 40% of the award. Whilst the performance period ends in March 2024, indicative indications of performance suggest that this measure will vest at 0%.
- ROCE for the three year performance from FY21 to FY23 accounted for 20% of the award. The three year average adjusted ROCE bonus-outturn was 19.45% and this part of the award vested in full.
- The ESG measure of carbon intensity (tonnes of carbon per tonnes of finished product) accounted for 10% of the award. Based on the commendable actions of the business to reduce the carbon intensity of production, this measure will vest at 5.5%.

Based on the performance across these four measures, the overall estimated vesting of the 2021 LTIP is 25.5%. Full details of these performance targets and vesting are detailed on page 108.

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.

## The year ahead

Our two Executive Directors will receive base salary increases of 3% each, which is aligned to the increase provided to other ELT members as well as the wider workforce. The Committee believes the CEO and CFO salary increases are merited and reflect their considerable contributions during the year. Their fixed remuneration remains in line with their relative experience and relevant market benchmarks.

Pension contribution rate will continue to be 10% of salary which is in line with the rate offered to the wider workforce.

The annual bonus opportunity remains at 125% of salary and, as in FY23, 70% of total award will be based on financial metrics and 30% on personal objectives.

- Adjusted EBIT\* will account for 50% of total award. The Committee considers that Adjusted EBIT\* is a more appropriate measure of profitability for Remuneration purposes than Adjusted EBITDA\* given its closer alignment with shareholder returns;
- An adjusted cash flow measure will account for 20% of total award; and
- Non-financial personal objectives will account for 30% of total award.

The LTIP grant level in FY24 will be 150% of salary and will be subject to adjusted EPS\*, ROCE, relative TSR, and ESG objectives.

## Looking after our employees

Building on the success of the Istock Story last year, this continued to be at the heart of our employee engagement agenda throughout the year. It was particularly pleasing to note the strong progress in our employee engagement survey results. These results demonstrated a notable increase in levels of inclusion and belonging amongst our employee base and provide a strong foundation for future years.

Our commitment to employee engagement is underpinned by regular working groups, communication forums, and open consultation throughout the year. Members of this Committee attend a regular engagement forum called the Listening Post: it has been a pleasure to meet with staff from across the Group and listen to their feedback and suggestions.

Supporting colleagues with financial wellbeing has also been a key focus this year and this formed an important part of our overall wellbeing agenda. This support was importantly leveraged during the period of organisational change, during which all impacted employees were supported with outplacement support. The Committee supported the ELT's recommendation to allow early vesting of the Fire Up share options for employees impacted by the restructuring efforts.

## Shareholder support at the 2023 AGM

The Board regularly engages with our shareholders in order to maintain their support and to ensure we have a transparent executive reward structure aligned to the shareholder experience. Last year, we sought approval for our Directors' Remuneration Report and updated Long-Term Incentive Plan scheme rules. I would like to thank shareholders once again for your support for both remuneration votes, which achieved support of 97% and 98% respectively.

This Remuneration Report will be subject to the usual advisory shareholder vote and I look forward to receiving your support at our 2024 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.

As we have entered into the final year of our three-year policy, during 2024, we will also be undertaking a detailed review of our Policy and consulting with shareholders on potential changes ahead of the 2025 AGM.

In the meantime, if you would like to discuss any aspect of our Remuneration Policy, please feel free to contact me via the Company Secretary (Company.Secretariat@ibstock.co.uk).

## Nicola Bruce

Chair of the Remuneration Committee

5 March 2024

*The report has been prepared in accordance with the Companies Act 2006, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, the provisions of the UK Corporate Governance Code and the UKLA's Listing Rules.*

# Remuneration at a glance

## How our Executives were paid in FY23

Executive Director total remuneration in FY22 and FY23

### Joe Hudson (CEO) Total Remuneration

**£895**  
000s



| £000s        | FY23       | FY22         |
|--------------|------------|--------------|
| Base Salary  | 514        | 486          |
| Benefits     | 12         | 20           |
| Pension      | 51         | 97           |
| Bonus        | 191        | 610          |
| LTIP         | 127        | 220          |
| <b>Total</b> | <b>895</b> | <b>1,433</b> |

### Chris McLeish (CFO) Total Remuneration

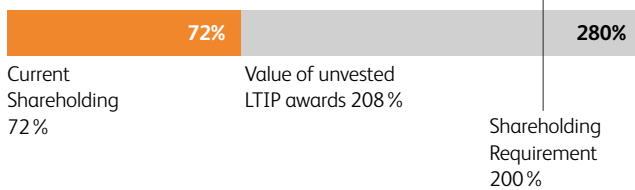
**£611**  
000s



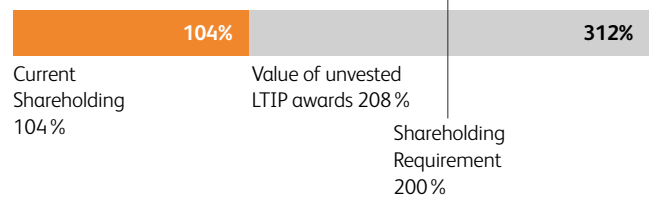
| £000s        | FY23       | FY22       |
|--------------|------------|------------|
| Base Salary  | 346        | 327        |
| Benefits     | 16         | 16         |
| Pension      | 35         | 33         |
| Bonus        | 129        | 411        |
| LTIP         | 85         | 148        |
| <b>Total</b> | <b>611</b> | <b>934</b> |

## Share ownership

### Joe Hudson (CEO)

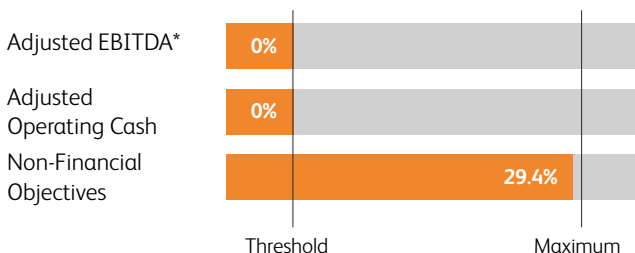


### Chris McLeish (CFO)



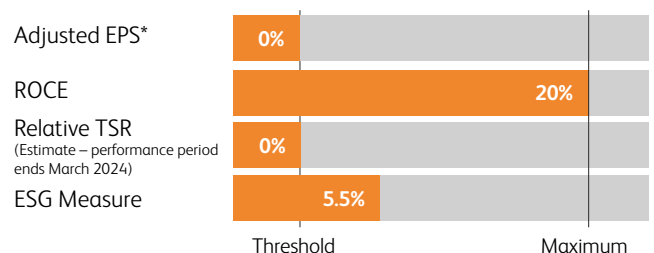
Unvested LTIP awards are net of tax and inclusive of dividend equivalents

## 2023 Bonus Performance



**Total 2023 Bonus Performance = 29.4%**

## 2023 indicative LTIP Performance



**Total Estimated 2021 LTIP Performance = 25.5%**

# Directors' Remuneration Report

## Remuneration at a glance continued

### How Executives will be paid in 2024

An overview of our Policy and how it is proposed to apply in FY24 is set out below.

#### Fixed pay: to recruit and reward Executives of a high calibre

| Remuneration for the year ending 31 December 2024 |  |  |
|---|--|--|
| <b>Salary</b>                                     | CEO: £536,143<br>CFO: £360,724   | A 3% increase in line with the general increase received by senior employees and the average Company-wide increase.<br><br>Salary increases are effective from 1 April 2024 to align with the approach for the wider workforce.<br><br>The increases are in the context of strong individual performances in their respective roles. |
| <b>Pension</b>                                    | 10% of salary  | Aligned with the maximum pension opportunity for the wider workforce.  |
| <b>Benefits</b>                                   | Includes private medical cover, a company car or a cash alternative, and death in service cover. |  |

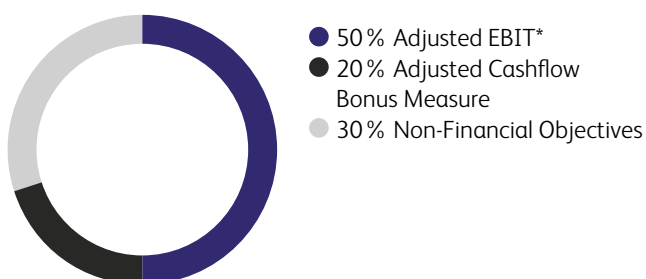
#### Annual and Deferred Bonus Plan (ADBP)

To incentivise and reward the achievement of annual financial and operational objectives which are closely linked to the corporate strategy.



**Maximum opportunity: 125%**  
Malus and clawback provisions apply

#### FY24 Bonus Metrics



#### Long Term Incentive Plan (LTIP)

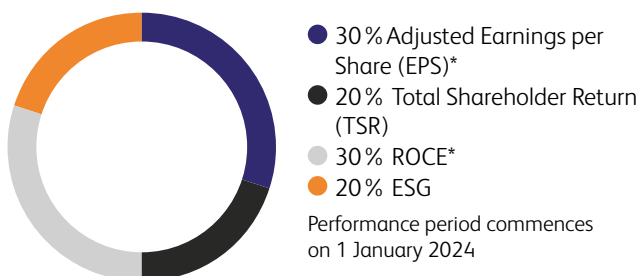
To incentivise and recognise successful execution of the business strategy over the longer term. To align the long-term interests of Executive Directors with those of shareholders.



**Maximum opportunity: 150%**  
Malus and clawback provisions apply

#### FY24 LTIP Metrics

Our FY24 LTIP metrics are designed to incentivise and reward the achievement of long-term financial and ESG objectives which are aligned to our corporate strategy and our ESG ambitions.



### Shareholding Guidelines

**200%** in employment

Executive Directors are expected to build a shareholding equivalent to 200% of base salary over five years.

**200%** post-cessation

Executive Directors have a post-cessation minimum shareholding requirement of 200% of their base salary (or actual holding if lower) for two years from leaving.



# Directors' 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 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.ibstock.co.uk](http://www.ibstock.co.uk).

## Summary of 2022 Policy for Executive Directors

| Link to strategic objectives  | Operation   | Maximum opportunity   | Performance metrics   |
|---|---|---|---|
| <b>Base salary</b><br>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.<br><br>An alternative approach may be taken in relation to the individuals who are recruited or promoted to the Board.   | None  |
| <b>Benefits</b><br>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><br>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.   | <ul style="list-style-type: none"> <li>10% of salary for Executive Directors</li> </ul>   | None  |
| <b>Annual and Deferred Bonus Plan (ADBP)</b><br>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.<br><br>The Committee will determine each year what part of the ADBP is deferred for three years.<br><br>The minimum value of deferred shares is one-third of the bonus earned.<br><br>The ADBP contains clawback and malus provisions.                 | <ul style="list-style-type: none"> <li>Up to 125% of salary</li> </ul> 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.<br><br>Actual targets, performance achieved and awards made will be published at the end of the performance period. |
| <b>Long Term Incentive Plan (LTIP)</b><br>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.<br><br>A post-vesting holding period of two years will apply for the LTIP.<br><br>The Committee may award dividend equivalents in shares on awards to the extent that these vest.<br><br>The LTIP contains clawback and malus provisions. | <ul style="list-style-type: none"> <li>Up to 150% of salary</li> <li>Up to 200% of salary in exceptional circumstances</li> </ul> 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 2024 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.   |

# Directors' Remuneration Report

## Remuneration Policy Summary continued

### Summary of 2022 Policy for Executive Directors continued

| 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.<br><br>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

Ibstock has applied the principles of the UK Corporate Governance Code (the Code) and complied with its relevant provisions. The Committee has considered the principles set out in Provision 40 of the Code and explains below how these have been addressed:

#### Clarity

To ensure that the remuneration arrangements are transparent and promote effective engagement with shareholders and the workforce, we:

- Proactively consult our shareholders on any changes to the Remuneration Policy and seek their views.
- Regularly engage with the workforce and seek to bring employee voice in the Boardroom.
- 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.

#### Simplicity

To ensure we avoid complexity and improve understandability within our remuneration structures:

- The structure of the ADBP and LTIP are in line with standard UK market practice and hence should be familiar to all stakeholders.
- Performance metrics are chosen to focus on the key operational and financial performance objectives of the business.

#### Risk

Ibstock's remuneration arrangements reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated. The Policy helps mitigate risks as follows:

- The Committee has discretion to override formulaic outcomes in instances where payouts do not accurately reflect the overall performance of the business.
- Malus and clawback in incentive plan rules provide flexibility to prevent excessive payouts in exceptional circumstances.
- Post-vesting holding periods and shareholding requirements encourage focus on sustainable performance over the long term.
- Incentive performance metrics are aligned with the Company's strategy.
- Maximum award limits are set within the Policy.

#### Predictability

We identified and explained at the time of approving the Policy the limits or discretions on the range of possible values of rewards to individual directors. This includes:

- The Policy sets out potential levels of vesting available for varying degrees of performance (threshold, on-target and maximum) and calculation methodology.
- The DRR illustrates graphically the potential levels of remuneration received by Executive Directors under various performance scenarios.

#### Proportionality

The link between individual awards, the delivery of strategy and the long-term performance of the Company is clear and our outcomes do not reward poor performance:

- The ADBP and LTIP reward Executive Directors for delivering the Company's strategy.
- The use of deferral and multi-year performance periods ensure Executive Directors are focused on long-term sustainable performance.
- The Committee's discretion to adjust outcomes prevents Executive Directors from being rewarded for poor underlying business performance.

#### Alignment to culture

Incentive schemes should drive behaviours consistent with Company purpose, values and strategy.

- Alignment of our incentives structure to strategy is illustrated on page 105. Strategic priorities are supported by the Company's culture.
- 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.

## Notes to the Remuneration Policy table

### Recovery and withholding

Awards under the Annual and Deferred Bonus Plan (ADBP) and the Long-Term Incentive Plan (LTIP) are subject to recovery and withholding provisions which permit the Remuneration Committee, at its discretion, to reduce the size of any future bonus or share award granted to the colleague, to reduce the size of any granted but unvested share award held by the colleague, or to require the colleague to make a cash payment to the Company.

The circumstances in which the Company may apply the recovery and withholding provisions are the discovery of a material misstatement of financial results, a miscalculation or error in assessing any condition (including any performance condition) applying to the award, in the event of fraud or gross misconduct committed by the colleague, or where there has been corporate failure or reputational damage.

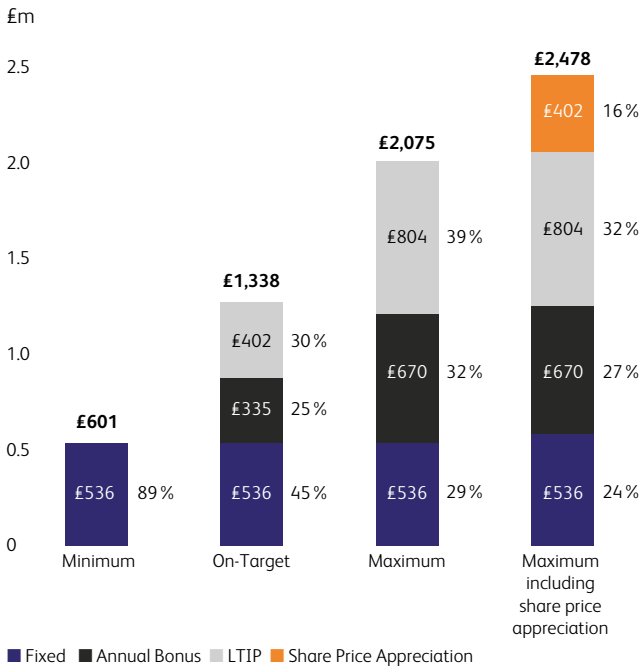
In respect of cash bonus payments under the ADBP, the recovery and withholding provisions apply for three years from the date of payment of the bonus.

In respect of share awards under the LTIP, the recovery and withholding provisions apply for two years for awards made under the 2015 LTIP scheme rules, and five years for awards made under the 2023 LTIP scheme rules.

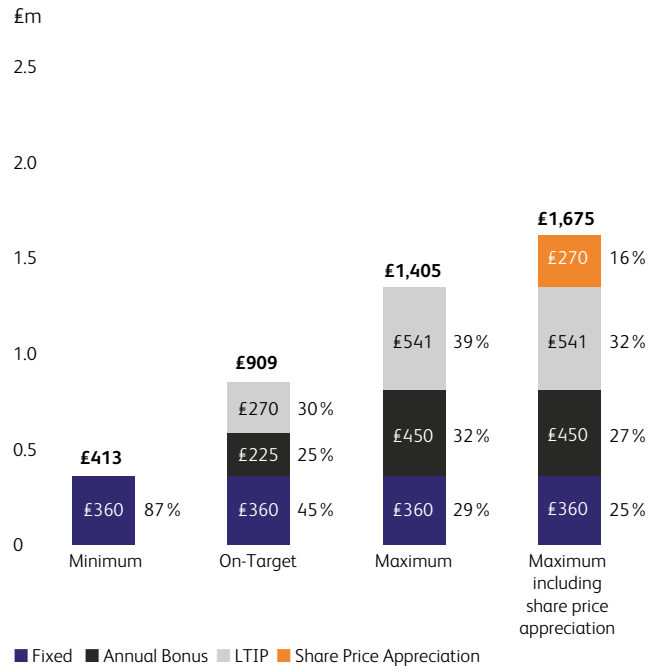
### Executive Director remuneration scenarios

The charts below show an estimate of the 2024 remuneration package for each Executive Director under four performance scenarios, which are based on the Remuneration Policy set out above.

#### Joe Hudson (CEO)



#### Chris McLeish (CFO)



### Assumptions:

|                     | Minimum                             | On-Target | Maximum                                   | Maximum including Share Price Appreciation                                      |
|---------------------|-------------------------------------|-----------|---|---|
| <b>Salary</b>       | As at 1 April 2024                  |           |   |   |
| <b>Benefits</b>     | Based on the 2023 value of benefits |           |   |   |
| <b>Pension</b>      | 10% of Salary                       |           |   |   |
| <b>Annual Bonus</b> | 0%                                  | 50%       | 100% of maximum<br>(being 125% of salary) |   |
| <b>LTIP</b>         | 0%                                  | 50%       | 100% of maximum<br>(being 150% of salary) | As per the maximum, plus a 50% share price increase over three years is assumed |

# Directors' Remuneration Report

## Remuneration Policy Summary continued

### Executive Director service contracts

The Company does not have agreements with any Director that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company's share schemes and plans may cause options and awards granted to colleagues under such schemes and plans to vest on a takeover. Directors' service agreements are kept for inspection by shareholders at the Company's registered office.

| Name          | Date of joining Ibstock | Date of service contract | Notice period          |
|---------------|-------------------------|--------------------------|------------------------|
| Joe Hudson    | 2 January 2018          | 12 October 2017          | 12 months either party |
| Chris McLeish | 1 August 2019           | 5 February 2019          | 12 months either party |

### Non-Executive Directors' terms of engagement

Each of the Non-Executive Directors are engaged under a market-standard Non-Executive Director appointment letter, which states that the appointment will continue for a renewable three-year term provided that the appointment must not continue for more than nine years in total. In any event, each appointment is terminable by either party on one month's written notice with no other right to compensation for loss of office.

All Non-Executive Directors are subject to annual re-election at each AGM. The dates of appointment of each of the Non-Executive Directors serving at the date of this report are summarised in the table below.

| Name                      | Date of joining Ibstock | Date of service contract |
|---------------------------|-------------------------|--------------------------|
| Jonathan Nicholls (Chair) | 22 September 2015       | 11 September 2015        |
| Peju Adebajo              | 26 November 2021        | 25 November 2021         |
| Nicola Bruce              | 29 March 2023           | 14 March 2023            |
| Louis Eperjesi            | 1 June 2018             | 19 April 2018            |
| Claire Hawkings           | 1 September 2018        | 19 April 2018            |
| Justin Read               | 1 January 2017          | 19 December 2016         |

The Chair, in consultation with the Executive Directors, is responsible for proposing changes to the Non-Executive Directors' fees.

The Committee is responsible for proposing changes to the Chair's fees.

In proposing such fees, account is also taken of the time commitments of the Group's Non-Executive Directors. The decision on fee changes is taken by the Board as a whole.

Individual Non-Executive Directors do not take part in discussions in relation to their own remuneration.

# Annual Report on Remuneration

This section of the Report has been prepared 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).

The Annual Statement and Annual Report on Remuneration will be put to a single advisory shareholder vote at the AGM on 16 May 2024.

This part of the report comprises five sections:

|  |                 |
|--|-----------------|
| <b>1. Remuneration for 2023</b>  | <b>Page 108</b> |
| a. Single total figure of Directors' remuneration                      |                 |
| b. 2023 Annual and Deferred Bonus Plan outcome (audited)               |                 |
| c. LTIP update (audited)   |                 |
| <b>2. Directors' share ownership and share interests</b>               | <b>Page 111</b> |
| a. LTIP and ADBP awards granted in 2023 (audited)                      |                 |
| b. Outstanding LTIP and ADBP awards                                    |                 |
| c. Statement of Directors' shareholdings and share interests (audited) |                 |
| <b>3. Pay comparison</b>   | <b>Page 113</b> |
| a. Percentage change in Directors' remuneration versus employee pay    |                 |
| b. Total Shareholder Return  |                 |
| c. Chief Executive Officer historic remuneration                       |                 |
| d. Relative importance of spend on pay                                 |                 |
| <b>4. Remuneration Committee membership, governance and voting</b>     | <b>Page 115</b> |
| a. Remuneration Committee membership                                   |                 |
| b. Independent advisers  |                 |
| c. Statement of voting at the General Meeting                          |                 |
| <b>5. Implementation of Remuneration Policy in 2024</b>                | <b>Page 115</b> |

# Directors' Remuneration Report

## Annual Report on Remuneration continued

### 1. Remuneration for 2023

#### Single total figure of Directors' remuneration (audited)

The total remuneration of the individual Directors who served during the financial year is shown below.

|                                |      | Base Salary/Fee | Benefits <sup>1</sup> | Pension | Total Fixed Remuneration | Annual Bonus | LTIP <sup>2,3</sup> | Total Variable Remuneration | Total Remuneration |
|--------------------------------|------|-----------------|-----------------------|---------|--------------------------|--------------|---------------------|-----------------------------|--------------------|
| <b>Executive Directors</b>     |      |                 |                       |         |                          |              |                     |                             |                    |
| Joe Hudson (CEO)               | 2023 | £514,330        | £11,835               | £51,433 | £577,599                 | £191,294     | £126,749            | £318,043                    | £895,641           |
|                                | 2022 | £485,503        | £19,978               | £97,101 | £602,582                 | £610,380     | £220,451            | £830,831                    | £1,433,413         |
| Chris McLeish (CFO)            | 2023 | £346,048        | £16,286               | £34,605 | £396,938                 | £128,705     | £85,280             | £213,985                    | £610,924           |
|                                | 2022 | £326,655        | £16,179               | £32,666 | £375,500                 | £410,671     | £148,326            | £558,997                    | £934,497           |
| <b>Non-Executive Directors</b> |      |                 |                       |         |                          |              |                     |                             |                    |
| Jonathan Nicholls              | 2023 | £197,426        | –                     | –       | £197,426                 | –            | –                   | –                           | £197,426           |
|                                | 2022 | £188,458        | –                     | –       | £188,458                 | –            | –                   | –                           | £188,458           |
| Peju Adebajo                   | 2023 | £56,409         | –                     | –       | £56,409                  | –            | –                   | –                           | £56,409            |
|                                | 2022 | £53,846         | –                     | –       | £53,846                  | –            | –                   | –                           | £53,846            |
| Nicola Bruce <sup>4</sup>      | 2023 | £50,848         | –                     | –       | £50,848                  | –            | –                   | –                           | £50,848            |
|                                | 2022 | –               | –                     | –       | –                        | –            | –                   | –                           | –                  |
| Louis Eperjesi                 | 2023 | £63,809         | –                     | –       | £63,809                  | –            | –                   | –                           | £63,809            |
|                                | 2022 | £53,846         | –                     | –       | £53,846                  | –            | –                   | –                           | £53,846            |
| Tracey Graham <sup>5</sup>     | 2023 | £24,716         | –                     | –       | £24,716                  | –            | –                   | –                           | £24,716            |
|                                | 2022 | £74,704         | –                     | –       | £74,704                  | –            | –                   | –                           | £74,704            |
| Claire Hawkings                | 2023 | £67,469         | –                     | –       | £67,469                  | –            | –                   | –                           | £67,469            |
|                                | 2022 | £64,404         | –                     | –       | £64,404                  | –            | –                   | –                           | £64,404            |
| Justin Read                    | 2023 | £67,469         | –                     | –       | £67,469                  | –            | –                   | –                           | £67,469            |
|                                | 2022 | £64,404         | –                     | –       | £64,404                  | –            | –                   | –                           | £64,404            |

1 Taxable benefits in the 2023 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 during the 2021/22 and 2022/23 tax years are shown as part of the total taxable benefits figure above.

2 The LTIP vesting for 2023 is estimated at 25.5% and is based on the three-month average share price to 31 December 2023 of 135 pence. No discretion was applied to determine the vesting outcome and none of the 2021 LTIP value shown is attributed to share price growth over the vesting period.

3 The 2022 LTIP figures in last year's report were estimated. These figures have been updated to reflect the TSR vesting outcome (33.1%) and the actual share price on the vesting date (174.1 pence). Last year's values had been based on the TSR measure not being achieved and the average three-month share price to 31 December 2022.

4 Nicola Bruce joined the Board on 29 March 2023.

5 Tracey Graham stepped down from the Board on 27 April 2023.

#### 2023 Annual and Deferred Bonus Plan (ADBP) outcome (audited)

In 2023, the Executive Directors were eligible for an annual bonus, subject to meeting performance objectives, established at the beginning of the financial year by reference to suitably challenging corporate goals over the 12-month period.

In 2023, the Annual and Deferred Bonus Plan targets and performance-related outcomes were as follows:

| Metrics                            | Weighting | Threshold (0%)   | Maximum (100%) | Actual Performance | % Outcome |
|------------------------------------|-----------|--|----------------|--------------------|-----------|
| FY Adj EBITDA <sup>1</sup>         | 50%       | £110.6m  | £124.8m        | £107.4m            | 0%        |
| FY Adj Operating Cash <sup>1</sup> | 20%       | £19.3m   | £21.7m         | £13.1m             | 0%        |
| Non-Financial Objectives           | 30%       | A summary of the personal objectives and performance is outlined below |                |                    |           |

1 The definition of Adjusted Operating Cash for the ADBP is Adjusted free cash flow excluding interest, tax, property, plant and equipment, share based payments, R&D taxation credits, lease liabilities and unbudgeted spend as agreed by the Committee to exclude.

## Non-Financial Objectives

### Joe Hudson

| Objective area  | Assessment | Assessment of completed objective  |
|---|------------|--|
| <b>Health, Safety, and Wellbeing</b> <ul style="list-style-type: none"> <li>Complete strategy and group roadmap for the H&amp;S 5-year journey</li> <li>Drive environmental management systems with the ESG roadmap</li> </ul>                  | 15/15      | H&S performance exceeded the 5-year target of 50% reduction (actual 60%+ with alignment of expectations for leadership teams / training). Full rollout of environmental and management system integration. |
| <b>Operational excellence</b> <ul style="list-style-type: none"> <li>Enhance performance at key manufacturing sites, complete enhancement investment projects in clay and concrete automation thesis.</li> </ul>                                | 15/15      | Enhancement projects complete as described in the Strategic Report.  |
| <b>Customer and digital</b> <ul style="list-style-type: none"> <li>Deliver the One brand project for Ibstock with customer portal</li> </ul>  | 9/10       | One brand project delivered with further enhancements to One Ibstock sales organisation. Portal pilot developed.   |
| <b>Strategic capital projects</b> <ul style="list-style-type: none"> <li>Oversee delivery of Atlas, Aldridge, and Arion projects</li> </ul>   | 19/20      | Project delivery in line with re-phased project plan to align to market demand and dynamics.   |
| <b>Futures / M&amp;A</b> <ul style="list-style-type: none"> <li>Delivery of Futures Year One business plan</li> <li>In year delivery of Futures strategic projects</li> <li>M&amp;A according to defined criteria</li> </ul>                    | 20/20      | Revenue more than doubled<br>All Futures projects on track<br>M&A frameworks and pipeline in place with two bolt-on acquisitions completed   |
| <b>Culture and team</b> <ul style="list-style-type: none"> <li>Adjust organisation and operational footprint for current conditions</li> <li>Continue cultural change programme</li> <li>Replace COO with new MD Clay &amp; Concrete</li> </ul> | 20/20      | Dynamic management of capacity and stock<br>Removal of c£20m fixed cost<br>MD Clay & Concrete appointed and inducted<br>Substantial improvement in engagement scores                                       |

Overall the assessment on the CEO's personal objectives was 98% (i.e. 29.4% out of 30%). As such, Joe Hudson's total ADBP outcome was 29.4%.

### Chris McLeish

| Objective area   | Assessment | Assessment of completed objective  |
|--|------------|--|
| <b>Health, safety and wellbeing</b> <ul style="list-style-type: none"> <li>Reinforce ambition for zero harm with focus on Concrete Division</li> <li>Support the delivery of the 2023 wellbeing agenda</li> </ul>  | 14/15      | H&S performance exceeded the 5-year target of 50% reduction<br>High visibility and impact including attendance at quarterly meetings, promoting the agenda (demonstrated by promotion through "The Week" and creation of Mental Health Allies)   |
| <b>Finance functional agenda</b> <ul style="list-style-type: none"> <li>Enhance controls compliance levels at both factory and Divisional/Group level</li> <li>Integrate enterprise risk management processes into the core performance management cycles of the business</li> <li>Deliver in-year improvement in Finance operating model</li> </ul> | 15/15      | Delivered a 20% improvement in controls testing outcomes versus 2022 baseline<br>Created and completed a financial reporting RACM for Clay, Concrete, Group and Futures and included within the Risk Management System<br>In-year improvements delivered to the Finance operating model, in particular through Accounts Payable improvements |
| <b>Technology agenda</b> <ul style="list-style-type: none"> <li>Develop digital underpin to enable commercial strategy for the next 5 years</li> <li>Ensure delivery of in-year digital evolution programme</li> </ul>   | 14/15      | Customer order portal launch live in 2023<br>Scheduling improvements delivered<br>Establishment of long term commercial strategy with digital roadmap  |
| <b>Concrete Divisional objectives</b> <ul style="list-style-type: none"> <li>Deliver year-on-year improvement in operational performance</li> <li>Ensure delivery of concrete commercial plan for 2023</li> <li>Ensure Anstone pitching machine capex commissioned in line with committed timeframe</li> </ul>                                       | 15/15      | Operational KPIs delivered in line with budgeted levels (safety, quality, environmental, volumes, cost).<br>Delivery of Anstone capital investment project overall, on time and within budget  |
| <b>Capital markets</b> <ul style="list-style-type: none"> <li>Effective communication with capital markets</li> <li>Explore other sources of capital to unlock enterprise value</li> </ul>   | 15/15      | Resilient performance combined with effective delivery of market expectations throughout 2023<br>Held over 20 meetings with prospective shareholders and new holders constituting at least 3% ownership by year end  |
| <b>Culture and team</b> <ul style="list-style-type: none"> <li>#FireUp agendas defined and delivered in full</li> <li>Development progress of all direct reports</li> </ul>  | 15/15      | High impact on engagement levels as evidenced by Employee Engagement Survey results.<br>Material progression in talent pipeline into the senior leadership team and executive committee  |

Overall the assessment on the CFO's personal objectives was 98% (i.e. 29.4% out of 30%). As such, Chris McLeish's total ADBP outcome was 29.4%.

# Directors' Remuneration Report

## Annual Report on Remuneration continued

The Committee is conscious of the sensitivity involved with paying bonus when financial targets have not been achieved and has considered this very carefully. In particular, the Committee considered the importance of the Executive Directors' personal performance objectives and noted their relevance to external stakeholders. Objectives relating to employee wellbeing, the customer experience, the securing of future growth, and the operational and financial resilience of the company are crucial to the company's medium and long term performance. The delivery of these objectives are considered key to future financial success and ensure that Istock is well positioned to take full opportunity of a market recovery. On balance, and after detailed consideration, the Committee concluded that the formulaic annual bonus outcome of 29.4% based on the delivery of personal performance objectives reflects the commitment and performance of our Executive Directors in extremely tough market conditions. The Committee therefore determined that there is no basis for operating discretion (either upwards or downwards) in respect of this outcome.

The Committee also noted the following factors when in making its decision on 2023 bonuses:

- The Group's cost and capacity management performance within the year;
- The delivery of performance in line with market expectations set at the beginning of the year; and
- The balance sheet remains robust, with leverage of 1.1 times at 31 December 2023 in the middle of the target range and £100 million of liquidity headroom.

|               | Maximum bonus opportunity<br>(% of salary) | Bonus payout<br>(% of maximum) | Bonus earned<br>(£000s) |
|---------------|--|--------------------------------|-------------------------|
| Joe Hudson    | 125%                                       | 29.4%                          | £191                    |
| Chris McLeish | 125%                                       | 29.4%                          | £129                    |

Two-thirds of the bonus earned will be paid in cash and the remaining one-third will be deferred in shares under the ADBP for three years. There are no performance conditions attached to the vesting of deferred shares and these awards vest subject to continued employment.

### 2021 LTIP update (audited)

The three-year performance period for the awards granted on 25 March 2021 ended on 31 December 2023 in respect of the EPS, ROCE and ESG measures and will end on 24 March 2024 for the relative TSR measure. As the performance period for the TSR element has not concluded, vesting is based on an estimate undertaken to 16 February 2024 which suggests that this measure will vest at 0%. The Committee reviewed the performance against the four performance conditions and determined an overall estimated vesting level of 25.5%.

| Measure                          | Weighting (%) | Threshold | Maximum        | Actual       | Vesting<br>(% of total award) |
|----------------------------------|---------------|-----------|----------------|--------------|-------------------------------|
| Adjusted EPS*                    | 30%           | 16.0p     | 19.6p          | 15.2p        | 0%                            |
| ROCE (annual average)            | 20%           | 15.77%    | 17.43%         | 19.45%       | 20%                           |
| Relative TSR (estimated vesting) | 40%           | Median    | Upper Quartile | Below Median | 0%                            |
| ESG Measure (Carbon Intensity)   | 10%           | 0.152     | 0.142          | 0.148        | 5.5%                          |
| <b>Total</b>                     | <b>100%</b>   | <b>-</b>  | <b>-</b>       | <b>-</b>     | <b>25.5%</b>                  |

The Adjusted EPS\* outcome for FY23 was 13.9 pence. Consistent with prior year, this included an adjustment of 1.3 pence relating to the impact of the Atlas and Nostell major growth projects, and the changes in UK corporation tax, which were not anticipated at the time that the LTIP was granted. These impacts have been added back to ensure the outcome and targets are on a like-for-like basis. EPS performance was below threshold and consequently this measure will vest at 0%.

ROCE (annual average) for the three year performance from FY21 to FY23 outcome was 19.45%. This measure also included the adjustment for Atlas and Nostell major growth projects to ensure the outcome and targets are on a like-for-like basis, and vested at 20%.

The ESG Measure of Carbon Intensity (tonnes of Carbon per tonnes of finished production) accounted for 10% of the award. With adjustment for three uncorrected gas meter readings, equal to 0.03 tonnes of carbon per tonne of finished production, the Carbon Intensity outcome was 0.151 tonnes of carbon per tonne of finished production (see page 21 for unadjusted data). The Committee determined it was appropriate to adjust for the overstatement of reported gas usage disclosed, noting the dependence on a 3rd party for timely resolution of gas meter disputes. This measure will vest at 5.5%.

The value of vested awards as set out in the single figure table is consequently based on an estimated vesting of 25.5% and includes an estimation of dividend equivalents which form part of this award. It uses the average three-month share price to 31 December 2023 of 135p. The actual vesting value will be reported in next year's Directors' Remuneration Report.



### Confirmation of 2020 LTIP vesting

The LTIP award granted on 14 April 2020 was based on relative TSR, EPS and ROCE. The three-year performance period for the award ended on 31 December 2022 in respect of the EPS measure and on 14 April 2023 for the relative TSR measure.

| Measure               | Weighting    | Threshold | Maximum        | Actual   | Vesting<br>(% of total award) |
|-----------------------|--------------|-----------|----------------|----------|-------------------------------|
| Adjusted EPS*         | 33.3 %       | 3 %       | 10 %           | 7.60 %   | 24.8 %                        |
| ROCE (annual average) | 33.3 %       | 18.76 %   | 20.77 %        | 15.20 %  | 0.0 %                         |
| Relative TSR          | 33.3 %       | Median    | Upper Quartile | Median   | 8.3 %                         |
| <b>Total</b>          | <b>100 %</b> | <b>–</b>  | <b>–</b>       | <b>–</b> | <b>33.1 %</b>                 |

In last year's report, the estimated TSR vesting was nil based on a calculation conducted prior to signing off the Report. The actual final calculation was performed after the end of the performance period and Istock ranked at median, resulting in 25 % of this award vesting.

### Payments to former Directors and loss of office payments (audited)

There were no payments to former Directors or payments for loss of office during the year.

On 28 September 2022, the Company announced that Tracey Graham was stepping down from the Board of Istock Plc with effect from 27 April 2023. Prior to her departure, Tracey received the balance of the fees that were due to her up to the end of April 2023. The money received related solely to services provided to the Board. Tracey did not receive any other remuneration payment or any payment for loss of office.

## 2. Directors' share ownership and share interests

### LTIP and ADBP awards granted in 2023 (audited)

#### 2023 LTIP Award Grant

On 3 April 2023, the following awards, structured as nil cost options, were made under the LTIP to Executive Directors:

| Name          | Date of grant | Basis of award<br>(% of salary) | Face value of the awards<br>at grant <sup>1</sup> | Number of shares<br>under award | Date of Vesting |
|---------------|---------------|---------------------------------|---|---------------------------------|-----------------|
| Joe Hudson    | 3 April 2023  | 125 %                           | £787,580  | 452,632                         | 3 April 2026    |
| Chris McLeish | 3 April 2023  | 125 %                           | £529,893  | 304,536                         | 3 April 2026    |

<sup>1</sup> Share price by reference to which the awards were granted is £1.74 (closing share price on 3 April 2023).

The LTIP awards will normally vest after 3 years based on the satisfaction of performance conditions. These are Adjusted Earnings per Share (EPS) (25 %), relative Total Shareholder Return (TSR) (30 %), Adjusted ROCE (25 %) and ESG (20 %), each assessed over a three-year performance period commencing on 1 January 2023.

| Measure  | Weighting | Threshold | Maximum        |
|--|-----------|-----------|----------------|
| Adjusted EPS*  | 25 %      | 17.0p     | 24.4p          |
| ROCE*  | 25 %      | 17.4 %    | 19.23 %        |
| Relative TSR   | 30 %      | Median    | Upper Quartile |
| Carbon reduction (carbon produced per tonne of finished product)               | 10 %      | 0.131     | 0.123          |
| Senior leader female representation  | 5 %       | 32 %      | 40 %           |
| New product development sales revenue coming from new and sustainable products | 5 %       | 18 %      | 22 %           |

### 2022 ADBP grant

Under the terms of the Policy, part of the bonus earned for 2022 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          | Date of grant | Basis of award<br>(% of 2022 bonus) | Face value of the awards<br>at grant <sup>1</sup> | Number of shares<br>under award | Date of vesting |
|---------------|---------------|-------------------------------------|---|---------------------------------|-----------------|
| Joe Hudson    | 16 March 2023 | 33.3 %                              | £203,691  | 116,395                         | 16 March 2026   |
| Chris McLeish | 16 March 2023 | 33.3 %                              | £137,046  | 78,312                          | 16 March 2026   |

<sup>1</sup> The number of Ordinary Shares granted under each ADBP award was calculated in accordance with the rules of the ADBP using an Ordinary Share price of £1.75 per share (the closing middle market quotation on 15 March 2023).

The ADBP awards will vest on 16 March 2026, subject to continued employment.

# Directors' Remuneration Report

## Annual Report on Remuneration continued

### Outstanding LTIP and ADBP awards

Details of all options held by the Directors under the Company's share plans as at 31 December 2023:

#### Joe Hudson

| Award          | Grant date | Interest at 31 December 2022 | Awards granted in year | Awards vested in year | Awards lapsed in year | Awards exercised in year | Interest at 31 December 2023 | Market price on award date | Exercise/Option Price | Expiry date |
|----------------|------------|------------------------------|------------------------|-----------------------|-----------------------|--------------------------|------------------------------|----------------------------|-----------------------|-------------|
| 2018 LTIP      | 02/01/2018 | 21,570                       |                        |                       |                       | 21,570                   |                              | £2.67                      | Nil Cost              | 02/01/2028  |
| 2019 ADBP      | 03/05/2019 | 32,576                       |                        |                       |                       | 32,576                   |                              | £2.04                      | Nil Cost              | 03/05/2029  |
| 2020 ADBP      | 14/04/2020 | 21,571                       | 1,536 <sup>1</sup>     | 23,107                |                       | 23,107                   |                              | £2.85                      | Nil Cost              | 14/04/2030  |
| 2020 LTIP      | 14/04/2020 | 357,167                      | 8,418 <sup>1</sup>     | 126,623               | 238,962               |                          | 126,623                      | £1.91                      | Nil Cost              | 14/04/2030  |
| 2021 LTIP      | 25/03/2021 | 317,888                      |                        |                       |                       |                          | 317,888                      | £2.15                      | Nil Cost              | 25/03/2031  |
| 2022 ADBP      | 14/04/2022 | 91,325                       |                        |                       |                       |                          | 91,325                       | £1.98                      | Nil Cost              | 14/04/2032  |
| 2022 LTIP      | 14/04/2022 | 578,122                      |                        |                       |                       |                          | 578,122                      | £1.72                      | Nil Cost              | 14/04/2032  |
| 2023 ADBP      | 16/03/2023 |                              | 116,395                |                       |                       |                          | 116,395                      | £1.75                      | Nil Cost              | 16/03/2033  |
| 2023 LTIP      | 03/04/2023 |                              | 452,632                |                       |                       |                          | 452,632                      | £1.73                      | Nil Cost              | 03/04/2033  |
| Sharesave 2021 | 14/04/2021 | 10,227                       |                        |                       |                       |                          | 10,227                       | N/A                        | £1.76                 | N/A         |

#### Chris McLeish

| Award Type     | Grant date | Interest at 31 December 2022 | Awards granted in year | Awards vested in year | Awards lapsed in year | Awards exercised in year | Interest at 31 December 2023 | Market price on award date | Exercise/Option Price | Expiry date |
|----------------|------------|------------------------------|------------------------|-----------------------|-----------------------|--------------------------|------------------------------|----------------------------|-----------------------|-------------|
| 2019 LTIP      | 12/08/2019 | 64,790                       |                        |                       |                       | 64,790                   |                              | £2.32                      | Nil Cost              | 12/08/2029  |
| 2019 LTIP      | 12/08/2019 | 41,794                       |                        |                       |                       | 41,794                   |                              | £2.32                      | Nil Cost              | 12/08/2029  |
| 2020 ADBP      | 14/04/2020 | 5,829                        | 415 <sup>1</sup>       | 6,244                 | 0                     | 6,244                    |                              | £2.85                      | Nil Cost              | 14/04/2030  |
| 2020 LTIP      | 14/04/2020 | 240,314                      | 5,664 <sup>1</sup>     | 85,196                | 160,782               | 85,196                   |                              | £1.91                      | Nil Cost              | 14/04/2030  |
| 2021 LTIP      | 25/03/2021 | 213,886                      |                        |                       |                       |                          | 213,886                      | £2.15                      | Nil Cost              | 25/03/2031  |
| 2022 ADBP      | 14/04/2022 | 61,447                       |                        |                       |                       |                          | 61,447                       | £1.98                      | Nil Cost              | 14/04/2032  |
| 2022 LTIP      | 14/04/2022 | 388,967                      |                        |                       |                       |                          | 388,967                      | £1.72                      | Nil Cost              | 14/04/2032  |
| 2023 ADBP      | 16/03/2023 |                              | 78,312                 |                       |                       |                          |                              | £1.75                      | Nil Cost              | 16/03/2033  |
| 2023 LTIP      | 03/04/2023 |                              | 304,536                |                       |                       |                          |                              | £1.73                      | Nil Cost              | 03/04/2033  |
| Sharesave 2021 | 14/04/2021 | 10,227                       |                        |                       |                       |                          | 10,227                       | N/A                        | £1.76                 | N/A         |

<sup>1</sup> In line with prior years, upon awards vesting the participant receives dividend equivalents in share options. These are shown in the table above as awards granted in the year for the 2020 ADBP and 2020 LTIP.

### Statement of Directors' shareholdings and share interests (audited)

The share interests of each Director as at 31 December 2023 (together with interests held by connected persons) and, where applicable, achievement of shareholding requirements are set out below.

To align executives with the interests of shareholders, the Remuneration Committee has implemented shareholding guidelines for Executive Directors. The guidelines require that Executive Directors build up and maintain an interest in the Ordinary Shares of the Company that is 200% of their annual base salary. The CEO and CFO, having joined the Company in 2018 and 2019 respectively, are expected to build up their shareholding over a five-year period. The Committee recognises 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 ADBP 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.

|                            | Shareholding requirement % salary | Current shareholding % salary <sup>1</sup> | Beneficially owned | Unvested interests subject to performance conditions <sup>2</sup> | Unvested interests not subject to performance conditions <sup>2</sup> | Vested but unexercised interests <sup>2</sup> | Outstanding Sharesave awards | Shareholding requirement met |
|----------------------------|-----------------------------------|--|--------------------|---|---|---|------------------------------|------------------------------|
| Joe Hudson                 | 200%                              | 72%  | 61,409             | 1,348,642   | 207,720   | 126,623                                       | 10,227                       | No                           |
| Chris McLeish              | 200%                              | 104%                                       | 155,261            | 907,389   | 139,759   | 0   | 10,227                       | No                           |
| Jonathan Nicholls          | N/A                               | –  | 10,000             | –   | –   | –   | –                            | –                            |
| Peju Adebajo               | N/A                               | –  | 10,000             | –   | –   | –   | –                            | –                            |
| Nicola Bruce               | N/A                               | –  | 5,939              | –   | –   | –   | –                            | –                            |
| Louis Eperjesi             | N/A                               | –  | 20,000             | –   | –   | –   | –                            | –                            |
| Claire Hawkings            | N/A                               | –  | 10,000             | –   | –   | –   | –                            | –                            |
| Tracey Graham <sup>3</sup> | N/A                               | –  | 10,000             | –   | –   | –   | –                            | –                            |
| Justin Read                | N/A                               | –  | 17,500             | –   | –   | –   | –                            | –                            |

<sup>1</sup> Current shareholdings includes all shares owned directly, owned by a beneficiary or held through nominees.

<sup>2</sup> Unvested interests and vested interests are shown post-tax in this table.

<sup>3</sup> Tracey Graham stepped down from the Board on 27 April 2023. Her shareholding at the date she left the Board is shown in this table.

### 3. Pay Comparison

#### Percentage change in Directors' remuneration versus employee pay

The table below shows the percentage change in salary, benefits and annual bonus earned between the 2023 financial year and the prior year for the Board compared to the average earnings of all of the Group's other colleagues. The change in remuneration is also shown for the previous two years.

The Committee monitors the changes year-on-year between our Director pay and the average employee increase.

|                              | 2023              |          |              | 2022        |          |              | 2021        |          |              | 2020        |          |              |
|------------------------------|-------------------|----------|--------------|-------------|----------|--------------|-------------|----------|--------------|-------------|----------|--------------|
|                              | Salary/Fees       | Benefits | Annual Bonus | Salary/Fees | Benefits | Annual Bonus | Salary/Fees | Benefits | Annual Bonus | Salary/Fees | Benefits | Annual Bonus |
| Joe Hudson                   | 5.9%              | (40.8)%  | (68.7)%      | 6.8%        | 27.8%    | 12.4%        | 5.3%        | (5.4)%   | 100%         | (3.1)%      | (5.5)%   | (100)%       |
| Chris McLeish                | 5.9%              | 0.7%     | (68.7)%      | 6.8%        | 2.3%     | 12.4%        | 5.3%        | 2.0%     | 100%         | –           | –        | –            |
| Jonathan Nicholls            | 4.8%              | –        | –            | 3.0%        | –        | –            | 5.3%        | –        | –            | (3.1)%      | –        | –            |
| Peju Adebajo <sup>1</sup>    | 4.8%              | –        | –            | 100%        | –        | –            | –           | –        | –            | –           | –        | –            |
| Nicola Bruce <sup>2</sup>    | –                 | –        | –            | –           | –        | –            | –           | –        | –            | –           | –        | –            |
| Louis Eperjesi <sup>3</sup>  | 18.5%             | –        | –            | 3.0%        | –        | –            | 6.5%        | –        | –            | (3.3)%      | –        | –            |
| Claire Hawkings <sup>4</sup> | 4.8%              | –        | –            | 8.4%        | –        | –            | 19.7%       | –        | –            | (3.1)%      | –        | –            |
| Justin Read                  | 4.8%              | –        | –            | 2.7%        | –        | –            | 5.3%        | –        | –            | (3.1)%      | –        | –            |
| All employees <sup>5</sup>   | 2.3% <sup>6</sup> | (16.7)%  | (78.2)%      | 10.3%       | (14.3)%  | (31.8)%      | 3.9%        | 3.8%     | 100%         | (8.7)%      | 0%       | (100)%       |

1 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.

2 Nicola Bruce was appointed to the Board in March 2023.

3 Louis Eperjesi was appointed as SID in 2023 and so received an additional fee to reflect this additional responsibility.

4 Claire Hawkings was appointed Chair of the ESG Committee in 2021 and so received an additional fee to reflect this additional responsibility.

5 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.

6 The 2022 All Employee salary includes a one-off £1,000 or £2,000 cost of living payment to all employees earning less than £30,000 or £50,000 respectively. Without this, the salary increase from 2022 to 2023 would be 6.3%

#### CEO pay ratio

In line with the reporting regulations, set out below is the ratio of CEO pay compared to the pay of UK full-time equivalent employee of the Group for the financial year ended 31 December 2023. In line with previous years, 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.

We expect the pay ratio to vary from year to year, driven largely by variability in incentive outcomes for the CEO, which will significantly outweigh any other general employee pay changes at Ibstock.

The CEO single total figure remuneration of £896k is used in the table below.

| Year | Method   | 25th Percentile | 50th Percentile | 75th Percentile |
|------|----------|-----------------|-----------------|-----------------|
| 2019 | Option A | 43:1            | 35:1            | 23:1            |
| 2020 | Option A | 21:1            | 16:1            | 13:1            |
| 2021 | Option A | 41:1            | 30:1            | 25:1            |
| 2022 | Option A | 44:1            | 35:1            | 27:1            |
| 2023 | Option A | 31:1            | 25:1            | 19:1            |

The ratios above were determined as at 31 December 2023. The Remuneration Committee is satisfied that the pay ratio is reasonable and consistent with the Company's wider policies on colleague pay, reward and progression.

Set out in the table below is the base salary and total pay and benefits for the CEO and each of the percentiles for the year ended 31 December 2023.

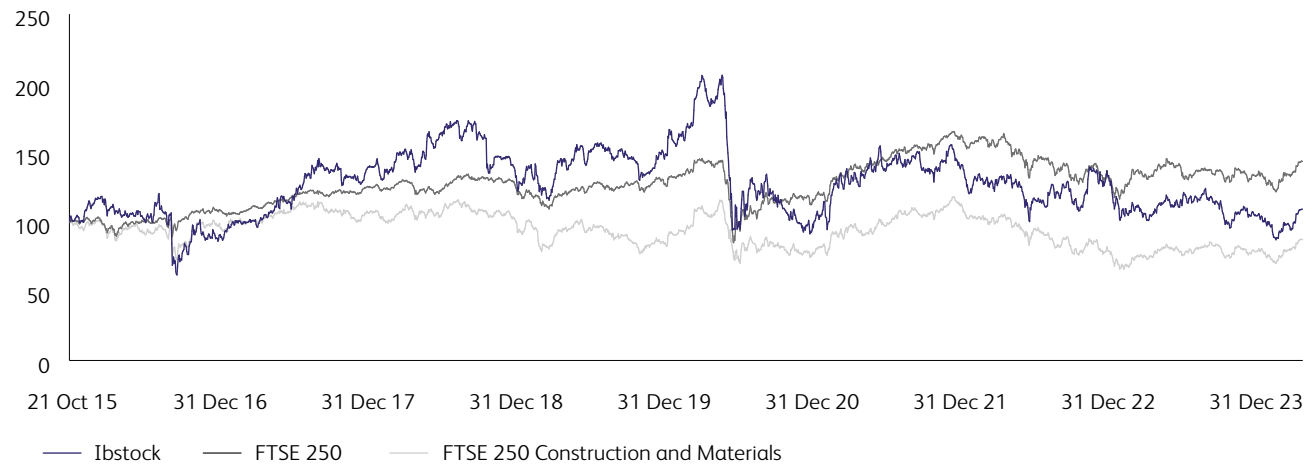
|                    | CEO     | 25th Percentile | 50th Percentile | 75th Percentile |
|--------------------|---------|-----------------|-----------------|-----------------|
| Total remuneration | 895,641 | 29,195          | 36,811          | 49,693          |
| Base salary        | 514,330 | 24,423          | 32,827          | 44,584          |

# Directors' Remuneration Report

## Annual Report on Remuneration continued

### Total Shareholder Return (TSR)

The chart below shows £100 invested in the Company's shares since listing compared with the FTSE 250 index and the FTSE 250 Construction and Materials index.



Source: Thomson Reuters Datastream data as of 8 January 2024

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 2023. 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 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.

| Year | CEO                         | Single figure remuneration | % maximum annual bonus earned | % maximum LTIP award vesting |
|------|-----------------------------|----------------------------|-------------------------------|------------------------------|
| 2015 | Wayne Sheppard <sup>1</sup> | 773                        | 100%                          | N/A                          |
| 2016 | Wayne Sheppard              | 789                        | 33%                           | N/A                          |
| 2017 | Wayne Sheppard              | 906                        | 58%                           | N/A                          |
| 2018 | Wayne Sheppard <sup>2</sup> | 184                        | 32.5%                         | 38.5%                        |
|      | Joe Hudson <sup>3</sup>     | 592                        | 32.5%                         | N/A                          |
| 2019 | Joe Hudson                  | 737                        | 33.1%                         | N/A                          |
| 2020 | Joe Hudson                  | 540                        | 0%                            | 0%                           |
| 2021 | Joe Hudson                  | 1,104                      | 95.5%                         | 0%                           |
| 2022 | Joe Hudson                  | 1,353                      | 98.5%                         | 33.1%                        |
| 2023 | Joe Hudson                  | 896                        | 29.4%                         | 25.5%                        |

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.

### Relative importance of spend on pay

The following table shows the Company's actual spend on pay for all Group colleagues relative to dividends:

|                          | 2023<br>(£m) | 2022<br>(£m) | % Change |
|--------------------------|--------------|--------------|----------|
| Staff costs <sup>1</sup> | 117          | 125.4        | (7)%     |
| Dividends paid           | 34.9         | 33.7         | 4%       |

1 This is the overall spend on employee pay including Executive Directors (continuing operations). For more information, please see Notes 7 and 31 of the Financial Statements.

In addition, the Company completed a share buyback during 2022 totalling £30 million.

#### 4. Remuneration Committee membership, governance and voting

##### Remuneration Committee membership

The Remuneration Committee in 2023 comprised Nicola Bruce, who was appointed as Chair of the Committee on 27 April 2023, following the planned step down of Tracey Graham.

The Committee members were Jonathan Nicholls, Peju Adebajo, Louis Eperjesi, Claire Hawkings and Justin Read. The Committee met six times during the year and all Committee members were present.

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 (comprising of Claire Hawkings, Peju Adebajo, Louis Eperjesi and Joe Hudson) 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 adviser to the Committee attends by invitation.

##### Independent advisers

The Remuneration Committee takes account of information from both internal and independent sources, including FIT Remuneration Consultants LLP (FIT) who act as the Remuneration Committee's independent adviser. FIT was appointed by the Remuneration Committee in September 2022 as a result of a tender process and advised the Remuneration Committee on all aspects of Senior Executive and Board remuneration, including remuneration trends and corporate governance best practice.

FIT is a founder member of the Remuneration Consultants' Group and complies with its Code of Conduct, which sets out guidelines to ensure that its advice is independent and free of undue influence. The Remuneration Committee reviews the performance and independence of its advisers on an annual basis. The Remuneration Committee was satisfied that FIT's advice was independent and objective and has no other connection with the Company or individual directors.

Ibstock incurred fees of £45,000 excluding VAT during 2023 relating to Remuneration Committee advice. FIT billed on a fixed fee basis and in addition provided other ad hoc services to management including share plan advice and TSR performance calculations which were billed on a time spent basis.

##### Statement of voting at the General Meeting

The Company is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to Directors' remuneration, the Company seeks to understand the reasons for any such vote and will report any actions in response to it. The following table sets out actual voting at the AGM on 27 April 2023 in respect of the Directors' remuneration report for the year ended 31 December 2022 and at the AGM on 21 April 2022 in respect of the current Directors' Remuneration Policy.

| AGM Resolution                        | Votes for        |              | Votes against    |              | Total votes cast<br>(excluding withheld) | Votes withheld |
|---------------------------------------|------------------|--------------|------------------|--------------|--|----------------|
|                                       | Number of shares | % votes cast | Number of shares | % votes cast |  |                |
| Annual Report on Remuneration (2023)  | 189,619,722      | 97%          | 5,546,821        | 3%           | 195,166,543                              | 13,528         |
| Directors' Remuneration Policy (2022) | 317,532,159      | 99%          | 1,851,842        | 1%           | 319,384,001                              | 58,111         |

#### 5. Implementation of Remuneration Policy in 2024

##### Base salaries

In the context of strong individual performances in their respective roles and a wider workforce increase of 3%, salaries for the Executive Directors will increase by 3% from 1 April 2024 as follows:

|               | 2024     | 2023     |
|---------------|----------|----------|
| Joe Hudson    | £536,143 | £520,527 |
| Chris McLeish | £360,724 | £350,217 |

##### Benefits and pension

Pension contribution remains aligned to the wider workforce at 10% of gross base salary.

Benefits are provided in line with the approved Remuneration Policy. 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.

##### Annual and Deferred Bonus Plan (ADBP)

For 2024, 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.

The performance conditions and their weightings for the 2024 annual bonus are as follows:

- Adjusted EBIT\* based on full-year performance (50%).
- Adjusted operating cash flow bonus measure (20%).
- Non-financial objectives: defined operational/strategic objectives (30%).

# Directors' Remuneration Report

## Annual Report on Remuneration continued

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.

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.

### Long Term Incentive Plan (LTIP)

The Committee has considered the prevailing share price and believes no adjustment is required to the policy grant level. Accordingly, the 2024 LTIP award will be 150% of salary for Joe Hudson and Chris McLeish.

The performance conditions for these awards will be Adjusted Earnings per Share (EPS)\* (30%), relative Total Shareholder Return (TSR) (20%), ROCE\* (30%) and ESG (20%), each assessed over a three-year performance period commencing on 1 January 2024.

- **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 and full vesting for upper quartile ranking or higher.
- **Adjusted EPS\*** – The Adjusted EPS target is measured based on performance in FY26, with threshold vesting requiring EPS of 11.4p in FY26 and full vesting for 16.5p or higher. Setting appropriate three-year earnings targets in the current macroeconomic and political environment has been challenging, particularly in a cyclical business such as ours. The Committee has set a range which is challenging based on the current outlook which assumes a recovery to normal market conditions by the end of the three year performance period. Strong performance from the management team alongside a market recovery will be required for any vesting to occur. The maximum target of 16.5p represents considerable out-performance of the internal plan and assumes a level of recovery consistent with performance prior to the market downturn in 2022.
- **ROCE\*** – Performance will be taken to be the average of each of the three years of the performance period (2024 – 2026) with threshold performance at 8.68% and maximum performance requiring 12.50% or higher. These targets have been set against what are expected to be very challenging market conditions, particularly during the initial part of the measurement period. Maximum vesting requires considerable out-performance of the business plan, alongside the delivery of earnings growth in a manner that promotes and maintains capital efficiency.
- **ESG** – Consistent with the previous two years, 20% of the LTIP is directly related to the three sustainability pillars set out in the 2030 ESG strategy.
  - **Carbon reduction (10%):** The carbon reduction performance measure will be based on FY26 with a threshold vesting (25%) requiring a carbon per brick of 383g and full vesting for 347g or lower. Following the recommendation from the ESG Committee, the Carbon Reduction target has been adapted to Scope 1 grams of CO<sub>2</sub> per brick rather than tonnes of CO<sub>2</sub> per tonne of finished production. This is a more appropriate and accurate measure with which to incentivise carbon reduction, accounting for c97% of our Scope 1 Absolute Carbon and removing the possible impact on carbon calculations caused by changes to Divisional production mix.
  - **Earn and learn (5%):** The Improving Lives performance condition is based on the % of employees in Earn and Learn positions, as defined by the 5% Club. The Committee has set a threshold vesting of 8% of employees to be in Earn and Learn positions in FY26, and 12% or higher for full vesting. Building on the success to date of increasing female representation in senior management, the Committee considers that this new measure will support Ibstock's continued commitment to diversity, encouraging the business to broaden its apprenticeship programmes as well as supporting the recruitment and development of individuals from more diverse backgrounds.
  - **New product development (5%):** The manufacturing materials for life performance condition has threshold set at 20% of FY26 sales revenue to derive from new and sustainable products, and 24% for full vesting. The Committee believe this remains an important performance condition to drive product innovation within Ibstock.

A two-year holding period will apply to the 2024 LTIP awards following vesting.

### Non Executive Directors' fees

The 2024 fee levels will increase by 3% (2023: 5%) in line with those for Executive Directors (with effect from 1 April 2024):

| Board Fees                                 | 2024     | 2023     |
|--|----------|----------|
| Chair                                      | £205,800 | £199,805 |
| Board fee (including Committee membership) | £58,810  | £57,089  |
| Committee Chair (per Committee)            | £11,530  | £11,193  |
| Senior Independent Director                | £11,250  | £10,920  |

I hope that you find this report to be clear about our remuneration practices and that you will be supportive at the coming AGM.

**Nicola Bruce**

Chair of the Remuneration Committee

5 March 2024

# Directors' Report

The Directors' Report for the year ended 31 December 2023 comprises pages 117 to 119 together with the sections of the Annual Report incorporated by reference. The Corporate Governance Statement on pages 72 to 98 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 71. 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 29 to the financial statements.

## Results and dividend

The results for the year can be found in the Financial Review on pages 33 to 37 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 70 to 71 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 16 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 54 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 74 to 75. 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 112.

## 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 23 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 24, 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 27 April 2023, 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.

# Directors' Report continued

As announced on 10 May 2022, the Company entered into a Share Buyback Programme of an aggregated value of £30 million 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 6 March 2024, a final dividend of 3.6 pence per Istock Plc Ordinary Share was proposed to be paid on 31 May 2024 to shareholders of record as at 10 May 2024. There were no further post balance sheet events. See Note 31 on page 177.

## Reappointment of auditor

It will be proposed that Deloitte LLP be reappointed as the Company's auditor at the Annual General Meeting to be held on 16 May 2024.

## Substantial shareholdings

As at 31 December 2023, the Company had been notified, in accordance with the Disclosure Guidance and Transparency Rules, of the following interests in its Ordinary Share capital.

In the period from 31 December 2023 to the date of this report, there have been two 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 2021 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 2022 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 (ADBP) awards, SMSP share awards and Long Term Incentive Plan (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 22 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 22 and in Note 22 of the Group consolidated financial statements.

## Political donations

No political donations were made during the year ended 31 December 2023 (2022: £nil).

## Annual General Meeting 2024

The AGM will be held on 16 May 2024 at 12:00 p.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

| Name of shareholder                   | Shares disclosed | %     | Nature              |
|---------------------------------------|------------------|-------|---------------------|
| Vulcan Value Partners, LLC            | 40,331,355       | 10.26 | Indirect            |
| Lansdowne Partners                    | 39,263,142       | 9.99  | Indirect            |
| Aviva PLC                             | 24,459,943       | 6.22  | 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 |
| Janus Henderson Group PLC             | 17,763,918       | 4.52  | Indirect            |
| 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              |



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 40 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 38 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, in 2022 each employee of the Company below ELT and SLT level received an award of 500 shares under the Senior Manager Share Plan, as the Fire Up Ibstock Share Grant, further details of which can be found in Note 25.

### Business relationships

The Stakeholder engagement section on pages 38 to 41 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.ibstock.co.uk](http://www.ibstock.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.

The Directors' Report (pages 117 to 119) has been approved and is signed by order of the Board by:

### Becky Parker

Group Company Secretary

5 March 2024

Registered Office: Leicester Road, Ibstock, Leicestershire, LE67 6HS

Company registration number 09760850

# Directors' Responsibility Statement

The Directors in office as at 31 December 2023 and whose names and functions are given on pages 74 and 75 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 117 to 119) has been approved and is signed by order of the Board by:

**Becky Parker**

Group Company Secretary

5 March 2024

Registered Office: Leicester Road, Ibstock, Leicestershire, LE67 6HS

Company registration number 09760850

# Independent Auditor's Report to the members of Ibstock plc

## Report on the audit of the financial statements

### 1. Opinion

In our opinion:

- the financial statements of Ibstock plc (the '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 2023 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;
- the 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 balance sheet;
- the consolidated statement of changes in equity;
- the consolidated cash flow statement;
- the related notes 1 to 32 to the consolidated financial statements;
- the company balance sheet;
- the company statement of changes in equity; and
- the related notes 1 to 12 to the company financial statements.

### 3. Summary of our audit approach

#### Key audit matters

The key audit matters that we identified in the current year were:

- Impairment testing of non-current assets;
- Revenue recognition – customer rebates; and
- Classification of exceptional items.

Within this report, key audit matters are identified as follows:

- ⚠ Newly identified
- ⬆ Increased level of risk
- ↔ Similar level of risk
- ⬇ Decreased level of risk

#### Materiality

The materiality that we used for the group financial statements was £2.9 million which was determined on the basis of approximately 5% of profit before tax adjusted for restructuring expenses (being the £30.8m exceptional charges incurred in the period as described in Note 5).

#### Scoping

The group is organised into two main divisions (Clay and Concrete), which are split into nine trading components.

We have performed full scope audit procedures on four of the components, and have performed specified audit procedures on certain account balances for two components. We have performed other procedures on the remaining three components of the group, including performing analytical reviews, making inquiries and evaluating and testing management's group-wide controls.

All work has been performed by the group audit engagement team.

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. The financial reporting framework that has been applied in the preparation of the company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

### 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 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 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 company.

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

# Independent Auditor's Report to the members of Istock plc

## continued

### Significant changes in our approach

During the year there was a decline in the forward forecast of market conditions which has led to site closures, resulting in redundancies and impairments, significantly impacting profit before tax.

As well as there being specific indicators of impairment on those sites that were closed, management identified other general indicators of impairment, and therefore performed full impairment testing on their CGUs. Due to the judgement applied in this impairment testing, we have identified a new Key Audit Matter for the period relating to impairment of non-current assets.

### 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 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, including the impact of the restructuring activities implemented during 2023 and the impact of the current macroeconomic environment;
- 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;
- obtaining confirmation for the financing facilities, repayment terms and covenants to test that these facilities remain available and evaluating the additional external funding facilities accessible to the group;
- testing the clerical accuracy and appropriateness of the model used to prepare the forecasts;
- challenging management's 'severe but plausible'-case analysis and whether it is appropriate, and performed sensitivity analysis on key variables, including the appropriateness of management's identified potential mitigating actions and the inclusion of these in the going concern assessment;
- reading analyst reports, industry data and other external information to determine if it provided corroborative or contradictory evidence in relation to assumptions used;
- reperforming management's sensitivity analysis;
- consideration of the site closures that have taken place during the year, and the impact that this could have on the group's forecasting;
- ensured consistency between impairment forecasting and going concern modelling;
- obtaining and performing analysis on post year end results and benchmarking this against management's forecasts; and
- assessing the adequacy of the disclosures made within the 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 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. Impairment of Non-Current Assets

### Key audit matter description

As at 31 December 2023 the Group had Non-current assets (excluding post-employment benefit assets) of £562.2m (FY22: £530.9m).

Following the restructuring decisions made by management during the year (as detailed within note 5) and the macroeconomic conditions including the inflationary environment, management identified indicators of impairment. Therefore, as required by IAS 36 Impairment of assets, a full impairment review was performed at a Cash Generating Unit ('CGU') level. An impairment charge of £20.6m was recorded in the period.

Value in use has been calculated using cash flows reflecting management's best estimate of the future trading performance of the Group. Further details of the cash flows are set out in Note 16 ('Impairment') of the financial statements.

In making their assessment of value in use management has considered reasonably possible changes in the industry demand for the Group's products.

The key audit matter relates specifically to the Group's Cash Generating Units (i.e. those that were not subject to permanent closure in the period). Management's impairment review is sensitive to changes in the key assumption as set out in Note 16. Judgement is required to forecast site level cash flows which are derived from the Board approved budget and strategic plan covering the years 2024 – 2028, which is underpinned by assumptions on industry demand for the Group's products.

Please refer to the Strategic Report, Note 1 ('Summary of significant accounting policies'), Note 13 ('Property, plant and equipment') and Note 16 ('Impairment') which provide further detail on the impairments made, and the assumptions applied to the value in use model.

### How the scope of our audit responded to the key audit matter

To address this key audit matter, we have performed the following procedures:

- Gained an understanding of the relevant controls surrounding the value in use model, including the calculations, assumptions, and the mechanical accuracy;
- Challenged management's Cash Generating Unit (CGU) determination by understanding the products manufactured by each site, and how the components of the group generate cashflows;
- Challenged the consistency of management's methodology with the requirements of IAS 36 by engaging our impairment modelling specialists to review the mechanics of the model and to focus on areas such as inclusion of working capital and the impact of IFRS 16;
- Performed a search for contradictory evidence including market analyst reports and housing market demand forecasts to challenge the key assumptions used;
- Reviewed historic CGU trading performance and the correlation with management's 5 year outlooks;
- Validated market size assumptions to external forecasts;
- Working with our Environmental, Social and Governance ('ESG') specialists, we challenged management on their consideration of the climate related risks and opportunities (as disclosed in the TCFD report at page 56) in the value in use model and challenged management on their consideration of risks and opportunities identified in the TCFD reporting within in the value in use model;
- Working with our internal valuations specialists we developed an independent build up of the Weighted Average Cost of Capital (WACC) to be included in the model for the purpose of discounting future cash flows;
- Assessed the disclosures included within Notes 1, 13 and 16 for consistency with the requirements of IAS 36.

### Key observations

Based on our audit procedures we are satisfied that the assumptions in the impairment models are within an acceptable range and that the estimate of the Group's impairment charge is reasonable.

We also consider the disclosures, including the sensitivity disclosure in Note 16, to be appropriate.

# Independent Auditor's Report to the members of Istock plc continued

## 5.2. Revenue Recognition – Customer Rebates

### Key audit matter description

The group has recognised revenue for the year ended 31 December 2023 of £405.6 million (2022 of £512.9 million), this year the group has recognised a rebate expense of £17.2m (2022: 24.2m).

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 risk of fraud through possible manipulation of this balance.

The key audit matter is focussed on the completeness and accuracy of the reduction against revenue in respect of rebates in Istock Brick and Supreme Concrete components.

Further information on customer rebates can be found in the group's summary of significant accounting policies in note 1 on page 142.

### How the scope of our audit responded to the key audit matter

We have performed the following procedures to address this key audit matter:

- Obtained an understanding of the relevant controls over the revenue recognition process;
- Performed a year-on-year analysis of revenue and rebates to understand any material changes in the rebate provision at a customer level;
- For 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;
- 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 2023;
- Assessed the completeness of rebates by evaluating credit notes raised during 2023 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
- Agreed a sample of rebates to settlement post year-end.

### Key observations

From the procedures outlined above we are satisfied that management have appropriately recognised reductions in revenue related to customer rebates for the year ended 31 December 2023. We made recommendations to management around improvements to controls in this area.

## 5.3. Classification of Exceptional Items

### Key audit matter description

The group has identified £30.8m (FY22: £6.3m) of exceptional items in the consolidated income statement (page 131). Management use exceptional items to adjust results to eliminate factors which they consider to distort year-on-year comparisons.

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 (Financial Reporting Council) and ESMA (European Securities and Markets Authority).

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.

We have identified there to be 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.

Further information on exceptional items can be found in the Audit Committee Report on page 95, the Group's summary of significant accounting policies in note 1, note 2 ('Critical Accounting Judgements and Key Sources of Estimation Uncertainty'), note 3 ('Alternative Performance Measures') and note 5 ('Exceptional Items').

### How the scope of our audit responded to the key audit matter

We have performed the following procedures to address this key audit matter:

- Obtained an understanding of the relevant management review controls over the classification of items as exceptional;
- 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;
- Agreed a sample of these items to supporting documentation to assess the appropriateness and accuracy of these items;
- Assessed the adequacy of the disclosures to explain the nature of the exceptional items; and,
- For all significant adjustments recorded in calculating underlying profits, discussed the appropriateness of these items and disclosure considerations with the Audit Committee.

### Key observations

We are satisfied that the items classified as exceptional are appropriate for the year ended 31 December 2023.

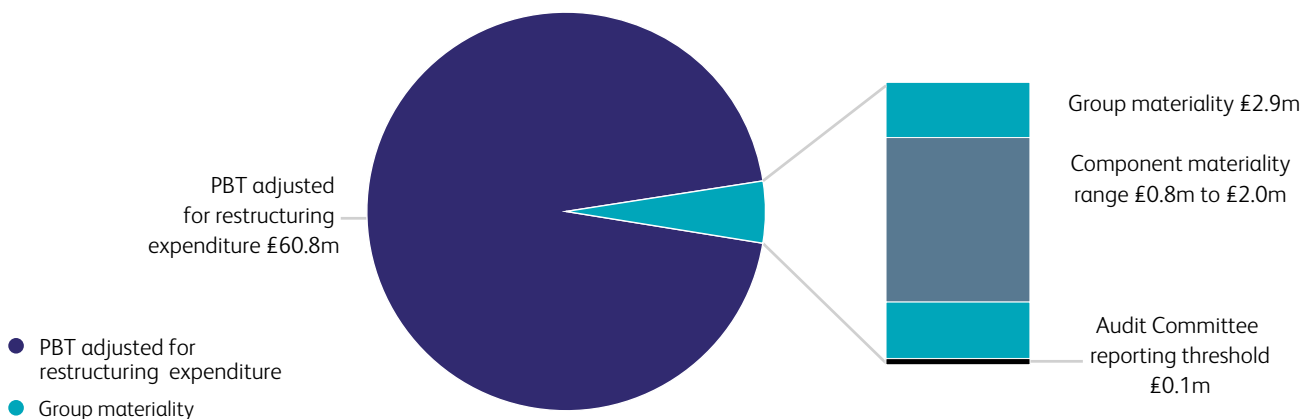
## 6. Our application of materiality

### 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:

|  | Group financial statements   | Parent company financial statements  |
|--|--|--|
| <b>Materiality</b>                         | £2.9m (2022: £4.8m)  | £2.0m (2022: £3.4m)  |
| <b>Basis for determining materiality</b>   | Our determined materiality represents approximately 5.0% of profit before tax adjusted for restructuring expenses, being the £30.8m exceptional charges incurred in the period as described in Note 5 (2022: 4.6% of profit before tax).                     | 3.0% of net assets capped at 70% of group materiality consistent with the prior period.  |
| <b>Rationale for the benchmark applied</b> | Profit before tax is considered to be the most relevant benchmark to the users of the financial statements. In 2023, we consider it appropriate to adjust for restructuring expenses as these are not reflective of the underlying performance of the Group. | Net assets are considered to be an appropriate benchmark for the Company given its main function is that of a holding Company. |



# Independent Auditor's Report to the members of Istock plc continued

## 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  | Parent company financial statements    |
|--|---|--|
| <b>Performance materiality</b>                                     | 70% (2022: 70%) of group materiality  | 70% (2022: 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 cumulative experience from prior year audits;</li> <li>• Our risk assessment, including our assessment of the quality of the group's control environment;</li> <li>• The nature, volume and size of misstatements (corrected and uncorrected) in prior periods, and</li> <li>• The level of change in the business from the prior year.</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 £0.1m (2022: £0.2m), 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

We have identified the group components to be the legal entities that make up the group. We have performed our scoping exercise by assessing the risk of material misstatement for the group presented by each of the components and have also considered how the quality of the control environment varies across the components.

We have identified three levels of audit scope for the components which are based on the significance of the component to our group audit opinion.

### Scope A

Full audits were performed on the following components, which the group engagement team identified as being financially significant, which has been determined to be consistent with the prior period:

- Istock Brick Limited
- Forticrete Limited
- Supreme Concrete Limited
- Anderton Concrete Products Limited

All work was carried out by the group engagement team at an appropriate component materiality level.

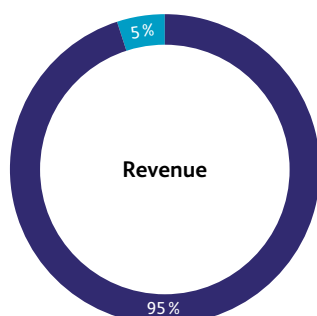
### Scope B

We have changed our scope this year to identify two non-financially significant components (Istock Brick Holding Company and Istock plc) to be in scope for audit procedures on specific account balances and classes of transactions. In the prior period these components were subject to analytical reviews for our group audit opinion.

All work was carried out by the group engagement team at an appropriate component materiality level.

### Scope C

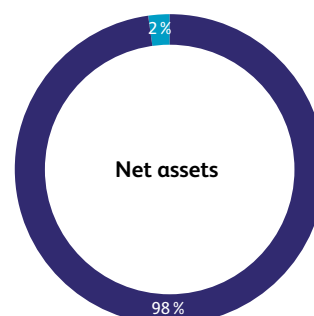
For the remaining components in the group, we have performed analytical review procedures to a determined threshold.



● Full audit scope and specified procedures  
● Review at group level



● Full audit scope and specified procedures  
● Review at group level



● Full audit scope and specified procedures  
● Review at group level



### 7.2. Our consideration of the control environment

The group uses JD Edwards as the main accounting software in all Scope A and Scope B components; they also use Resource Link for payroll management and Hubble for financial reporting. Using our IT specialists, we have assessed the IT control environment and gained an understanding of the general IT controls operating in the three identified systems.

We did not plan to test the controls or take a controls reliance strategy over any of business processes or account balances due to findings identified in the prior period not being fully remediated for the entirety of the current year. We also reviewed the work of Internal Audit who identified additional control deficiencies.

Throughout our audit we have considered the control deficiencies that were identified in the prior period, and ensured that we tailored timing, nature and extent of our procedures to address the findings identified.

We have gained an understanding of the controls around the items identified as significant risks of material misstatement, and all material accounting estimates. From this work, we have identified some further deficiencies in the design of controls, for which entity management is subsequently taking action to remediate, and have communicated all findings and deficiencies on internal controls to the Audit Committee.

Please refer to page 96 which details their response to the deficiencies identified for both our audit and internal audit.

### 7.3. Our consideration of climate-related risks

During the year the group has taken a number of steps to develop their understanding of the impact climate change could have on their business as detailed on page 92 of the ESG committee report, this has included holding quarterly ESG Committee meetings, performing a vulnerability assessment on their sites (as disclosed in the TCFD reporting on page 56, and updating the risk assessment and ESG strategy which was developed in 2022.

In the Principal Risks and Uncertainties report on page 22 management have identified the most significant impacts that they think climate change will have on the group's operations. In the TCFD report on (pages 62 to 63), management have identified climate related risks and opportunities for the group.

We have used the risks and opportunities identified in management's TCFD reporting, and our own knowledge of the business, and have received assistance from our ESG specialists, to perform an account balance and financial statement level climate change risk assessment, and identified risks of material misstatement in relation to:

- the useful economic lives of some items of property, plant and equipment, particularly Ibstock Brick component's gas-fuelled kilns and sites identified as having exposure to physical risks,
- impairment of non-current assets, and whether management have appropriately considered the impacts that climate change could have on future cash flows of the cash generating units of the business specifically in the terminal value assumptions applied to management's value in use model,
- the valuation of the restoration provision, and
- the impact that changes in consumer behaviour may have on demand for Ibstock's products, and how this could impact valuation of inventory and going concern status of the group.

In response to the risks identified, we performed the following procedures:

- 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 gained an understanding of how climate may affect the 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; and
  - management'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 the directors' going concern and viability assessment as to whether this appropriately considered climate related risks and the impact on cash flows;
- we also challenged the 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 ESG specialists we have read the climate related disclosures included within other information of the annual report and assessed the consistency with the financial statements, the disclosure requirements and knowledge obtained during the audit. Specifically, we have reviewed disclosures in the financial statements in notes 13, 16 and 19 to clarify how climate related risks have been considered in reaching accounting conclusions; and

Gained an understanding of the relevant controls operating in the business in relation to identification of climate rated risks, and the group's response to those risks.

# Independent Auditor's Report to the members of Istock plc

## continued

### 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 company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

### 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;
- the group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board on 2 November 2023;
- 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, including the fraud risk register which is maintained by management;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, data analytics, pensions, IT and ESG 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 – Customer Rebates
- 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 framework 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 Environmental 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 – customer rebates and presentation of exceptional items as key audit matters 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 in-house 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.
- assessing the appropriateness and robustness of management's response to the non-material instance of fraud identified in the period, as described in the Audit Committed Report (page 98) and tailoring our audit approach accordingly.

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 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 70;
- 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 70;
- the directors' statement on fair, balanced and understandable set out on page 77;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 22;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 96; and
- the section describing the work of the audit committee set out on page 94.

# Independent Auditor's Report to the members of Istock plc continued

## 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 company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 7 years, covering the years ending 31 December 2017 to 31 December 2023.

### 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) 4.1.15R – DTR 4.1.18R, these financial statements will form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

### Lee Highton, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP  
Statutory Auditor  
Birmingham, United Kingdom  
5 March 2024

# Consolidated income statement

|   | Notes | Year ended<br>31 December<br>2023<br>£'000 | Year ended<br>31 December<br>2022<br>£'000 |
|---|-------|--|--|
| Revenue   | 4     | 405,839                                    | 512,886                                    |
| Cost of sales                                       | 6     | (290,883)                                  | (316,521)                                  |
| <b>Gross profit</b>                                 |       | <b>114,956</b>                             | <b>196,365</b>                             |
| Distribution costs                                  |       | (36,797)                                   | (47,961)                                   |
| Administrative expenses                             |       | (47,623)                                   | (49,624)                                   |
| Profit on disposal of property, plant and equipment |       | 1,957                                      | 6,541                                      |
| Other income  |       | 3,312                                      | 2,630                                      |
| Other expenses                                      |       | (774)                                      | (524)                                      |
| <b>Operating profit</b>                             | 6     | <b>35,031</b>                              | <b>107,427</b>                             |
| Finance costs                                       | 8     | (5,932)                                    | (4,553)                                    |
| Finance income                                      | 9     | 968  | 1,890                                      |
| <b>Net finance cost</b>                             |       | <b>(4,964)</b>                             | <b>(2,663)</b>                             |
| <b>Profit before taxation</b>                       |       | <b>30,067</b>                              | <b>104,764</b>                             |
| Taxation  | 10    | (9,007)                                    | (17,884)                                   |
| <b>Profit for the financial year</b>                |       | <b>21,060</b>                              | <b>86,880</b>                              |
| <b>Profit attributable to:</b>                      |       |  |  |
| Owners of the Company                               |       | 21,060                                     | 86,908                                     |
| Non-controlling interest                            |       | –  | (28)                                       |
|   | Notes | pence per share                            | pence per share                            |
| <b>Earnings per share</b>                           |       |  |  |
| Basic   | 11    | 5.4  | 21.6                                       |
| Diluted   | 11    | 5.3  | 21.5                                       |

## Non-GAAP measure

Reconciliation of adjusted EBITDA<sup>1</sup> to operating profit for the financial year for continuing operations

|  | Notes | Year ended<br>31 December<br>2023<br>£'000 | Year ended<br>31 December<br>2022<br>£'000 |
|--|-------|--|--|
| <b>Operating profit</b>  |       | <b>35,031</b>                              | <b>107,427</b>                             |
| Add back/(less) exceptional cost/(credit) impacting operating profit | 5     | 30,762                                     | (6,278)                                    |
| Add back depreciation and amortisation                               | 6     | 41,564                                     | 38,518                                     |
| <b>Adjusted EBITDA<sup>1</sup></b>                                   |       | <b>107,357</b>                             | <b>139,667</b>                             |

All amounts relate to continuing operations.

The notes on pages 136 to 177 form an integral part of these consolidated financial statements.

<sup>1</sup> Alternative performance measures are described in Note 3 and exceptional items are described in Note 5 to the consolidated financial statements.

# Consolidated statement of comprehensive income

|  | Notes | Year ended<br>31 December<br>2023<br>£'000 | Year ended<br>31 December<br>2022<br>£'000 |
|--|-------|--|--|
| <b>Profit for the financial year</b>   |       | <b>21,060</b>                              | <b>86,880</b>                              |
| <b>Other comprehensive (expense)/income:</b>                                 |       |  |  |
| <b>Items that may be reclassified subsequently to profit or loss</b>         |       |  |  |
| Change in fair value of cash flow hedges <sup>2</sup>                        | 22    | (591)                                      | 641  |
| Related tax movements <sup>2</sup>   | 10    | 148  | (149)                                      |
|  |       | (443)                                      | 492  |
| <b>Items that will not be reclassified subsequently to profit or loss</b>    |       |  |  |
| Remeasurement of post-employment benefit assets and obligations <sup>2</sup> | 20    | (5,283)                                    | (44,581)                                   |
| Related tax movements <sup>2</sup>   | 10    | 1,320                                      | 11,147                                     |
|  |       | (3,963)                                    | (33,434)                                   |
| <b>Other comprehensive expense for the year, net of tax</b>                  |       | <b>(4,406)</b>                             | <b>(32,942)</b>                            |
| <b>Total comprehensive income for the year, net of tax</b>                   |       | <b>16,654</b>                              | <b>53,938</b>                              |
| <b>Total comprehensive income/(expense) attributable to:</b>                 |       |  |  |
| Owners of the Company  |       | 16,654                                     | 53,966                                     |
| Non-controlling interest   |       | –  | (28)                                       |

The notes on pages 136 to 177 form an integral part of these consolidated financial statements.

1 Alternative performance measures are described in Note 3 and exceptional items are described in Note 5 to the consolidated financial statements.

2 Impacting retained earnings.

# Consolidated balance sheet

|   | Notes | At<br>31 December<br>2023<br>£'000 | At<br>31 December<br>2022<br>£'000 |
|---|-------|------------------------------------|------------------------------------|
| <b>Assets</b>                                       |       |                                    |                                    |
| <b>Non-current assets</b>                           |       |                                    |                                    |
| Intangible assets                                   | 12    | 82,017                             | 90,242                             |
| Property, plant and equipment                       | 13    | 440,400                            | 409,091                            |
| Right-of-use assets                                 | 26    | 39,831                             | 31,478                             |
| Derivative financial instruments                    | 22    | –                                  | 116                                |
| Post-employment benefit asset                       | 20    | 9,832                              | 15,194                             |
|   |       | <b>572,080</b>                     | <b>546,121</b>                     |
| <b>Current assets</b>                               |       |                                    |                                    |
| Inventories   | 14    | 119,189                            | 94,275                             |
| Current tax recoverable                             |       | 1,171                              | 1,717                              |
| Trade and other receivables                         | 15    | 37,919                             | 65,935                             |
| Derivative financial instruments                    | 22    | –                                  | 451                                |
| Cash and cash equivalents                           |       | 23,872                             | 54,283                             |
|   |       | <b>182,151</b>                     | <b>216,661</b>                     |
| <b>Total assets</b>                                 |       | <b>754,231</b>                     | <b>762,782</b>                     |
| <b>Current liabilities</b>                          |       |                                    |                                    |
| Trade and other payables                            | 17    | (80,526)                           | (120,003)                          |
| Derivative financial instrument                     | 22    | (24)                               | –                                  |
| Borrowings  | 18    | (25,496)                           | (436)                              |
| Lease liabilities                                   | 26    | (9,292)                            | (7,690)                            |
| Provisions  | 19    | (6,002)                            | (1,613)                            |
|   |       | <b>(121,340)</b>                   | <b>(129,742)</b>                   |
| <b>Net current assets</b>                           |       | <b>60,811</b>                      | <b>86,919</b>                      |
| <b>Total assets less current liabilities</b>        |       | <b>632,891</b>                     | <b>633,040</b>                     |
| <b>Non-current liabilities</b>                      |       |                                    |                                    |
| Borrowings  | 18    | (98,992)                           | (99,769)                           |
| Lease liabilities                                   | 26    | (34,541)                           | (25,414)                           |
| Deferred tax liabilities                            | 21    | (89,929)                           | (84,349)                           |
| Provisions  | 19    | (9,562)                            | (7,299)                            |
|   |       | <b>(233,024)</b>                   | <b>(216,831)</b>                   |
| <b>Total liabilities</b>                            |       | <b>(354,364)</b>                   | <b>(346,573)</b>                   |
| <b>Net assets</b>                                   |       | <b>399,867</b>                     | <b>416,209</b>                     |
| <b>Equity</b>                                       |       |                                    |                                    |
| Share capital                                       | 23    | 4,096                              | 4,096                              |
| Share premium                                       | 24    | 4,458                              | 4,458                              |
| Retained earnings                                   |       | 790,971                            | 807,894                            |
| Other reserves                                      | 24    | (399,658)                          | (400,290)                          |
| <b>Equity attributable to owners of the Company</b> |       | <b>399,867</b>                     | <b>416,158</b>                     |
| <b>Non-controlling interest</b>                     |       | <b>–</b>                           | <b>51</b>                          |
| <b>Total Equity</b>                                 |       | <b>399,867</b>                     | <b>416,209</b>                     |

The notes on pages 136 to 177 form an integral part of these consolidated financial statements.

These financial statements were approved by the Board and authorised for issue on 5 March 2024. They were signed on its behalf by:

**J Hudson**  
Director

**C McLeish**  
Director

# Consolidated statement of changes in equity

|   | Notes | Share capital<br>£'000 | Share premium<br>£'000 | Retained earnings<br>£'000 | Other reserves<br>(See Note 24)<br>£'000 | Total equity<br>attributable<br>to owners<br>£'000 | Non-controlling<br>interest<br>£'000 | Total equity<br>£'000 |
|---|-------|------------------------|------------------------|----------------------------|--|--|--------------------------------------|-----------------------|
| <b>Balance at 1 January 2023</b>                              |       | <b>4,096</b>           | <b>4,458</b>           | <b>807,894</b>             | <b>(400,290)</b>                         | <b>416,158</b>                                     | <b>51</b>                            | <b>416,209</b>        |
| Profit for the year   |       | –                      | –                      | 21,060                     | –  | 21,060   | –                                    | 21,060                |
| Other comprehensive expense                                   |       | –                      | –                      | (3,963)                    | (443)                                    | (4,406)  | –                                    | (4,406)               |
| <b>Total comprehensive income/<br/>(expense) for the year</b> |       | <b>–</b>               | <b>–</b>               | <b>17,097</b>              | <b>(443)</b>                             | <b>16,654</b>                                      | <b>–</b>                             | <b>16,654</b>         |
| <b>Transactions with owners:</b>                              |       |                        |                        |                            |  |  |                                      | <b>–</b>              |
| Share based payments  | 25    | –                      | –                      | 2,308                      | –  | 2,308  | –                                    | 2,308                 |
| Deferred tax on share based payment                           | 21    | –                      | –                      | (147)                      | –  | (147)  | –                                    | (147)                 |
| Equity dividends paid   | 31    | –                      | –                      | (34,907)                   | –  | (34,907)   | –                                    | (34,907)              |
| Issue of own shares held on exercise<br>of share options      | 24    | –                      | –                      | (1,075)                    | 1,075                                    | –  | –                                    | –                     |
| Acquisition of non-<br>controlling interests                  |       | –                      | –                      | (199)                      | –  | (199)  | (51)                                 | (250)                 |
| <b>At 31 December 2023</b>                                    |       | <b>4,096</b>           | <b>4,458</b>           | <b>790,971</b>             | <b>(399,658)</b>                         | <b>399,867</b>                                     | <b>–</b>                             | <b>399,867</b>        |

|   | Notes | Share capital<br>£'000 | Share premium<br>£'000 | Retained earnings<br>£'000 | Other reserves<br>(See Note 24)<br>£'000 | Total equity<br>attributable<br>to owners<br>£'000 | Non-controlling<br>interest<br>£'000 | Total equity<br>£'000 |
|---|-------|------------------------|------------------------|----------------------------|--|--|--------------------------------------|-----------------------|
| <b>Balance at 1 January 2022</b>                              |       | <b>4,096</b>           | <b>4,458</b>           | <b>785,609</b>             | <b>(370,934)</b>                         | <b>423,229</b>                                     | <b>–</b>                             | <b>423,229</b>        |
| Profit for the year   |       | –                      | –                      | 86,908                     | –  | 86,908   | (28)                                 | 86,880                |
| Other comprehensive<br>(expense)/income                       |       | –                      | –                      | (33,434)                   | 492                                      | (32,942)   | –                                    | (32,942)              |
| <b>Total comprehensive income/<br/>(expense) for the year</b> |       | <b>–</b>               | <b>–</b>               | <b>53,474</b>              | <b>492</b>                               | <b>53,966</b>                                      | <b>(28)</b>                          | <b>53,938</b>         |
| <b>Transactions with owners:</b>                              |       |                        |                        |                            |  |  |                                      |                       |
| Share based payments  | 25    | –                      | –                      | 2,547                      | –  | 2,547  | –                                    | 2,547                 |
| Current tax on share based payment                            |       | –                      | –                      | 1                          | –  | 1  | –                                    | 1                     |
| Deferred tax on share based payment                           | 21    | –                      | –                      | 116                        | –  | 116  | –                                    | 116                   |
| Equity dividends paid   | 31    | –                      | –                      | (33,701)                   | –  | (33,701)   | –                                    | (33,701)              |
| Purchase of own shares  |       | –                      | –                      | –                          | (30,000)                                 | (30,000)   | –                                    | (30,000)              |
| Issue of own shares held on exercise<br>of share options      | 24    | –                      | –                      | (152)                      | 152                                      | –  | –                                    | –                     |
| Acquisition of subsidiary non-<br>controlling interest        |       | –                      | –                      | –                          | –  | –  | 79                                   | 79                    |
| <b>At 31 December 2022</b>                                    |       | <b>4,096</b>           | <b>4,458</b>           | <b>807,894</b>             | <b>(400,290)</b>                         | <b>416,158</b>                                     | <b>51</b>                            | <b>416,209</b>        |

The notes on pages 136 to 177 form an integral part of these consolidated financial statements.



# Consolidated cash flow statement

|   | Year ended<br>31 December<br>2023<br>£'000 | Year ended<br>31 December<br>2022<br>£'000 |
|---|--|--|
| <b>Cash flow from operating activities</b>  |  |  |
| Cash generated from operations (Note 27)  | 63,656                                     | 137,765                                    |
| Interest paid   | (3,667)                                    | (2,888)                                    |
| Other interest paid – lease liabilities   | (2,368)                                    | (1,274)                                    |
| Tax received/(paid)   | 630  | (11,699)                                   |
| <b>Net cash inflow from operating activities</b>                                  | <b>58,251</b>                              | <b>121,904</b>                             |
| <b>Cash flows from investing activities</b>                                       |  |  |
| Purchase of property, plant and equipment   | (65,653)                                   | (58,354)                                   |
| Proceeds from sale of property, plant and equipment                               | 2,070                                      | 50   |
| Proceeds from sale of property, plant and equipment – exceptional                 | –  | 7,833                                      |
| Purchase of intangible assets   | (2,423)                                    | (5,573)                                    |
| Settlement of deferred consideration  | (112)                                      | –  |
| Payment for acquisition of subsidiary undertaking, net of cash acquired (Note 28) | (2,642)                                    | (959)                                      |
| Interest received   | 257  | 124  |
| <b>Net cash outflow from investing activities</b>                                 | <b>(68,503)</b>                            | <b>(56,879)</b>                            |
| <b>Cash flows from financing activities</b>                                       |  |  |
| Dividends paid (Note 31)  | (34,907)                                   | (33,701)                                   |
| Drawdown of borrowings  | 30,000                                     | –  |
| Repayment of borrowings   | (5,000)                                    | –  |
| Debt issue costs  | –  | (259)                                      |
| Repayment of lease liabilities  | (9,986)                                    | (8,010)                                    |
| Cash outflow from purchase of shares  | –  | (30,000)                                   |
| Acquisition of non-controlling interests  | (250)                                      | –  |
| <b>Net cash outflow from financing activities</b>                                 | <b>(20,143)</b>                            | <b>(71,970)</b>                            |
| <b>Net decrease in cash and cash equivalents</b>                                  | <b>(30,395)</b>                            | <b>(6,945)</b>                             |
| Cash and cash equivalents at beginning of the year                                | 54,283                                     | 61,199                                     |
| Exchange (losses)/gains on cash and cash equivalents                              | (16)                                       | 29   |
| <b>Cash and cash equivalents at end of the year</b>                               | <b>23,872</b>                              | <b>54,283</b>                              |

The notes on pages 136 to 177 form an integral part of these consolidated financial statements.

## Reconciliation of changes in cash and cash equivalents to movement in net debt<sup>1</sup>

|   | Year ended<br>31 December<br>2023<br>£'000 | Year ended<br>31 December<br>2022<br>£'000 |
|---|--|--|
| Net decrease in cash and cash equivalents           | (30,395)                                   | (6,945)                                    |
| Proceeds from borrowings                            | (30,000)                                   | –  |
| Repayment of borrowings                             | 5,000                                      | –  |
| Non-cash debt movement                              | 717  | (134)                                      |
| Effect of foreign exchange rate changes             | (16)                                       | 29   |
| <b>Movement in net debt<sup>1</sup></b>             | <b>(54,694)</b>                            | <b>(7,050)</b>                             |
| Net debt <sup>1</sup> at start of year              | (45,922)                                   | (38,872)                                   |
| <b>Net debt<sup>1</sup> at end of year (Note 3)</b> | <b>(100,616)</b>                           | <b>(45,922)</b>                            |
| Comprising:   |  |  |
| Cash and cash equivalents                           | 23,872                                     | 54,283                                     |
| Short-term borrowings (Note 18)                     | (25,496)                                   | (436)                                      |
| Long-term borrowings (Note 18)                      | (98,992)                                   | (99,769)                                   |
|   | <b>(100,616)</b>                           | <b>(45,922)</b>                            |

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

# Notes to the consolidated financial statements

## 1. Summary of significant accounting policies

### Authorisation of financial statements

The consolidated financial statements of Istock Plc, which has a premium listing on the London Stock Exchange, for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Directors on 5 March 2024. The balance sheet was signed on behalf of the Board by J Hudson and C McLeish.

Istock Plc is a public company limited by shares, which is incorporated in the United Kingdom and registered in England. The registered office is Leicester Road, Istock, Leicestershire LE67 6HS and the company registration number is 09760850.

The principal activities of the Company and its subsidiaries (the 'Group') and the nature of the Group's operations are set out in the Strategic Report on pages 2 to 71.

### Basis of preparation

The consolidated financial statements of Istock Plc for the year ended 31 December 2023 have been prepared in accordance with UK adopted International Accounting Standards (IAS). They are prepared on the basis of all IFRS accounting standards and interpretations that are mandatory for the year ended 31 December 2023 and in accordance with the Companies Act 2006. The comparative financial information has also been prepared on this basis.

These consolidated financial statements are prepared on a going concern basis, under the historical cost convention. The consolidated financial statements are presented in Sterling and all values are rounded to the nearest thousand, except where otherwise indicated.

The significant accounting policies are set out below.

### Basis of consolidation

The consolidated financial statements comprise the financial statements of Istock Plc and its subsidiaries as at 31 December 2023. The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies except Valerie Coltman Holdings Limited and Coltman Precast Concrete Limited, of which the financial statements are prepared as at 31 March 2024. All intra-Group balances, transactions, income and expenses and profit and losses resulting from intra-Group transactions have been eliminated in full. Subsidiaries are consolidated from the date on which the Group obtains control and cease to be consolidated from the date on which the Group no longer retains control. Details of all the subsidiaries of the Group are given in Note 29.

The subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

### Going concern

Despite the macroeconomic downturn, there are initial positive external market indicators, with inflation continuing to fall and mortgage rates stabilising, which are expected to increase consumer confidence looking forward. Management does not believe that the going concern basis of preparation represents a significant judgement.

The Group's financial planning and forecasting process consists of a budget for the current year followed by a medium-term projection, and the Group also re-forecasts the current year performance on a quarterly basis. The going concern assessment period extends to June 2025. The Directors have reviewed and robustly challenged the assumptions about future trading performance, operational and capital expenditure and debt requirements within these forecasts including the Group's liquidity and covenant forecasts, and stress tested within their going concern assessment.

In arriving at their conclusion on going concern, the Directors have given due consideration to whether the funding and liquidity resources above are sufficient to accommodate the principal risks and uncertainties faced by the Group, particularly those relating to economic conditions, operational disruption and the effect of climate change.

Group forecasts have been prepared which reflect both actual conditions and estimates of the future reflecting macroeconomic and industry-wide projections, as well as matters specific to the Group.

The Group has financing arrangements, comprising £100 million of private placement notes with maturities of between 2028 and 2033 and a £125 million Revolving Credit Facility (RCF) for an initial four year tenor, with an enacted one year extension option, both of which were arranged in 2021. At 31 December 2023 the Group had drawn £25 million under the RCF.

Covenants under the Group's RCF and private placement notes require leverage of no more than three times net debt to adjusted EBITDA<sup>1</sup>, and interest cover of no less than four times, tested bi-annually at each reporting date with reference to the previous 12 months. At 31 December 2023 covenant requirements were met with significant headroom.

The key uncertainty faced by the Group is the industry demand for its products in light of macroeconomic factors. Accordingly, the Group has modelled financial scenarios that see reduction in the demand for its products thereby stress testing the Group's resilience. For each scenario, cash flow and covenant compliance forecasts have been prepared. In the most severe but plausible scenario industry demand for Clay and Concrete products are projected to be around 40% lower than 2022 in the 2024 year, recovering to around 28% lower than 2022 in 2025.

In addition, the Group has prepared a reverse stress test to evaluate the industry demand reduction at which it would be likely to breach the debt covenants, before any further mitigating actions were taken. This test indicates that, at a reduction of 48% in sales volumes versus 2022 levels, in both 2024 and the first half of 2025, the Group would be at risk of breaching its covenants.

In the severe but plausible scenario, the Group has sufficient liquidity headroom against its covenants, with covenant headroom expressed as a percentage of annual adjusted EBITDA<sup>1</sup> being in excess of 30%.

The Directors consider this to be a highly unlikely scenario, and in the event of an anticipated covenant breach, the Group would seek to take further steps to mitigate, including the disposal of valuable land and building assets and restructuring steps to reduce the fixed cost base of the Group.

Having taken account of the various scenarios modelled, and in light of the mitigations available to the Group, the Directors are satisfied that the Group has sufficient resources to continue in operation for a period of not less than 12 months from the date of this report.

Accordingly, the consolidated financial information has been prepared on a going concern basis.

#### **New or amended standards that are effective for the current year**

In the current year, the Group has applied the amendments below to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- IFRS 17 – Insurance contracts;
- Amendment to IAS 1 and IFRS Practice statement 2 – Disclosure of accounting policies;
- Amendments to IAS 8 – Definition of accounting estimates;
- Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction; and
- Amendments to IAS 12 – Income taxes – International tax reform – Pillar Two Model Rules.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

#### **New and revised standards in issue but not yet effective**

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current;
- Amendments to IAS 1 – Non-current Liabilities with Covenants;
- Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements; and
- Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback.

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in the current or future reporting periods.

#### **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers (CODMs). The CODMs, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Chief Executive Officer and Chief Financial Officer of the Group.

The CODMs review the key profit measure, Adjusted EBITDA<sup>1</sup>, as defined in Note 3, and consider the Group's reportable segments to be Clay and Concrete.

#### **Foreign currency translation**

##### **(a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Sterling (£), which is the Group's presentation currency.

##### **(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within net finance costs. All other foreign exchange gains and losses are presented within the income statement.

#### **Property, plant and equipment**

Property, plant and equipment is stated at the cost to the Group less depreciation. The cost of property, plant and equipment includes directly attributable costs. Costs incurred to gain access to mineral reserves (typically stripping costs) are capitalised and depreciated over the life of the quarry, which is based on the estimated tonnes of raw material to be extracted from the reserves. Management assesses the Group's assets separating their cost into (i) the local statutory books' historical cost and (ii) the associated fair value uplift, which arose on the acquisition of the Group in 2015.

Details of cost and accumulated depreciation are included in Note 13.

Depreciation is provided on the cost of all assets (except assets in the course of construction and land), so as to write off the cost, less residual value, on a straight line basis over the expected useful economic life of the assets concerned, as follows:

| <b>Asset classification</b>    | <b>Useful life</b>         |
|--------------------------------|----------------------------|
| Land                           | Not depreciated            |
| Freehold buildings             | 15 – 60 years              |
| Plant, machinery and equipment | 2 – 40 years               |
| Mineral reserves               | Amortised on a usage basis |

Exploration expenditure relates to the initial search for mineral deposits with economic potential and is not capitalised. Evaluation expenditure relates to a detailed assessment of deposits or other projects that have been identified as having economic potential and in obtaining permissions to extract clay. Capitalisation of evaluation expenditure within 'Mineral reserves' commences when there is a high degree of confidence that the Group will determine that a project is commercially viable, i.e., the project will provide a satisfactory return relative to its perceived risks, and therefore it is considered probable that future economic benefits will flow to the Group.

# Notes to the consolidated financial statements continued

## 1. Summary of significant accounting policies continued

Mineral reserves may be declared for an undeveloped project before its commercial viability has been fully determined.

Evaluation costs may continue to be capitalised during the period between declaration of reserves and approval to extract clay as further work is undertaken in order to refine the development case to maximise the project's returns.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. The carrying values of capitalised evaluation expenditure are reviewed for impairment by management.

Useful lives and residual values are reviewed at each balance sheet date and revised where expectations are significantly different from previous estimates. In such cases, the depreciation charge for current and future periods is adjusted accordingly.

### Intangible assets

Separately acquired brands and non-contractual customer relationships are shown at historical cost. Brands and customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of brands and customer relationships over their estimated useful lives as follows:

| Asset classification                 | Useful life   |
|--------------------------------------|---------------|
| Brands                               | 10 – 50 years |
| Customer contracts and relationships | 10 – 20 years |

Licences represent carbon allowances the Group purchased, which are held at cost and surrendered, as required, to meet carbon emissions in excess of the Group's granted allowances under the UK Emission Trading Scheme (ETS). The carbon allowances are recognised as intangible assets and, in the absence of clear guidance from the accounting standards, classified as non-current assets. The costs to settle the forecast emissions in the year in excess of granted allowances are recognised on a straight line basis across the year.

For implementation costs in a cloud service contract which are distinct from the related software, the costs are recognised as an expense as incurred (as the service is received) unless it gives rise to a separate intangible asset. The costs of services provided by the cloud vendor, which are not distinct from access to the software are recognised as an expense over the period of access to the software.

Goodwill is initially recognised and measured as the excess of consideration transferred over the fair value of the net assets acquired in a business combination. Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating unit (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the asset may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. There has been no impairment of goodwill in the current or prior year.

For further details, see Note 12.

### Impairment of non-financial assets

Assets that are subject to amortisation or depreciation, such as brands and non-contractual customer relationships and property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised immediately within the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date at which point they are immediately recognised within the income statement.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. As the Group has no assets carried at revalued amounts, such reversal is recognised in the consolidated income statement.

The group, where appropriate, separately applies the requirements of IAS 36 to land and to buildings on sites owned considering the individual recoverable values of each and the reliability in estimating these.

For further details, see Note 16.

### Leases

#### The Group as lessee

The Group leases various offices, warehouses, factories, mobile plant and cars. Rental contracts are typically made for fixed periods of three to 12 years, but may have extension options, as described below, and contain a range of terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Management also reviews other contracts entered into during the period to assess whether they may contain embedded leases. Such contracts are, or contain, a lease if it conveys the right to control the use of a specified asset (e.g. plant, property and equipment) over a period in exchange for consideration.

Leases are recognised as right-of-use assets and a corresponding liability at the date on which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost.

The finance cost is charged to the income statement over the lease period, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any incentives receivable;
- variable lease payments that are based on an index or rate;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight line basis as an expense within the income statement. Short-term leases are leases with a term of 12 months or less. Low-value assets generally comprise IT equipment.

#### (i) Variable lease payments

Some property leases contain variable lease payment terms that are linked to the extraction of raw materials. For individual properties, a percentage of the lease payments are on the basis of the variable payment terms.

Variable lease payments that are dependent upon the level of extraction are recognised within the income statement in the period in which the extraction which triggers that payment occurs.

The value of variable lease payments and the impact of movements in the Group's levels of extraction are insignificant in current and prior periods.

#### (ii) Extension and termination options

Extension and termination options are included in a small number of property leases across the Group. The majority of such options are exercisable only by the Group and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

Extension options (or periods after termination options) are only included in the future cash outflows if the lease is reasonably certain to be extended (or not terminated). This assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that

is within the control of the lessee. During the current financial period, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was insignificant.

#### The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its surplus properties.

Leases for which the Group is a lessor are classified as either finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortised on a straight line basis over the lease term.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Raw materials, consumables and goods for resale are recognised on a weighted average cost basis, while work in progress and finished goods are held at direct cost plus an appropriate proportion of production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The Group records provisions for obsolete and slow-moving inventory on the basis of historical sales values and volumes, respectively. These inventory provisions are updated regularly to reflect management's most recent information.

#### Investments and other financial assets

##### Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

##### Recognition and derecognition

Purchases and sales of financial assets are recognised on trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised within the income statement.

# Notes to the consolidated financial statements continued

## 1. Summary of significant accounting policies continued

### Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

### Forward energy contracts

The Group has a long-standing practice of locking in prices for gas and electricity used in its production activities and achieves this by committing to a certain volume of consumption in future months which creates a contractual commitment and secures a certain price.

The Group takes delivery of the energy and so the Directors believe it meets the requirements of the own use scope exemption in IFRS 9 Financial Instruments. As such, these contracts are not held on the balance sheet at fair value but rather treated as executory contracts and energy purchases are accounted for in the period in which the gas and electricity is consumed, at the contracted price.

### Derivatives and hedging

The Group enters into derivative transactions to manage its exposure to foreign exchange rate risks on major capital expenditure projects.

Derivatives are recognised initially at fair value on the date the contract is entered into and subsequently remeasured to their fair value at each reporting date.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both the legal right and intention to offset.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk.

These derivatives are designated and effective as hedging instruments, in which event the timing of the transfer within the balance sheet or recognition in the income statement depends on the nature of the hedge relationship.

Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. The Group documents whether the hedging instrument is effective in offsetting the hedged risk, by confirming that:

- there is an economic relationship between hedged items and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the planned ratio of hedge: hedge item is the same as the actual ratio of hedge: hedge item.

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges is recognised in other comprehensive income and accumulated under the cash flow hedging reserve. Any gain or loss relating to the ineffective portion of the hedge is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the related capital expenditure project within the balance sheet in the periods when the underlying hedged item affects the balance sheet.

The Group discontinues hedge accounting should the hedge relationship cease to meet the qualifying criteria, or when the hedging instrument expires, is sold, terminated or exercised.

### Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The measurement category into which the Group classifies its debt instruments is amortised cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the income statement.

### Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 22 for further details.

No significant impairment losses were recorded in the current or prior year. Should they arise, impairment losses are presented as a separate line item in the Group consolidated income statement.

### Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. Collection is expected in one year or less and trade receivables are classified as current assets accordingly. Trade receivables are measured at amortised cost using the effective interest method, less provision for impairment. In the current and prior periods, the Group did not engage in material factoring arrangements.

### Cash and cash equivalents

In the consolidated balance sheet, cash and cash equivalents reflects cash in hand at the balance sheet date, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

### Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities where payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. In the current and prior periods, the Group did not engage in material reverse factoring arrangements.

### Borrowings

The Group's borrowings comprise a revolving credit facility (RCF) and private placement loan notes. Borrowings are recognised initially at fair value, net of directly attributable transaction costs incurred. All other costs are expensed as incurred. Borrowings are subsequently carried at amortised cost.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Finance cost on borrowings is treated as an expense in the income statement, with the exception of interest costs incurred on the financing of major projects, which are capitalised within property, plant and equipment.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

To the extent there is evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates. Fees relating to short-term variations in financing conditions and terms are recognised in profit or loss in the period in which they are incurred.

An exchange of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

### Employee benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

#### Pensions

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group recognises contributions payable to defined contribution plans in exchange for employee services in employee benefit expense.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The amount recognised in the balance sheet in respect of defined benefit pension plans is the fair value of plan assets less the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Where defined benefit schemes have a surplus, the surplus is recognised if future economic benefits are available to the entity in the form of a reduction in the future contributions or a right to refund.

Past-service costs are recognised immediately in the income statement. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets, taking account of any changes in the defined benefit asset/liability during the period as a result of contributions and benefit payments. This cost is included in interest expense in the income statement.

When the benefits of a defined benefit plan are changed or when the plan is curtailed, the change in the present value of the defined benefit obligation arising that relates to the plan amendment or curtailment is recognised immediately within the income statement on its occurrence. Before determining the past service cost (including curtailment gains or losses) or a gain or loss on settlement, the net defined benefit obligation (asset) is remeasured using the current fair value of plan assets and current actuarial assumptions (including current market interest rates and other current market prices) reflecting the benefits offered under the plan before the plan amendment, curtailment or settlement.

Costs of managing the plan assets, remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

#### Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the risk-assessed expenditures expected to be required to settle the obligation using a pre-tax risk-free discount rate to reflect current market assessments of the time value of money. The increase in the provision due to passage of time is recognised as interest expense.

The restoration provision is to fund future obligations at a number of sites that the Group is associated with and where the Group has any constructive obligation to restore once it has fully utilised the site. Provisions for dilapidations are recognised on a lease-by-lease basis and are based on the Group's discounted best estimate of the likely committed cash outflows. The restructuring provision is to fund the estimated restructuring costs and only arises when all the criteria in IAS 37 Provisions are met by the Group.

# Notes to the consolidated financial statements continued

## 1. Summary of significant accounting policies continued

### Revenue

Revenue represents the fair value of consideration receivable for goods supplied by the Group, exclusive of local sales tax and trade discounts and after eliminating sales within the Group. All of revenue is attributable to the principal activities of the Group being the manufacture and sale of concrete products, clay facing bricks and associated special shaped and fabricated clay products.

Revenue is recognised when the Group's performance obligation is satisfied, which is usually when the promised goods and services are transferred to the customer. In a bill and hold arrangement, revenue is recognised when a customer has obtained control of a product, which arises when all of the following criteria are met: (a) the reason for the arrangement is substantive, (b) the product has been identified separately as belonging to the customer, (c) the product is ready for delivery in accordance with the terms of the arrangement, and (d) the Company does not have the ability to use the product or sell the product to another customer.

### Customer rebates

Provisions for rebates to customers are based upon the terms of individual contracts, with rebates granted based upon a tiered structure dependent upon an individual customer's purchases during the rebate period. Customer rebates are recorded in the same period as the related sales as a deduction from revenue and the vast majority are coterminous with the Group's financial year end.

For those individual contracts that are non-coterminous, the Group estimates the provision for this variable consideration based on the most likely outcome amount determined by the terms of each agreement at the time the revenue is recognised. At the financial year end, due to settlement of rebates with customers, the level of remaining estimation is limited and the risk of a significant reversal of recognised revenue is negligible.

### Other income

Other income is attributable to rental income from properties, landfill and gas activity. Other expenses represent associated expenses. This is not deemed to be a principal activity of the Group. Rental income received under operating leases is recognised on a straight line basis over the term of the relevant lease. Assets leased by the Group to third parties are depreciated in line with the Group's normal depreciation policy.

### Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is capitalised when relevant criteria under IAS 38 have been met. Any expenditure carried forward is amortised in line with the expected future sales from the related project. No development costs were capitalised in either the current or prior years.

### Exceptional items<sup>1</sup>

The Group presents as exceptional 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. See Note 5 for further details of exceptional items<sup>1</sup> recognised in the current period.

The Directors believe that the use of alternative performance measures (APMs), such as exceptional items<sup>1</sup>, provide useful information for shareholders. The Group uses APMs to aid comparability of its performance and position between periods. The APMs used represent measures used by management and Board to monitor performance and plan. Additionally, certain APMs are used by the Group in setting Director and management remuneration. Detailed descriptions of APMs used throughout these financial statements are included within Note 3.

APMs used by the Group are generally not defined under IFRS and may not be comparable with similarly titled measures reported by other companies.

It is not believed that adjusted measures are a substitute for, or superior to, statutory measurements.

### Government grants

Government grants are recognised within the income statement on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Grants are presented as part of the income statement and are deducted in reporting the related expense.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised within the income statement in the period in which they become receivable. Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

### Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except for tax relating to items recognised in other comprehensive income or directly in equity.

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination may be uncertain. The calculation of the tax charge therefore necessarily involves a degree of estimation and judgement. The tax liabilities are based on estimates of whether additional taxes will be due and tax assets are recognised on the basis of probable future recoverability. This requires management to exercise judgement based on its interpretation of tax laws and the likelihood of settlement of tax liabilities or recoverability of tax assets. To the extent that the final outcome differs from the estimates made, tax adjustments may be required which could have an impact on the tax charge and profit for the year in which such a determination is made.

<sup>1</sup> Alternative performance measures are described in Note 3 and exceptional items are described in Note 5 to the consolidated financial statements.



Deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts included in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

The amount of deferred tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled. Deferred tax assets and liabilities are not subject to discounting.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available, against which the temporary difference can be utilised.

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries except for deferred tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities where these have been levied by the same tax authority on either the same taxable entity or different taxable entities within the Group where there is an intention to settle the balances on a net basis.

#### Dividend distribution

Dividend distributions to Istock Plc shareholders are recognised in the Group's financial statements in the period in which the dividends are approved in a general meeting, or when paid in the case of an interim dividend.

#### Assets held for sale

Non-current assets and disposal groups are classified as held for sale only if available for immediate sale in their present condition and a sale is highly probable and expected to be completed within one year from the date of classification. Such assets and disposal groups are measured at the lower of carrying amount and fair value less the costs to sell. Non-current assets classified as held for sale (or that form part of a disposal group classified as held for sale) are not depreciated or amortised.

#### Share based payments

The Group operates a number of equity-settled share based compensation plans, under which the entity receives services from employees as consideration for equity instruments (for example options or shares) of Istock Plc. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the instruments granted:

- including any market performance conditions (for example, the Group's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specific period of time).

At the end of each reporting period, the Group revises its estimates of the number of instruments that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the year between service commencement period and grant date. For the equity-settled share based payment transactions, the fair value of the share instruments granted is derived from established option pricing models. Further details on share based payments are set out in Note 25.

#### 2. Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies, as described in Note 1, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making these critical judgements and estimates, actual outcomes could be different.

#### Critical judgements in applying the Group's accounting policies

The following critical judgement, that the Directors made in the process of applying the Group's accounting policies, has the most significant effect on the amounts recorded in the financial statements.

#### Exceptional items<sup>1</sup>

Exceptional items<sup>1</sup> are disclosed separately in the financial statements where the Directors believe it is necessary to do so to provide further understanding of the financial performance of the Group. The Group presents as exceptional items<sup>1</sup> in Note 5 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 understand elements of financial performance in the financial period, so as to facilitate comparison with future years and further assess underlying trends in financial performance. Judgement is required in relation to significant material transactions as to whether they are exceptional in nature.

Further details on exceptional items<sup>1</sup> are given within Note 5.

<sup>1</sup> Alternative performance measures are described in Note 3 and exceptional items are described in Note 5 to the consolidated financial statements.

# Notes to the consolidated financial statements continued

## 2. Critical accounting judgements and key sources of estimation uncertainty continued

### Key sources of estimation uncertainty

Estimates and underlying assumptions are reviewed by management on an ongoing basis, with revisions recognised in the period in which the estimates are revised, and in any future period affected. The areas that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

#### Defined benefit pension schemes – valuation of liabilities

For defined benefit schemes, management is required to make annual estimates and assumptions about future changes in discount rates, inflation, the rate of increase in pensions in payment and life expectancy.

The assumptions used may vary from year to year, which would affect future net income and net assets. Any differences between these assumptions and the actual outcome also affect future net income and net assets. In making these estimates and assumptions, management considers advice provided by external advisors, such as actuaries. These assumptions are subject to periodic review.

Note 20 describes the assumptions used together with an analysis of the sensitivity of the defined benefit scheme liability (£363.9 million at 31 December 2023) to changes in key assumptions.

#### Impairment of Non-current assets

Assessing the Group's property, plant and equipment and right of use assets for impairment requires estimation of the present value of future cash flows. The calculations require the Group to estimate the future cash flows expected to arise from Cash Generating Units (CGUs). The key assumption in this regard relates to long-term industry demand for the Group's products.

Note 16 describes the other assumptions used together with an analysis of the sensitivity of the impairment assessment to changes in the key assumption.

## 3. Alternative performance measures

Alternative performance measures (APMs) are disclosed within the consolidated financial statements where management believes it is necessary to do so to provide further understanding of the financial performance of the Group.

Management uses APMs in its own assessment of the Group's performance and in order to plan the allocation of internal capital and resources. Certain APMs are used in the remuneration of management and Executive Directors, as set out in the Directors' Remuneration Report on pages 99 to 116.

APMs serve as supplementary information for users of the financial statements and it is not intended that they are a substitute for, or superior to, statutory measures. None of the APMs are outlined within IFRS and they may not be comparable with similarly titled APMs used by other companies.

Within the notes to the consolidated financial statements, all APMs are identified with a superscript.

### Exceptional items

The Group presents as exceptional those items of income and expense which, because of their materiality, nature and/or expected infrequency of the events giving rise to them, merit separate presentation to allow users of the financial statements to understand further elements of financial performance in the year. This facilitates comparison with future periods and to assess trends in financial performance over time.

Details of all exceptional items are disclosed in Note 5.

### Adjusted EBITDA and Adjusted EBITDA margin

Adjusted EBITDA is the earnings before interest, taxation, depreciation and amortisation adjusted for exceptional items. Adjusted EBITDA margin is Adjusted EBITDA shown as a proportion of revenue.

The Directors regularly use Adjusted EBITDA and Adjusted EBITDA margin as key performance measures in assessing the Group's profitability. The measures are considered useful to users of the financial statements as they represent common APMs used by investors in assessing a company's operating performance, when comparing its performance across periods as well as being used in the determination of Directors' variable remuneration.

A full reconciliation of Adjusted EBITDA is included at the foot of the Group's Consolidated income statement within the consolidated financial statements. Adjusted EBITDA margin is included within Note 4.

### Adjusted EPS

Adjusted EPS is the basic earnings per share adjusted for exceptional items, fair value adjustments being the amortisation and depreciation on fair value uplifted assets and non-cash interest, net of associated taxation on the adjusted items.

The Directors have presented Adjusted EPS as they believe the APM represents useful information to the user of the financial statements in assessing the performance of the Group, when comparing its performance across periods, as well as being used within the determination of Directors' variable remuneration. Additionally, the APM is considered by the Board when determining the proposed level of ordinary dividend.

A full reconciliation is provided in Note 11.

### Net debt and Net debt to adjusted EBITDA ("leverage") ratio

Net debt is defined as the sum of cash and cash equivalents less total borrowings at the balance sheet date. This does not include lease liabilities arising upon application of IFRS 16 in order to align with the Group's banking facility covenant definition.

The Net debt to adjusted EBITDA ratio definition removes the operating lease expense benefit generated from IFRS16 compared to IAS 17 within adjusted EBITDA.

The Directors disclose these APMs to provide information as a useful measure for assessing the Group's overall level of financial indebtedness and when comparing its performance and position across periods.

Net debt is shown at the foot of the Group consolidated cash flow statement on page 135.

A full reconciliation of the net debt to adjusted EBITDA ratio (also referred to as 'leverage') is set out below:

|   | Year ended<br>31 December<br>2023<br>£'000 | Year ended<br>31 December<br>2022<br>£'000 |
|---|--|--|
| Net debt                                    | (100,616)                                  | (45,922)                                   |
| Adjusted EBITDA                             | 107,357                                    | 139,667                                    |
| Impact of IFRS 16 (Note 26)                 | (12,134)                                   | (8,491)                                    |
| Adjusted EBITDA prior to IFRS 16            | 95,223                                     | 131,176                                    |
| <b>Ratio of net debt to adjusted EBITDA</b> | <b>1.1x</b>                                | <b>0.4x</b>                                |

#### Adjusted return on capital employed

Adjusted return on capital employed (Adjusted ROCE) is defined as earnings before interest and taxation adjusted for exceptional items as a proportion of the average capital employed (defined as net debt plus equity excluding the pension surplus). The average is calculated using the period end balance and corresponding preceding reported period end balance (year end or interim).

The Directors disclose the Adjusted ROCE APM in order to provide users of the financial statements with an indication of the relative efficiency of capital use by the Group over the period, assessing performance between periods as well as being used within the determination of executives' variable remuneration.

The calculation of Adjusted ROCE is set out below:

|   | Year ended<br>31 December<br>2023<br>£'000 | Year ended<br>31 December<br>2022<br>£'000 |
|---|--|--|
| Adjusted EBITDA                                       | 107,357                                    | 139,667                                    |
| Less depreciation                                     | (34,626)                                   | (31,579)                                   |
| Less amortisation                                     | (6,938)                                    | (6,939)                                    |
| <i>Adjusted earnings before interest and taxation</i> | <b>65,793</b>                              | 101,149                                    |
| Average net debt                                      | 94,863                                     | 40,791                                     |
| Average equity  | 407,061                                    | 426,501                                    |
| Average pension                                       | (10,160)                                   | (35,707)                                   |
| <i>Average capital employed</i>                       | <b>491,764</b>                             | 431,585                                    |
| <b>Adjusted Return on Capital Employed</b>            | <b>13.4%</b>                               | 23.4%                                      |

Average capital employed figures comprise:

|                         | 31 December<br>2023<br>£'000 | 30 June<br>2023<br>£'000 | 31 December<br>2022<br>£'000 | 30 June<br>2022<br>£'000 |
|-------------------------|------------------------------|--------------------------|------------------------------|--------------------------|
| Net debt                | 100,616                      | 89,110                   | 45,922                       | 35,660                   |
| Equity                  | 399,867                      | 414,254                  | 416,209                      | 436,792                  |
| Pension                 | (9,832)                      | (10,488)                 | (15,194)                     | (56,219)                 |
| <b>Capital employed</b> | <b>490,651</b>               | <b>492,876</b>           | 446,937                      | 416,233                  |

#### Adjusted effective tax rate (ETR)

The Group presents an adjusted effective tax rate (Adjusted ETR) within its Financial Review. This is disclosed in order to provide users of the financial statements with a view of the rate of taxation borne by the Group adjusted for exceptional items, fair value adjustments being the amortisation and depreciation on fair value uplifted assets, non-cash interest and changes in taxation rates on deferred taxation. A reconciliation of the adjusted ETR to the statutory UK rate of taxation is included in Note 10.

# Notes to the consolidated financial statements continued

## 3. Alternative performance measures continued

### Cash flow related APMs

The Group presents an adjusted cash flow statement within its Financial Review on page 36. This is disclosed in order to provide users of the financial statements with a view of the Group's operating cash generation before the impact of cash flows associated with exceptional items (as set out in Note 5) and with the inclusion of interest, lease payment and non-exceptional property disposal related cash flows.

The Directors use this APM table to allow shareholders to further understand the Group's cash flow performance in the period, to facilitate comparison with future years and to assess trends in financial performance. This table contains a number of APMs, as described below and reconciled in the following table:

#### Adjusted change in working capital

Adjusted change in working capital represents the statutory change in working capital less cash outflows associated with exceptional items arising in the year of £5.4 million (2022: adding back cash inflows of £0.3 million).

#### Adjusted operating cash flow

Adjusted operating cash flows are the cash flows arising from operating activities adjusted to exclude cash outflows relating to exceptional items of £4.6 million (2022: cash inflows £7.3 million) and inclusion of cash flows associated with interest income, proceeds from the sale of property, plant and equipment and lease payments reclassified from investing or financing activities of £12.8 million (2022: £6.8 million).

#### Cash conversion

Cash conversion is the ratio of Adjusted operating cash flow (defined above) to Adjusted EBITDA (defined above). The Directors believe this APM provides a useful measure of the Group's efficiency of its cash management during the period.

#### Adjusted free cash flow

Adjusted free cash flow represents Adjusted operating cash flow (defined above) less total capital expenditure. The Directors use the measure of Adjusted free cash flow as a measure of the funds available to the Group for the payment of distributions to shareholders, for use within M&A activity and other investing and financing activities.

### Reconciliation of statutory cash flow statement to adjusted cash flow statement

| Year ended 31 December 2023         | Statutory<br>£'000 | Exceptional<br>£'000 | Reclassification<br>£'000 | Adjusted<br>£'000 |
|-------------------------------------|--------------------|----------------------|---------------------------|-------------------|
| <b>Adjusted EBITDA</b>              | <b>76,595</b>      | <b>30,762</b>        | <b>–</b>                  | <b>107,357</b>    |
| Change in working capital           | (31,636)           | (5,355)              | –                         | (36,991)          |
| Impairment charges                  | 20,599             | (20,599)             | –                         | –                 |
| Net interest                        | (6,035)            | –                    | 257                       | (5,778)           |
| Tax                                 | 630                | –                    | –                         | 630               |
| Post-employment benefits            | 790                | –                    | (1,081)                   | (291)             |
| Other                               | (2,692)            | (177)                | (12,012)                  | (14,881)          |
| <b>Adjusted operating cash flow</b> | <b>58,251</b>      | <b>4,631</b>         | <b>(12,836)</b>           | <b>50,046</b>     |
| Cash conversion                     |                    |                      |                           | 47%               |
| Total capex                         | (65,653)           | –                    | –                         | (65,653)          |
| <b>Adjusted free cash flow</b>      | <b>(7,402)</b>     | <b>4,631</b>         | <b>(12,836)</b>           | <b>(15,607)</b>   |
| Year ended 31 December 2022         | Statutory<br>£'000 | Exceptional<br>£'000 | Reclassification<br>£'000 | Adjusted<br>£'000 |
| <b>Adjusted EBITDA</b>              | <b>146,115</b>     | <b>(6,448)</b>       | <b>–</b>                  | <b>139,667</b>    |
| Change in working capital           | (2,035)            | 267                  | –                         | (1,768)           |
| Impairment charges                  | 382                | (382)                | –                         | –                 |
| Net interest                        | (4,162)            | –                    | (135)                     | (4,297)           |
| Tax                                 | (11,699)           | –                    | –                         | (11,699)          |
| Post-employment benefits            | (973)              | –                    | (777)                     | (1,750)           |
| Other                               | (5,554)            | (705)                | (5,882)                   | (12,141)          |
| <b>Adjusted operating cash flow</b> | <b>122,074</b>     | <b>(7,268)</b>       | <b>(6,794)</b>            | <b>108,012</b>    |
| Cash conversion                     |                    |                      |                           | 77%               |
| Total capex                         | (58,354)           | –                    | –                         | (58,354)          |
| <b>Adjusted free cash flow</b>      | <b>63,720</b>      | <b>(7,268)</b>       | <b>(6,794)</b>            | <b>49,658</b>     |

#### 4. Segment reporting

The Directors consider the Group's reportable segments to be Clay and Concrete.

The key Group performance measure is adjusted EBITDA<sup>1</sup>, as detailed below, which is defined in Note 3. The tables below present revenue and adjusted EBITDA<sup>1</sup> and profit before taxation for the Group's operating segments.

Included within the unallocated and elimination columns in the tables below are costs including share based payments and Group employment costs. Unallocated assets and liabilities are pensions, taxation and certain centrally held provisions. Eliminations represent the removal of inter-company balances. Transactions between segments are carried out at arm's length. There is no material inter-segmental revenue and no aggregation of segments has been applied.

For both years presented, the activities of Istock Futures were managed and reported as part of the Clay division. Consequently, the position and performance of Istock Futures for all periods has been classified within the Clay reportable segment.

|  | Year ended 31 December 2023 |                   |   | Total<br>£'000   |
|--|-----------------------------|-------------------|---|------------------|
|  | Clay<br>£'000               | Concrete<br>£'000 | Unallocated and<br>elimination<br>£'000 |                  |
| Bricks and masonry   | 282,260                     | 19,848            | –                                       | 302,108          |
| Roofing  | –                           | 21,323            | –                                       | 21,323           |
| Fencing and landscaping  | –                           | 20,440            | –                                       | 20,440           |
| Flooring and lintels   | –                           | 35,704            | –                                       | 35,704           |
| Facades  | 9,960                       | –                 | –                                       | 9,960            |
| Rail and infrastructure  | –                           | 16,218            | –                                       | 16,218           |
| Other  | –                           | 86                | –                                       | 86               |
| <b>Total revenue</b>   | <b>292,220</b>              | <b>113,619</b>    | <b>–</b>                                | <b>405,839</b>   |
| <b>Adjusted EBITDA<sup>1</sup></b>                                     | <b>98,847</b>               | <b>18,623</b>     | <b>(10,113)</b>                         | <b>107,357</b>   |
| <b>Adjusted EBITDA margin<sup>1</sup></b>                              | <b>33.8%</b>                | <b>16.4%</b>      |   | <b>26.5%</b>     |
| Exceptional items <sup>1</sup> impacting operating profit (see Note 5) | (28,170)                    | (2,404)           | (188)                                   | (30,762)         |
| Depreciation and amortisation pre fair value uplift                    | (23,406)                    | (5,733)           | (175)                                   | (29,314)         |
| Incremental depreciation and amortisation following fair value uplift  | (7,374)                     | (4,876)           | –                                       | (12,250)         |
| Net finance costs  | (2,015)                     | (569)             | (2,380)                                 | (4,964)          |
| <b>Profit before tax</b>   | <b>37,882</b>               | <b>5,041</b>      | <b>(12,856)</b>                         | <b>30,067</b>    |
| Taxation   |                             |                   |   | (9,007)          |
| <b>Profit for the year</b>   |                             |                   |   | <b>21,060</b>    |
| <b>Consolidated total assets</b>                                       | <b>610,867</b>              | <b>133,502</b>    | <b>9,862</b>                            | <b>754,231</b>   |
| <b>Consolidated total liabilities</b>                                  | <b>(174,062)</b>            | <b>(46,127)</b>   | <b>(134,175)</b>                        | <b>(354,364)</b> |
| <b>Non-current assets</b>  |                             |                   |   |                  |
| Consolidated total intangible assets                                   | 56,178                      | 25,839            | –                                       | 82,017           |
| Property, plant and equipment  | 389,165                     | 51,235            | –                                       | 440,400          |
| Right-of-use assets  | 29,915                      | 9,310             | 606                                     | 39,831           |
| <b>Total non-current assets</b>  | <b>475,258</b>              | <b>86,384</b>     | <b>606</b>                              | <b>562,248</b>   |
| <b>Total non-current asset additions</b>                               | <b>62,837</b>               | <b>6,654</b>      | <b>–</b>                                | <b>69,491</b>    |

Included within revenue for the year ended 31 December 2023 were £1.1 million of bill and hold transactions in the Clay division. At 31 December 2023, £1.1 million of inventory relating to these bill and hold transactions remained on the Clay division's premises as well as £0.1 million of inventory related to bill and hold sales in previous years remained on the Concrete division's premises.

<sup>1</sup> Alternative performance measures are described in Note 3 and exceptional items are described in Note 5 to the consolidated financial statements.

# Notes to the consolidated financial statements continued

## 4. Segment reporting continued

The unallocated segment balance includes the fair value of the Group's share based payments and associated taxes (£2.5 million), Plc Board and other plc employment costs (£5.4 million), pension costs (£1.1 million) and legal/administrative expenses (£3.5 million). These costs have been offset by research and development taxation credits (£2.4 million). During the current period, one customer accounted for greater than 10% of Group revenues with £70.6 million of sales across the Clay and Concrete divisions.

The Group pension surplus is an unallocated asset and amounts to £9.8 million.

|  | Year ended 31 December 2022 |                   |   | Total<br>£'000   |
|--|-----------------------------|-------------------|---|------------------|
|  | Clay<br>£'000               | Concrete<br>£'000 | Unallocated and<br>elimination<br>£'000 |                  |
| Bricks and masonry   | 365,022                     | 22,900            | –                                       | 387,922          |
| Roofing  | –                           | 32,100            | –                                       | 32,100           |
| Fencing and landscaping  | –                           | 29,000            | –                                       | 29,000           |
| Flooring and lintels   | –                           | 45,200            | –                                       | 45,200           |
| Facades  | 4,171                       | –                 | –                                       | 4,171            |
| Rail and infrastructure  | –                           | 14,200            | –                                       | 14,200           |
| Other  | –                           | 293               | –                                       | 293              |
| <b>Total revenue</b>   | <b>369,193</b>              | <b>143,693</b>    | <b>–</b>                                | <b>512,886</b>   |
| <b>Adjusted EBITDA<sup>1</sup></b>                                     | <b>126,687</b>              | <b>23,604</b>     | <b>(10,624)</b>                         | <b>139,667</b>   |
| <b>Adjusted EBITDA margin<sup>1</sup></b>                              | <b>34.3%</b>                | <b>16.4%</b>      |   | <b>27.2%</b>     |
| Exceptional items <sup>1</sup> impacting operating profit (see Note 5) | 6,222                       | 56                | –                                       | 6,278            |
| Depreciation and amortisation pre fair value uplift                    | (20,659)                    | (5,546)           | (187)                                   | (26,392)         |
| Incremental depreciation and amortisation following fair value uplift  | (6,936)                     | (5,190)           | –                                       | (12,126)         |
| Net finance costs  | (366)                       | (430)             | (1,867)                                 | (2,663)          |
| <b>Profit/(loss) before tax</b>  | <b>104,948</b>              | <b>12,494</b>     | <b>(12,678)</b>                         | <b>104,764</b>   |
| Taxation   |                             |                   |   | (17,884)         |
| <b>Profit for the year</b>   |                             |                   |   | <b>86,880</b>    |
| <b>Consolidated total assets</b>                                       | <b>596,769</b>              | <b>146,553</b>    | <b>19,460</b>                           | <b>762,782</b>   |
| <b>Consolidated total liabilities</b>                                  | <b>(183,079)</b>            | <b>(52,172)</b>   | <b>(111,322)</b>                        | <b>(346,573)</b> |
| <b>Non-current assets</b>  |                             |                   |   |                  |
| Consolidated total intangible assets                                   | 60,945                      | 29,297            | –                                       | 90,242           |
| Property, plant and equipment  | 361,389                     | 47,702            | –                                       | 409,091          |
| Right-of-use assets  | 20,869                      | 10,419            | 190                                     | 31,478           |
| <b>Total non-current assets</b>  | <b>443,203</b>              | <b>87,418</b>     | <b>190</b>                              | <b>530,811</b>   |
| <b>Total non-current asset additions</b>                               | <b>70,118</b>               | <b>8,713</b>      | <b>131</b>                              | <b>78,962</b>    |

<sup>1</sup> Alternative performance measures are described in Note 3 and exceptional items are described in Note 5 to the consolidated financial statements.

Included within the revenue of our Concrete operations during the year ended 31 December 2022 were £0.1 million of bill and hold transactions. At 31 December 2022, £0.4 million of inventory relating to bill and hold sales in previous years remained on the Group's premises. The unallocated segment balance includes the fair value of the Group's share based payments and associated taxes of (£2.7 million), Plc Board and other Plc employment costs (£6.4 million), pension costs (£0.8 million) and legal/administrative expenses (£2.8 million). These costs have been offset by research and development taxation credits (£1.6 million) and £0.5 million of provision releases related to the discount rate applied. During the current year, one customer accounted for greater than 10% of Group revenues with £80.6 million of sales within the Clay and Concrete division.

The Group pension surplus is an unallocated asset and amounted to £15.2 million.

## 5. Exceptional items<sup>1</sup>

|  | Year ended 31<br>December 2023<br>£'000 | Year ended 31<br>December 2022<br>£'000 |
|--|---|---|
| <b>Exceptional cost of sales</b>                                       |   |   |
| Impairment charge – Property, plant and equipment                      | (15,397)                                | (554)                                   |
| Impairment charge – Right-of-use assets                                | (1,181)                                 | –                                       |
| Impairment charge – Working capital                                    | (4,022)                                 | –                                       |
| <b>Total impairment charge (Note 16)</b>                               | <b>(20,600)</b>                         | <b>(554)</b>                            |
| Redundancy costs   | (7,470)                                 | –                                       |
| Other costs associated with closure of sites                           | (1,196)                                 | (126)                                   |
| <b>Total exceptional cost of sales</b>                                 | <b>(29,266)</b>                         | <b>(680)</b>                            |
| <b>Exceptional administrative expenses:</b>                            |   |   |
| Redundancy costs   | (1,496)                                 | –                                       |
| <b>Total exceptional administrative expenses</b>                       | <b>(1,496)</b>                          | <b>–</b>                                |
| <b>Exceptional profit on disposal of property, plant and equipment</b> | <b>–</b>                                | <b>6,958</b>                            |
| <b>Exceptional items<sup>1</sup> impacting operating profit</b>        | <b>(30,762)</b>                         | <b>6,278</b>                            |
| <b>Total exceptional items<sup>1</sup></b>                             | <b>(30,762)</b>                         | <b>6,278</b>                            |

### 2023

Included within the current year are the following exceptional items<sup>1</sup>:

#### Exceptional cost of sales

Impairment charges arising in the current year relate to the impairment of non-current assets and working capital items, as set out in Note 16. Due to the materiality and non-recurring nature, these costs have been categorised as exceptional.

Redundancy costs relate to the severance for employees engaged in production activities following the Group's announced restructuring activity in response to the deterioration in demand outlook caused by a market downturn. These costs have been categorised as exceptional due to their materiality, and unusual and non-recurring nature of the events giving rise to the costs.

Costs associated with the closure of sites relate to other costs incurred as a result of the Group's restructuring decisions during the year. These unavoidable costs include closed site security and decommissioning activities.

#### Exceptional administration expenses

Exceptional redundancy costs arising in the current period relate to costs of redundancy of employees within the Group's selling, general and administrative ("SG&A") functions following the Group's announced restructuring in October 2023. The costs have been treated as exceptional due to their materiality, and the non-recurring nature of the event giving rise to the costs.

### 2022

#### Exceptional cost of sales

The Group impaired the existing building assets has been identified as unfit for usage, thereby requiring replacement at Atlas, which was part of a restructuring programme.

Other costs associated with the closure of sites represent other expenses incurred as a result of the Group's restructuring programme announced during 2020. This programme proceeded throughout 2021 and the costs concluded during the first half of 2022.

As anticipated, during 2022, the Group incurred £0.1 million of net residual costs relating to the sites subject to closure. The net balance in the current year comprised rates and other standing charges related to the former operations, partly offset by savings from previously provided redundancy schemes.

#### Exceptional profit on disposal of property, plant and equipment

The exceptional profit on disposal in the prior year relates to the sale of the Group's surplus property at West Hoathly in Sussex. The profit on disposal has been categorised as exceptional due to the materiality of the amount recognised.

#### Cash flow on exceptional items<sup>1</sup>

### 2023

Exceptional cash cost of £10.2 million associated with the Group's rationalisation and closure of sites as part of the restructuring plan, of which £4.6 million was cash settled in the year as detailed in Note 3. The exceptional non-cash charge of £20.6 million comprising the impairments associated with the Group's closure of sites as part of this plan as detailed in Note 11.

<sup>1</sup> Alternative performance measures are described in Note 3 and exceptional items are described in Note 5 to the consolidated financial statements.

# Notes to the consolidated financial statements continued

## 5. Exceptional items continued

2022

Exceptional cash impact comprising cash inflow of £7.8 million associated with total consideration from the sales of land and buildings and cash outflow of £0.1 million associated with the restructuring programme. The exceptional non-cash charge of £0.6 million comprising the impairments associated the property, plant and equipment.

### Tax on exceptional items<sup>1</sup>

2023

In the current year, impairment charges arising on non-current assets are not tax deductible but give rise to a deferred tax credit in the period. The impairment charge on current assets and redundancy costs are treated as tax deductible in the period. The total tax credit on exceptional items is £7.0 million.

2022

In the prior year, the impairment charge relating to property, plant and equipment is not tax deductible but gives rise to a deferred tax credit in the current period.

The costs associated with the closure of sites are tax deductible in the current period.

The profit on disposal of property, plant and equipment gave rise to a nil chargeable gain in the current period due to the effect of indexation allowance.

## 6. Operating profit

Operating profit includes the effect of crediting/(charging):

|   | Year ended<br>31 December<br>2023<br>£'000 | Year ended<br>31 December<br>2022<br>£'000 |
|---|--|--|
| Changes in inventories of finished goods and work in progress                   | 23,330                                     | 11,923                                     |
| Raw material and consumables used   | (65,904)                                   | (86,823)                                   |
| Employee benefit expense (Note 7)   | (85,234)                                   | (92,998)                                   |
| Depreciation – Property, plant and equipment (Note 13)                          | (22,848)                                   | (23,841)                                   |
| Depreciation – Right-of-use assets (Note 26)                                    | (11,778)                                   | (7,738)                                    |
| Amortisation (Note 12)  | (6,938)                                    | (6,939)                                    |
| Exceptional cost of sales (Note 5)  | (29,266)                                   | (680)                                      |
| Other production costs  | (92,245)                                   | (109,425)                                  |
| <b>Total cost of sales</b>  | <b>(290,883)</b>                           | <b>(316,521)</b>                           |
| Transportation expenses   | (36,797)                                   | (47,961)                                   |
| Other employee benefit expenses (Note 7)  | (31,831)                                   | (32,441)                                   |
| Profit/(loss) on disposal of property, plant and equipment (Note 13)            | 1,957                                      | (417)                                      |
| Advertising costs   | (1,123)                                    | (1,192)                                    |
| Operating lease income  | 136  | 97   |
| Exceptional administrative expenses (Note 5)                                    | (1,496)                                    | –  |
| Exceptional profit on disposal of property, plant and equipment (Note 5 and 13) | –  | 6,958                                      |

### Auditor's remuneration

During the year the Group obtained the following services from the Company's auditor.

|  | Year ended<br>31 December<br>2023<br>£'000 | Year ended<br>31 December<br>2022<br>£'000 |
|--|--|--|
| <b>Fees payable to the Company's auditor and its associates for the audit of Parent Company and consolidated financial statements:</b> | <b>306</b>                                 | <b>180</b>                                 |
| <b>Fees payable to Company's auditor and its associates for other services to the Group:</b>   |  |  |
| – Audit of the Company's subsidiaries  | 582  | 608  |
| <b>Total audit fees</b>  | <b>888</b>                                 | <b>788</b>                                 |
| – Audit related assurance services   | 80   | 80   |
| <b>Total non-audit fees</b>  | <b>80</b>                                  | <b>80</b>                                  |



## 7. Employees and Directors

Employee benefit expenses for the Group during the period:

|   | Year ended<br>31 December<br>2023<br>£'000 | Year ended<br>31 December<br>2022<br>£'000 |
|---|--|--|
| Wages and salaries – gross                            | 98,954                                     | 107,622                                    |
| Social security costs                                 | 9,503                                      | 9,743                                      |
| Pensions costs – defined benefit plans (Note 20)      | 1,082                                      | 777  |
| Pensions costs – defined contribution plans (Note 20) | 5,218                                      | 4,750                                      |
| Share based payments (Note 25)                        | 2,308                                      | 2,547                                      |
|   | <b>117,065</b>                             | <b>125,439</b>                             |

In October 2022, the Group made a one-off payment of £3.6 million to those employees who were the most heavily impacted by the cost of living crisis.

Average monthly number of people (including Executive Directors) employed:

|                      | Year ended<br>31 December<br>2023 | Year ended<br>31 December<br>2022 |
|----------------------|-----------------------------------|-----------------------------------|
| Sales staff          | 241                               | 263                               |
| Administrative staff | 176                               | 220                               |
| Production staff     | 1,772                             | 1,782                             |
|                      | <b>2,189</b>                      | <b>2,265</b>                      |

Key management compensation:

|                              | Year ended<br>31 December<br>2023<br>£'000 | Year ended<br>31 December<br>2022<br>£'000 |
|------------------------------|--|--|
| Short-term employee benefits | 2,156                                      | 3,582                                      |
| Post-employment benefits     | 154  | 229  |
| Share-based payment          | 464  | 1,048                                      |
|                              | <b>2,774</b>                               | <b>4,859</b>                               |

Key management personnel has been defined as the Board of Istock Plc, together with the Group's Executive Leadership Team (ELT). Members of the ELT are set out on page 76 of the Annual Report and Accounts 2023. Details of remuneration for Istock Plc Directors, including the highest paid director, are presented in the Remuneration Report on pages 99 to 116. The aggregate remuneration of the Directors for the purposes of the financial statements is £2.2 million (year ended 31 December 2022: £2.7 million).

# Notes to the consolidated financial statements continued

## 8. Finance costs

|   | Year ended<br>31 December<br>2023<br>£'000 | Year ended<br>31 December<br>2022<br>£'000 |
|---|--|--|
| Interest costs:   |  |  |
| Interest payable on Revolving Credit Facility                             | (1,891)                                    | (993)                                      |
| Interest payable on Private Placement                                     | (2,220)                                    | (2,220)                                    |
| <b>Total interest payable on bank borrowings</b>                          | <b>(4,111)</b>                             | <b>(3,213)</b>                             |
| Capitalised interest  | 1,082                                      | –  |
| Other interest payable  | (65)                                       | (66)                                       |
| <i>Interest expense on financial liabilities at amortised cost</i>        | <i>(3,094)</i>                             | <i>(3,279)</i>                             |
| Interest on lease liabilities (Note 26)                                   | (2,368)                                    | (1,274)                                    |
| Net unwinding of discount on provisions/change in discount rate (Note 19) | (470)                                      | –  |
| <i>Other interest payable</i>   | <i>(2,838)</i>                             | <i>(1,274)</i>                             |
| <b>Total finance costs</b>  | <b>(5,932)</b>                             | <b>(4,553)</b>                             |

### 2023

In the current year, £30.0 million of Revolving Credit Facility (“RCF”) was drawn, with £5.0 million subsequently repaid. Interest expense comprised £0.7 million interest on funds drawn down, £0.6 million of facility commitment fees, £0.2 million of other arrangement costs and £0.4 million of deal fee amortisation.

In the current year, £1.1 million of borrowing costs are directly attributable to the construction or production of qualifying assets, therefore, are capitalised in the relevant assets. The average capitalisation rate was 2.6%.

### 2022

In the prior year, the RCF was not drawn upon and therefore interest expense comprised no interest on funds drawn down, £0.6 million of facility commitment fees and £0.4 million of deal fee amortisation. During the final quarter of 2022, the Group concluded a 12-month extension to the £125 million RCF, extending maturity to November 2026 on terms aligning with the original refinancing in November 2021. Fees of £0.3m related to the extension were capitalised.

In prior years, no borrowing costs were directly attributable to the construction or production of qualifying assets.

## 9. Finance income

|   | Year ended<br>31 December<br>2023<br>£'000 | Year ended<br>31 December<br>2022<br>£'000 |
|---|--|--|
| Interest income:  |  |  |
| Foreign exchange translations                                   | –  | 29   |
| Net interest income arising on the UK pension scheme (Note 20)  | 711  | 1,048                                      |
| Net unwinding of discount on provisions/change in discount rate | –  | 689  |
| Other interest receivable                                       | 257  | 124  |
| <b>Total finance income relating to continuing operations</b>   | <b>968</b>                                 | <b>1,890</b>                               |

## 10. Taxation

### Analysis of income tax charge

|  | Year ended<br>31 December<br>2023<br>£'000 | Year ended<br>31 December<br>2022<br>£'000 |
|--|--|--|
| Current tax on profit for the year     | 2,120                                      | 13,747                                     |
| Adjustments in respect of prior period | 85   | 1,340                                      |
| <b>Total current tax</b>               | <b>2,205</b>                               | <b>15,087</b>                              |
| Deferred tax on profit for the year    | 5,830                                      | 3,700                                      |
| Impact of change in tax rate           | 862  | 2,095                                      |
| Adjustments in respect of prior period | 110  | (2,998)                                    |
| <b>Total deferred tax</b>              | <b>6,802</b>                               | <b>2,797</b>                               |
|  | <b>9,007</b>                               | <b>17,884</b>                              |

### Income tax recognised within the consolidated statement of other comprehensive income

|   | Year ended<br>31 December<br>2023<br>£'000 | Year ended<br>31 December<br>2022<br>£'000 |
|---|--|--|
| Tax adjustments arising on the UK pension scheme assets and liabilities:  |  |  |
| Current tax credit  | –  | (333)                                      |
| Deferred tax credit   | (1,320)                                    | (10,814)                                   |
| Tax adjustments arising on gains and losses relating to cash flow hedges: |  |  |
| Deferred tax (credit)/charge  | (148)                                      | 149  |

### Income tax recognised within the consolidated statement of changes in equity

|  | Year ended<br>31 December<br>2023<br>£'000 | Year ended<br>31 December<br>2022<br>£'000 |
|--|--|--|
| Current tax credit on share-based payments           | –  | (1)  |
| Deferred tax charge/(credit) on share-based payments | 147  | (116)                                      |

The tax expense for the period differs from the applicable standard rate of corporation tax in the UK of 23.5% for the year ended 31 December 2023 (2022: 19%). The differences are explained below:

| Year ended 31 December 2023   | Statutory    |               | Exceptional and other adjusting items |               | Adjusted      |               |
|---|--------------|---------------|---------------------------------------|---------------|---------------|---------------|
|   | £'000        | Percentage    | £'000                                 | Percentage    | £'000         | Percentage    |
| Profit before tax   | 30,067       | 100%          | 42,186                                | 100%          | 72,253        | 100%          |
| Profit before tax multiplied by the rate of corporation tax in the UK | 7,067        | 23.50%        | 9,913                                 | 23.50%        | 16,980        | 23.50%        |
| Effects of:   |              |               |                                       |               |               |               |
| Expenses not deductible   | 1,175        | 3.91%         | (278)                                 | (0.66%)       | 897           | 1.24%         |
| Permanent benefit of super deduction on capital expenditure           | (292)        | (0.97%)       | –                                     | –             | (292)         | (0.40%)       |
| Changes in estimates relating to prior periods                        | 195          | 0.65%         | –                                     | –             | 195           | 0.27%         |
| Rate change on deferred tax provision                                 | 862          | 2.87%         | (862)                                 | (2.04%)       | –             | –             |
| <b>Total taxation expense from continuing operations</b>              | <b>9,007</b> | <b>29.95%</b> | <b>8,773</b>                          | <b>20.80%</b> | <b>17,780</b> | <b>24.61%</b> |

| Year ended 31 December 2022   | Statutory     |               | Exceptional and other adjusting items |              | Adjusted      |               |
|---|---------------|---------------|---------------------------------------|--------------|---------------|---------------|
|   | £'000         | Percentage    | £'000                                 | Percentage   | £'000         | Percentage    |
| Profit before tax   | 104,764       | 100%          | 4,473                                 | 100%         | 109,237       | 100%          |
| Profit before tax multiplied by the rate of corporation tax in the UK | 19,905        | 19.00%        | 850                                   | 19.00%       | 20,755        | 19.00%        |
| Effects of:   |               |               |                                       |              |               |               |
| Expenses not deductible   | (717)         | (0.68%)       | 1,390                                 | 31.08%       | 673           | 0.61%         |
| Permanent benefit of super deduction on capital expenditure           | (1,741)       | (1.66%)       | –                                     | –            | (1,741)       | (1.59%)       |
| Changes in estimates relating to prior periods                        | (1,658)       | (1.58%)       | –                                     | –            | (1,658)       | (1.52%)       |
| Rate change on deferred tax provision                                 | 2,095         | 2.00%         | (2,095)                               | (46.84%)     | –             | –             |
| <b>Total taxation expense from continuing operations</b>              | <b>17,884</b> | <b>17.08%</b> | <b>145</b>                            | <b>3.24%</b> | <b>18,029</b> | <b>16.50%</b> |

There are no income tax consequences for the Company in respect of dividends declared prior to the date of authorisation of these financial statements and for which a liability has not been recognised.

In the current period, the permanent benefit of the temporary enhancement to tax relief on capital expenditure on plant and machinery, known as the “super-deduction” was £0.3 million. This benefit is offset by an increase in the associated deferred tax liability of £0.1 million being recognised at 25%, being the tax rate at which it is expected to unwind. The overall net tax benefit of the super-deduction for the current period is £0.2 million.

The £0.8 million rate change on deferred tax provision is a result of recognising deferred tax assets and liabilities at the future tax rate of 25% in respect of items that are taxable or tax-deductible in the current period. £0.1 million of this balance relates to capital expenditure that has attracted the super-deduction as mentioned above.

# Notes to the consolidated financial statements continued

## 10. Taxation continued

The Group expects its effective tax rate in the future to be affected by the outcome of any future tax audits as well as the impact of changes in tax law.

The government published draft legislation for inclusion in Finance Bill 2024 which amends certain aspects of the multinational top-up tax and domestic top-up tax rules contained in Finance (No 2) Act 2023. The amendments will have retrospective effect for accounting periods beginning on or after 31 December 2023. The group is below the €750m income threshold and therefore the rules will not impact the tax liabilities reported by the group.

## 11. Earnings per share

The basic earnings per share figures are calculated by dividing profit for the year attributable to the Parent shareholders by the weighted average number of Ordinary Shares in issue during the year. The diluted earnings per share figures allow for the dilutive effect of the conversion into Ordinary Shares of the weighted average number of options outstanding during the year. Where the average share price for the year is lower than the option price the options become anti-dilutive and are excluded from the calculation.

The number of shares used for the earnings per share calculation are as follows:

|   | Year ended<br>31 December<br>2023 | Year ended<br>31 December<br>2022 |
|---|-----------------------------------|-----------------------------------|
| <b>Basic weighted average number of Ordinary Shares</b>   | <b>392,217</b>                    | <b>402,746</b>                    |
| Effect of share incentive awards and options              | 3,437                             | 2,010                             |
| <b>Diluted weighted average number of Ordinary Shares</b> | <b>395,654</b>                    | <b>404,756</b>                    |

The calculation of adjusted earnings per share<sup>1</sup> is a key measurement used by management that is not defined by IFRS. The adjusted earnings per share<sup>1</sup> measures should not be viewed in isolation, but rather treated as supplementary information.

Adjusted earnings per share<sup>1</sup> figures are calculated as the Basic earnings per share adjusted for exceptional items<sup>1</sup>, fair value adjustments being the amortisation and depreciation on fair value uplifted assets and non-cash interest expenses. Adjustments are made net of the associated taxation on the adjusted items. A reconciliation of the statutory profit to that used in the adjusted earnings per share<sup>1</sup> calculations is as follows:

|   | Year ended<br>31 December<br>2023<br>Total<br>£'000 | Year ended<br>31 December<br>2022<br>Total<br>£'000 |
|---|---|---|
| <b>Profit for the period attributable to the Parent shareholders</b>          | <b>21,060</b>                                       | <b>86,908</b>                                       |
| Add back exceptional items <sup>1</sup> (Note 5)                              | 30,762  | (6,278)   |
| Less tax credit on exceptional items <sup>1</sup>                             | (6,952)   | (453)   |
| Add fair value adjustments (Note 4)   | 12,250  | 12,126  |
| Less tax credit on fair value adjustments                                     | (2,878)   | (2,000)   |
| Less net non-cash interest  | (826)   | (1,376)   |
| Add back tax expense on non-cash interest                                     | 194   | 227   |
| Add back impact of deferred taxation rate change                              | 844   | 2,095   |
| <b>Adjusted profit for the period attributable to the Parent shareholders</b> | <b>54,454</b>                                       | <b>91,249</b>                                       |

|  | Year ended<br>31 December<br>2023<br>Total<br>pence | Year ended<br>31 December<br>2022<br>Total<br>pence |
|--|---|---|
| <b>Basic EPS on profit for the year</b>                        | <b>5.4</b>  | <b>21.6</b>   |
| <b>Diluted EPS on profit for the year</b>                      | <b>5.3</b>  | <b>21.5</b>   |
| <b>Adjusted basic EPS<sup>1</sup> on profit for the year</b>   | <b>13.9</b>   | <b>22.7</b>   |
| <b>Adjusted diluted EPS<sup>1</sup> on profit for the year</b> | <b>13.8</b>   | <b>22.5</b>   |

<sup>1</sup> Alternative performance measures are described in Note 3 and exceptional items are described in Note 5 to the consolidated financial statements.

## 12. Intangible assets

|  | Goodwill<br>£'000 | Customer<br>contracts and<br>relationships<br>£'000 | Brands<br>£'000 | Licences<br>£'000 | Total<br>£'000  |
|--|-------------------|---|-----------------|-------------------|-----------------|
| <i>Cost</i>                                    |                   |   |                 |                   |                 |
| At 1 January 2022                              | 2,964             | 92,868  | 37,159          | 6,402             | 139,393         |
| Additions in the year                          | 888               | –   | –               | 5,573             | 6,461           |
| Utilised in the year                           | –                 | –   | –               | (3,905)           | (3,905)         |
| At 31 December 2022                            | 3,852             | 92,868  | 37,159          | 8,070             | 141,949         |
| Additions in the year                          | 209               | 579   | –               | 1,844             | 2,632           |
| Utilised in the year                           | –                 | –   | –               | (3,919)           | (3,919)         |
| <b>At 31 December 2023</b>                     | <b>4,061</b>      | <b>93,447</b>                                       | <b>37,159</b>   | <b>5,995</b>      | <b>140,662</b>  |
| <i>Accumulated amortisation and impairment</i> |                   |   |                 |                   |                 |
| At 1 January 2022                              | –                 | (38,154)  | (6,614)         | –                 | (44,768)        |
| Charge for the year                            | –                 | (5,883)   | (1,056)         | –                 | (6,939)         |
| At 31 December 2022                            | –                 | (44,037)  | (7,670)         | –                 | (51,707)        |
| Charge for the year                            | –                 | (5,882)   | (1,056)         | –                 | (6,938)         |
| <b>At 31 December 2023</b>                     | <b>–</b>          | <b>(49,919)</b>                                     | <b>(8,726)</b>  | <b>–</b>          | <b>(58,645)</b> |
| <i>Net book amount</i>                         |                   |   |                 |                   |                 |
| At 31 December 2022                            | 3,852             | 48,831  | 29,489          | 8,070             | 90,242          |
| <b>At 31 December 2023</b>                     | <b>4,061</b>      | <b>43,528</b>                                       | <b>28,433</b>   | <b>5,995</b>      | <b>82,017</b>   |

Management performed a goodwill impairment test in both the current and prior year, with no goodwill impairment recognised (see Note 16).

The Group has been part of the UK ETS scheme since 01 January 2021. Licences represent carbon allowances purchased by the Group, which are held at cost and surrendered, as required, to meet carbon emissions in excess of the Group's granted allowances. During the current year, the Group received 218,561 (2022: 223,034) free allowances from the Government at no cost.

Amortisation is included within cost of sales in the income statement.

The remaining amortisation period of customer contracts and relationships is two to twelve years. At 31 December 2023, the remaining amortisation period of brands is outlined below:

| Brands        | Net book value<br>at 31 December<br>2023<br>£'000 | Remaining<br>amortisation<br>period (years) |
|---------------|---|---|
| Ibstock Brick | 26,348  | 41.2  |
| Forticrete    | 93  | 1.2   |
| Supreme       | 1,233   | 6.2   |
| Longley       | 759   | 5.6   |
|               | <b>28,433</b>                                     |   |

# Notes to the consolidated financial statements continued

## 13. Property, plant and equipment

|  | Land and buildings<br>£'000 | Mineral reserves<br>£'000 | Plant, machinery and equipment<br>£'000 | Assets in the course of construction (AICC)<br>£'000 | Total<br>£'000   |
|--|-----------------------------|---------------------------|---|--|------------------|
| <i>Cost</i>                                    |                             |                           |   |  |                  |
| At 1 January 2022                              | 193,726                     | 75,034                    | 202,834                                 | 16,757   | 488,351          |
| Additions                                      | 3,308                       | –                         | 11,967                                  | 42,878   | 58,153           |
| Transfer from AICC                             | 103                         | –                         | 991                                     | (1,094)  | –                |
| Disposals                                      | (275)                       | –                         | (8,515)                                 | –  | (8,790)          |
| At 31 December 2022                            | 196,862                     | 75,034                    | 207,277                                 | 58,541   | 537,714          |
| Additions                                      | 1,751                       | 179                       | 4,721                                   | 60,314   | 66,965           |
| Acquisitions on business combination           | 2,000                       | –                         | 707                                     | –  | 2,707            |
| Transfer from AICC                             | 5,222                       | 2,606                     | 15,698                                  | (23,526)   | –                |
| Disposals                                      | (1,520)                     | (14,626)                  | (10,720)                                | –  | (26,866)         |
| <b>At 31 December 2023</b>                     | <b>204,315</b>              | <b>63,193</b>             | <b>217,683</b>                          | <b>95,329</b>  | <b>580,520</b>   |
| <i>Accumulated depreciation and impairment</i> |                             |                           |   |  |                  |
| At 1 January 2022                              | (42,975)                    | (26,112)                  | (43,464)                                | –  | (112,551)        |
| Charge for the year                            | (6,855)                     | (3,073)                   | (13,913)                                | –  | (23,841)         |
| Disposals                                      | 264                         | –                         | 8,059                                   | –  | 8,323            |
| Impairment                                     | (554)                       | –                         | –                                       | –  | (554)            |
| At 31 December 2022                            | (50,120)                    | (29,185)                  | (49,318)                                | –  | (128,623)        |
| Charge for the year                            | (2,123)                     | (3,293)                   | (17,432)                                | –  | (22,848)         |
| Disposals                                      | 1,392                       | 15,007                    | 10,349                                  | –  | 26,748           |
| Impairment                                     | (1,266)                     | (2,391)                   | (11,387)                                | (353)  | (15,397)         |
| <b>At 31 December 2023</b>                     | <b>(52,117)</b>             | <b>(19,862)</b>           | <b>(67,788)</b>                         | <b>(353)</b>   | <b>(140,120)</b> |
| <i>Net book amount</i>                         |                             |                           |   |  |                  |
| At 31 December 2022                            | 146,742                     | 45,849                    | 157,959                                 | 58,541   | 409,091          |
| <b>At 31 December 2023</b>                     | <b>152,198</b>              | <b>43,331</b>             | <b>149,895</b>                          | <b>94,976</b>  | <b>440,400</b>   |

Management reviews business performance based on segments reported in Note 4. In the current year, impairment includes £15.4 million relating to the Ravenhead, South Holmwood, Hampshire and Gloucester site in Clay division and Masoncrete and Castledawson sites in Concrete division (2022: £0.6 million relating to Atlas site in Clay division) as set out in Note 5. Further tangible asset impairment tests were conducted at the end of 2023 with no further impairment required for the rest of the assets (see Note 16).

A net profit on disposal of property, plant and equipment of £2.0 million has been recognised in the year ended 31 December 2023 (year ended 31 December 2022: profit on disposal of £6.5 million). The current year profit on disposal of property, plant and equipment includes no exceptional profit or loss (2022: £7.0 million), as set out in Note 5.

As part of the Group's strategic planning process, Management have considered the impact of both transitional and physical risks and opportunities with regard to several global warming scenarios. Through its scenario analysis, management has assessed no indicators of impairment for property, plant and equipment as a result of changes in precipitation patterns and variability in weather patterns such as more frequent storms, cyclones and floods. We also expect any changes required due to climate change would be covered by business-as-usual site refurbishments with no material impact to current useful economic lives or carrying values.

Management have also considered the potential future requirement to switch to alternative fuels in order to reduce the Group's CO<sub>2</sub> emissions. Although this is an evolving area as technology and capability advances, management's current assumption is that existing factories, and in particular kilns, are able to be retrofitted with no material impact to current useful economic lives or carrying values.

There are no assets which are pledged as security.

## 14. Inventories

|                  | 31 December<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
|------------------|------------------------------|------------------------------|
| Raw materials    | 38,607                       | 37,370                       |
| Work in progress | 2,541                        | 3,777                        |
| Finished goods   | 78,041                       | 53,128                       |
|                  | <b>119,189</b>               | <b>94,275</b>                |

The replacement cost of inventories is not considered to be materially different from the values above. At 31 December 2023, a provision of £3.5 million (31 December 2022: £2.2 million) was held against the inventory balance. At 31 December 2023, a further provision of £3.0 million (31 December 2022: £nil) was held against the inventory balance relating to factory site closures.

### 15. Trade and other receivables

|  | 31 December<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
|--|------------------------------|------------------------------|
| Trade receivables                        | 32,719                       | 59,314                       |
| Provision for impairment of receivables  | (965)                        | (676)                        |
| <b>Net trade receivables</b>             | <b>31,754</b>                | <b>58,638</b>                |
| Prepayments and accrued income           | 3,542                        | 5,334                        |
| Other tax                                | 852                          | 577                          |
| Other receivables                        | 1,771                        | 1,386                        |
| <b>Total trade and other receivables</b> | <b>37,919</b>                | <b>65,935</b>                |

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. The Group's assessment of any expected credit losses is included in Note 22.

### 16. Impairment

In the year, in light of the decrease in activity levels across the UK construction industry, management identified indicators of potential impairment. Subsequently recoverable amounts across the Group's cash-generating units (CGUs) were calculated and compared with the carrying value of the assets that were allocated to the relevant CGUs. For tangible asset impairment testing purposes, the Group has determined that each factory is a separate Cash Generating Unit (CGU), with the exception of: Leighton Buzzard and Stretton are considered as one roofing CGU; Bedford and Barnwell are considered as one South fencing and building CGU; and Thornley and Northwich are considered as a North Rail CGU in Concrete Segment. These combined CGUs are newly identified CGUs in 2023 as each individual factory was identified as separate CGU in 2022. The changes to the CGUs are due to the production and supply arrangement made in 2023.

Following announcement of the proposed cessation of production at Ravenhead and South Holmwood, Gloucester and Hampshire in the Clay division and Masoncrete and Castledawson in Concrete division, management performed detailed impairment testing for the carrying value of the assets associated with these sites.

Management determined the recoverable amount of these closed factories based on the fair value less costs to disposal ("FVLCTD"). This assessment falls within level 3 of the fair value hierarchy and was based on management's judgement that the assets could not be sold for any value, this being the assumption the recoverable amount is most sensitive to.

Determination of FVLCTD by management reflected full impairment of all items of plant and machinery, buildings, minerals and majority of working capital for which management's assessment was that no alternative use, future salvage value or disposal proceeds are expected for the impacted assets.

However, management separately apply the requirements of IAS 36 to the land on sites owned, according to the accounting policy and concluded that the recoverable amount for the land is expected to exceed the carrying value, and hence these assets remain unimpaired.

This assessment of impairment resulted in the recognition of an exceptional impairment charge of £20.6 million within cost of sales within the Group's consolidated income statement.

The impairment of assets valued at historical cost impacted the Clay and Concrete operating segment of the Group in the current period as follows:

|                                | Clay<br>£'000 | Concrete<br>£'000 | Total<br>£'000 |
|--------------------------------|---------------|-------------------|----------------|
| <i>Cost</i>                    |               |                   |                |
| Buildings                      | 5,333         | 195               | 5,528          |
| Mineral reserves               | 2,262         | –                 | 2,262          |
| Plant, machinery and equipment | 7,489         | 118               | 7,607          |
| Working capital                | 3,921         | 101               | 4,022          |
| Right-of-use assets            | 1,074         | 107               | 1,181          |
| <b>Total</b>                   | <b>20,079</b> | <b>521</b>        | <b>20,600</b>  |

Additionally, management completed detailed impairment testing based on value-in-use ("VIU"), for the Group's other operating CGUs as at 31 December 2023.

# Notes to the consolidated financial statements continued

## 16. Impairment continued

Key assumption used within the VIU calculations are noted below:

1. Management has used the latest Board approved budget and strategic planning forecasts in its estimated future cash flows, covering the period 2024 to 2028, which includes assumptions regarding industry demand for the Group's products. These forecasts assume a return to normalised levels of industry demand for the Group's products (defined as a level of demand in line with the 2022 year) over the medium term.

Management is of the view that a downside sensitivity, evaluated as an unforeseen material reduction of greater than 10% in the long-term industry demand for the Group's products (against a level of demand in line with the 2022 year) could lead to a risk of impairment of the Group's non-current assets of between £15 million and £25 million.

The other assumptions used within the VIU calculation are noted below:

1. A pre-tax weighted average cost of capital ("WACC") of 11%-15% was used within the VIU calculation based on an externally derived rate and benchmarked against industry peer group companies.
2. Terminal growth rates of 2% were used reflecting long term inflationary expectations and management's past experience and expectations.

Management is of the view that no reasonable movement in the other assumptions of the WACC or terminal growth rate outlined would result in impairment of the Group's non-current assets.

The cash flows include ongoing capital expenditure required to maintain the productive capacity of the network but exclude any growth capital initiatives not committed.

The immediately quantifiable impacts of climate change and costs expected to be incurred in connection with our climate resilient plan, are included within the budget and strategic plan, which have been used to support the impairment reviews, with no material impact on cash flows. We also expect any changes required due to physical risks arising from our assessment of climate change would be covered by business-as-usual site refurbishments and phased over multiple years. Therefore, the related cash outflow would not have a material impact in any given year. As a consequence, there has been no material impact in the forecast cash flows used for impairment testing.

As a result of the detailed impairment testing performed as at 31 December 2023, no further impairment charges were recognised.

In 2022, an impairment charge of £0.6 million was recognised, within exceptional cost of sales in relation to the Atlas site (Note 5 and 13). The asset is held within the Clay reporting segment. The assets recoverable amount was assessed as £nil on a fair value less costs to sell basis. This assessment falls within level 3 of the fair value hierarchy and was based on management's judgement that the assets could not be sold for any value, this being the assumption the recoverable amount is most sensitive to.

The Group has not recognised any other impairment charges in prior year.

In the current and prior year, the Directors assessed whether there was any indication that the impairment loss recognised in the prior period may no longer exist or may have decreased.

The Group has not recognised any impairment reversals in the year ended 31 December 2023.

### Goodwill

The Group's goodwill balance of £4.1 million, arose on the acquisition of the Longley operations in July 2019 (£3.0 million), acquisition of the Generix operation in July 2022 (£0.9 million) and acquisition of Coltman in November 2023 (£0.2 million). Based upon management's detailed testing of the recoverable value of the CGUs to which goodwill is allocated, no impairment was indicated. Key assumptions used within the testing of goodwill for impairment are consistent with those set out above.

For the Longley CGU, a pre-tax discount rate of 12.4% has been used, together with a long-term growth rate of 2%. CGU-specific cash flows for the detailed five-year time period used by management contain a revenue compound growth rate of 11.4%.

Based on management's projections, no reasonably possible change in key assumptions within the VIU calculation supporting the impairment calculation could cause the carrying value of goodwill to exceed its recoverable amount.

## 17. Trade and other payables

|                                       | 31 December<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
|---------------------------------------|------------------------------|------------------------------|
| Trade payables                        | 44,201                       | 63,169                       |
| Deferred consideration (Note 28)      | –                            | 112                          |
| Other tax and social security payable | 2,875                        | 7,770                        |
| Energy accrual                        | 6,834                        | 6,431                        |
| Customer rebates payable              | 7,593                        | 14,716                       |
| Accruals and other payables           | 19,023                       | 27,805                       |
|                                       | <b>80,526</b>                | <b>120,003</b>               |



There are no material differences between the fair values and book values stated above. As at 31 December 2023 all items were payable within 12 months of the balance sheet date. At 31 December 2022, deferred consideration of £0.1 million related to the consideration payable to the vendor following the purchase of 75% of the share capital of the Generix businesses completed in July 2022. This deferred consideration was paid in July 2023.

## 18. Borrowings

|                           | 31 December<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
|---------------------------|------------------------------|------------------------------|
| <b>Current</b>            |                              |                              |
| Private placement         | 333                          | 436                          |
| Revolving credit facility | 25,163                       | –                            |
|                           | <b>25,496</b>                | <b>436</b>                   |
| <b>Non-current</b>        |                              |                              |
| Private placement         | 98,992                       | 99,769                       |
| <b>Total borrowings</b>   | <b>124,488</b>               | <b>100,205</b>               |

At current and prior year end, the Group held £100 million of private placement notes from Pricoa Private Capital, with maturities of between 2028 and 2033 and an average total cost of funds of 2.19% (range 2.04% – 2.27%). The agreement with Pricoa also contains an additional uncommitted shelf facility of up to \$88.1 million (or equivalent in available currencies). The agreement contains debt covenant requirements of leverage (net debt to adjusted EBITDA) and interest cover (adjusted EBITDA to net finance charges) of no more than 3 times and at least 4 times, respectively, tested semi-annually on 30 June and 31 December in respect of the preceding 12-month period.

Additionally, a £125 million RCF facility is held with a syndicate of five banks for an initial four year period ending in November 2025, which was extended to November 2026 in the prior year. Interest is charged at a margin (depending upon the ratio of net debt to Adjusted EBITDA) of between 160bps and 260bps above SONIA, SOFR or EURIBOR according to the currency of the borrowing. The facility also includes an additional £50 million uncommitted accordion facility. Based on current leverage, the Group will pay interest under the RCF initially at a margin of 160bps which is expected to increase to a margin of 180bps in the second quarter of 2024 as a result of an increase in the Group's leverage. This facility contains debt covenant requirements that align with those of the private placement with the same testing frequency. As at 31 December 2023 the RCF was drawn down by £25.0 million (2022: £nil). As at the date of approval of these financial statements, the above drawn down had increased to £48.0 million.

The carrying value of financial liabilities have been assessed as materially in line with their fair values, with the exception of £100 million of private placement notes. The fair value of these borrowings has been assessed as £88.3 million (2022: £86.4 million).

No security is currently provided over the Group's borrowings.

## 19. Provisions

|                                   | 31 December<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
|-----------------------------------|------------------------------|------------------------------|
| Restoration (i)                   | 5,489                        | 4,550                        |
| Dilapidations (ii)                | 4,620                        | 3,910                        |
| Restructuring (iii)               | 5,037                        | –                            |
| Other (iv)                        | 418                          | 452                          |
|                                   | <b>15,564</b>                | <b>8,912</b>                 |
| <b>Current</b>                    | <b>6,002</b>                 | <b>1,613</b>                 |
| <b>Non-current</b>                | <b>9,562</b>                 | <b>7,299</b>                 |
|                                   | <b>15,564</b>                | <b>8,912</b>                 |
|                                   | Restoration (i)<br>£'000     | Dilapidations (ii)<br>£'000  |
|                                   | Restructuring (iii)<br>£'000 | Other (iv)<br>£'000          |
|                                   | Total<br>£'000               |                              |
| At 1 January 2023                 | 4,550                        | 3,910                        |
| Utilised                          | (136)                        | (16)                         |
| Charged to the income statement   | 99                           | 496                          |
| Unwind of discount/change in rate | 240                          | 230                          |
| Acquired on business combination  | 736                          | –                            |
| <b>At 31 December 2023</b>        | <b>5,489</b>                 | <b>4,620</b>                 |
|                                   | <b>5,037</b>                 | <b>418</b>                   |
|                                   | <b>15,564</b>                |                              |

# Notes to the consolidated financial statements continued

## 19. Provisions continued

The current expected timeframe of provision requirements is as follows:

|                              | Restoration (i)<br>£'000 | Dilapidations (ii)<br>£'000 | Restructuring (iii)<br>£'000 | Other (iv)<br>£'000 | Total<br>£'000 |
|------------------------------|--------------------------|-----------------------------|------------------------------|---------------------|----------------|
| Within one year              | 245                      | 302                         | 5,037                        | 418                 | 6,002          |
| Between two and five years   | 1,192                    | 1,370                       | –                            | –                   | 2,562          |
| Between five and ten years   | 173                      | 1,781                       | –                            | –                   | 1,954          |
| Between ten and twenty years | 2,763                    | 1,027                       | –                            | –                   | 3,790          |
| Over twenty years            | 1,116                    | 140                         | –                            | –                   | 1,256          |
|                              | 5,489                    | 4,620                       | 5,037                        | 418                 | 15,564         |

- (i) The restoration provision comprises obligations governing site remediation and improvement costs to be incurred in compliance with applicable environmental regulations together with constructive obligations stemming from established practice once the sites have been fully utilised. Provisions are based upon management's best estimate of the ultimate cash outflows. The key estimates associated with calculating the provision relate to the cost per acre to perform the necessary remediation work as at the reporting date together with determining the expected year of retirement. Climate change is specifically considered at the planning stage of developments when restoration provisions are initially estimated. This includes projection of costs associated with future water management requirements and the form of the ultimate expected restoration activity. Other changes to legislation, including in relation to climate change, are factored into the provisions when legislation becomes enacted. Estimates are reviewed and updated annually based on the total estimated available reserves and the expected mineral extraction rates. Whilst an element of the total provision will reverse in the medium-term (one to ten years), the majority of the legal and constructive obligations applicable to mineral-bearing land will unwind within a twenty-year timeframe. In discounting the related obligations, expected future cash outflows have been determined with due regard to extraction status and anticipated remaining life. Discount rates used are based upon UK Government bond rates with similar maturities.
- (ii) Provisions for dilapidations arose as contingent liabilities recognised upon the business combination in the period ended 31 December 2015. They are recognised on a lease by lease basis and are based on the Group's best estimate of the likely contractual cash outflows, which are estimated to occur over the lease term. Third party valuation experts are used periodically in the determination of the best estimate of the contractual obligation, with expected cash flows discounted based upon UK Government bond rates with similar maturities.
- (iii) The restructuring provision comprised obligations arising from the completion of the Group's review of operations during the second half of 2023, which involved sites closures and associated redundancy costs. The key estimates associated with the provision relate to redundancy costs per impacted employee. All of the cost is expected to be incurred within one year of the balance sheet date.
- (iv) Other provisions include provisions for legal and warranty claim costs, which are expected to be incurred within one year of the balance sheet date.

## 20. Post-employment benefit obligations

### (a) Defined Benefit plan

Analysis of movements in the net asset during the year:

|  | 31 December<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
|--|------------------------------|------------------------------|
| <b>Funded plan at 31 December</b>                                      |                              |                              |
| Opening balance  | 15,194                       | 57,754                       |
| Charge within operating profit   | (1,082)                      | (777)                        |
| Interest income  | 711                          | 1,048                        |
| Remeasurement loss recognised in the statement of comprehensive income | (5,283)                      | (44,581)                     |
| Contributions  | 292                          | 1,750                        |
| <b>Carried forward at 31 December</b>                                  | <b>9,832</b>                 | <b>15,194</b>                |

The Group participates in the Istock Pension Scheme (the 'Scheme'), a defined benefit pension scheme in the UK. The Scheme closed to future accrual from 1 February 2017. The Scheme has four participating employers – Istock Brick Limited, Forticrete Limited, Anderton Concrete Products Limited and Figgs Bidco Limited – and was funded by payment of contributions to a separate Trustee administered fund. The Scheme is a revalued earnings plan and provides benefits to its members based on their length of membership in the Scheme and their average salary over that period. The Scheme is administered by Trustees who employ independent fund managers for the investment of the pension scheme assets. These assets are kept entirely separate from those of the Group.

The valuation used as at 31 December 2023 has been based on the results of the 30 November 2020 valuation, as updated for changes in demographic assumptions, as appropriate. The 30 November 2023 valuation will be available in 2024.

Total annual contributions to the Scheme are based on independent actuarial advice, and are gauged to fund future pension liabilities in respect of service up to the balance sheet date. The Scheme is subject to an independent actuarial valuation at least every three years using the projected unit method.

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. This transaction, together with the partial buy-in transaction in 2020 insure majority of the Group's defined benefit liabilities. As a result, the insured asset and the corresponding liabilities of the Scheme are assumed to be broadly matched without exposure to interest rate, inflation risk or longevity risk. However, there is a residual risk that the insurance premium may change following a data cleanse to reflect a more accurate liability position. If the surplus Scheme assets are insufficient to meet any additional premium, then the company may need to pay an additional contribution into the Scheme.

The cover for current deferred pensioners at the date of the transaction attracted a total buy-in premium of £175.6 million. The initial premium payment of £81.3 million was settled on 28 December 2022 by the transfer of certain Scheme-invested assets. The remaining premia were settled in three instalments, with the final instalment paid in August 2023.

The difference between the buy-in premium and the IAS 19 liability for these members has been taken through the consolidated statement of other comprehensive income in the year ended 31 December 2022 as an asset loss of £23.4 million.

The defined benefit pension scheme (measured under IAS 19 Employee Benefits) is in a net surplus position as the Trust Deed provides Ibstock with an unconditional right to a refund of surplus asset. This assumes the full gradual settlement of plan liabilities over time until all members have left the plan in the event of a plan wind-up. Furthermore, in the ordinary course of business the Trustees have no right to unilaterally wind up, or otherwise augment the benefits due to the members of the Scheme. In line with IFRIC 14, a net pension asset has been recognised. The corresponding deferred tax liability should be measured by applying either the standard rate of corporation tax to the taxable temporary difference, or the 35% rate applicable to refunds from pension schemes. As the Directors do not consider it likely that there will be a refund from the Scheme due to expected future settlement costs, the deferred tax liability of £2.5 million (2022: £3.8 million) has been measured at the standard rate of corporation tax.

#### Balance sheet assets/(obligations):

|                                     | 31 December<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
|-------------------------------------|------------------------------|------------------------------|
| Liability-driven investment         | –                            | 290                          |
| Bespoke cash flow-driven investment | –                            | 9,857                        |
| Insured annuities                   | 361,436                      | 358,425                      |
| Cash fund investment                | 11,751                       | –                            |
| Cash                                | 532                          | 5,047                        |
| <b>Total market value of assets</b> | <b>373,719</b>               | <b>373,619</b>               |
| Present value of Scheme liabilities | (363,887)                    | (358,425)                    |
| <b>Net Scheme asset</b>             | <b>9,832</b>                 | <b>15,194</b>                |

Liability-driven investments (LDI) are funds constructed to reduce the inflation risk and interest rate risk within the Scheme. They are predominantly unquoted and are set up as 'bespoke pooled funds' with valuations undertaken on a regular basis with rebalancing occurring on a quarterly basis to reflect the movements in the Scheme's other assets and cash flows. This investment was fully divested in 2023.

The bespoke cash flow-driven investment was held with M&G Investment Managers in order to provide a flow of income to the Scheme and meet the liability requirements. At 31 December 2022, the Bespoke cash flow-driven investment had a net asset value of £9.9 million, which comprised invested assets of £101.6 million and negative assets of £91.7 million representing the buy-in deferred premiums. This investment was fully divested in 2023.

Cash fund investment was held with M&G Investment Management in order to protect the capital of the pension.

Cash fund investment is valued at Level 1 in the fair value hierarchy and all other assets held by the Scheme are Level 2 in the hierarchy. The cash fund had a quoted market price in an active market, whilst cash and insured annuities are unquoted.

# Notes to the consolidated financial statements continued

## 20. Post-employment benefit obligations continued

The amounts recognised in the income statement are:

|  | 31 December<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
|--|------------------------------|------------------------------|
| Administrative expenses                                | 1,082                        | 777                          |
| Defined contribution scheme costs (Note 20b)           | 5,218                        | 4,750                        |
| <b>Charge within labour costs and operating profit</b> | <b>6,300</b>                 | <b>5,527</b>                 |
| Interest income  | (711)                        | (1,048)                      |
| <b>Total charge to the income statement</b>            | <b>5,589</b>                 | <b>4,479</b>                 |

Remeasurements recognised in the statement of comprehensive income:

|   | 31 December<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
|---|------------------------------|------------------------------|
| Remeasurement gain/(loss) on defined benefit scheme assets        | 5,248                        | (235,822)                    |
| Remeasurement (loss)/gain from changes in financial assumptions   | (9,272)                      | 211,786                      |
| Remeasurement gain/(loss) from changes in demographic assumptions | 5,217                        | (1,701)                      |
| Experience losses   | (6,476)                      | (18,844)                     |
| <b>Other comprehensive expense</b>                                | <b>(5,283)</b>               | <b>(44,581)</b>              |

Changes in the present value of the defined benefit obligations are analysed as follows:

|  | 31 December<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
|--|------------------------------|------------------------------|
| Present value of defined benefit obligation at beginning of year                   | (358,425)                    | (560,250)                    |
| Interest cost  | (16,688)                     | (9,901)                      |
| Experience losses  | (6,476)                      | (18,844)                     |
| Benefits paid  | 21,757                       | 20,485                       |
| Remeasurement (loss)/gain arising from change in financial assumptions             | (9,272)                      | 211,786                      |
| Remeasurement gain/(loss) arising from change in demographic assumptions           | 5,217                        | (1,701)                      |
| <b>Present value of defined benefit obligations carried forward at 31 December</b> | <b>(363,887)</b>             | <b>(358,425)</b>             |

Changes in the fair value of plan assets are analysed as follows:

|  | 31 December<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
|--|------------------------------|------------------------------|
| Fair value of pension scheme assets at beginning of the year | 373,619                      | 618,004                      |
| Interest income  | 17,399                       | 10,949                       |
| Remeasurement gain/(loss) on pension scheme assets           | 5,248                        | (235,822)                    |
| Employer contributions                                       | 292                          | 1,750                        |
| Benefits paid  | (21,757)                     | (20,485)                     |
| Administrative expenses                                      | (1,082)                      | (777)                        |
| <b>Fair value of pension scheme assets carried forward</b>   | <b>373,719</b>               | <b>373,619</b>               |

Plan assets are comprised as follows:

|                             | 31 December 2023 |                   |                | %           |
|-----------------------------|------------------|-------------------|----------------|-------------|
|                             | Quoted<br>£'000  | Unquoted<br>£'000 | Total<br>£'000 |             |
| Insured annuities           | –                | 361,436           | 361,436        | 97%         |
| Cash and net current assets | 11,751           | 532               | 12,283         | 3%          |
| <b>Total</b>                | <b>11,751</b>    | <b>361,968</b>    | <b>373,719</b> | <b>100%</b> |

|  | 31 December 2022 |                   |                | %           |
|--|------------------|-------------------|----------------|-------------|
|  | Quoted<br>£'000  | Unquoted<br>£'000 | Total<br>£'000 |             |
| Bespoke cash flow-driven investment            | 67,604           | 33,951            | 101,555        |             |
| Buy-in deferred premia                         | (65,827)         | (25,871)          | (91,698)       |             |
| <b>Net bespoke cash flow-driven investment</b> | <b>1,777</b>     | <b>8,080</b>      | <b>9,857</b>   | <b>3%</b>   |
| Liability-driven investment                    | –                | 290               | 290            | 0%          |
| Insured annuities                              | –                | 358,425           | 358,425        | 96%         |
| Cash and net current assets                    | –                | 5,047             | 5,047          | 1%          |
| <b>Total</b>                                   | <b>1,777</b>     | <b>371,842</b>    | <b>373,619</b> | <b>100%</b> |

During the year ended 31 December 2022, based on the previous valuation (as at November 2020), a contribution of £1.75 million was made by the Group in line with the payment schedule agreed with the Trustees of the Istock Pension Scheme. Considering the pension scheme was in a net surplus position after the full buy-in, on 27 February 2023 the Trustees and the Group agreed that the Group would suspend paying regular contributions with effect from 1 March 2023. The schedule of contributions will be reviewed again as part of the 30 November 2023 actuarial valuation.

The weighted average duration of the defined benefit obligation is 13 years (2022: 14 years).

The principal assumptions used by the actuary in his calculations were:

|   | 31 December<br>2023<br>Per annum | 31 December<br>2022<br>Per annum |
|---|----------------------------------|----------------------------------|
| Discount rate   | 4.55%                            | 4.80%                            |
| RPI inflation   | 3.10%                            | 3.20%                            |
| CPI inflation   | 2.50%                            | 2.60%                            |
| Rate of increase in pensions in payment                   | 3.60%                            | 3.65%                            |
| Commutation factors                                       | 21.2                             | 18.60                            |
| <b>Mortality assumptions: life expectancy from age 65</b> |                                  |                                  |
| For a male currently aged 65                              | 21.4 years                       | 21.9 years                       |
| For a female currently aged 65                            | 24.1 years                       | 24.5 years                       |
| For a male currently aged 40                              | 23.1 years                       | 23.6 years                       |
| For a female currently aged 40                            | 25.9 years                       | 26.4 years                       |

The post-retirement mortality assumptions allow for expected changes to life expectancy. The life expectancies quoted for members currently aged 40 assume that they retire at age 65 (i.e. 25 years after the balance sheet date).

The principal financial assumption is the real discount rate, being the excess of the discount rate over the rate of inflation. The discount rate is based on the market yields on high-quality corporate bonds of appropriate currency and term to the defined benefit obligations. The obligations are primarily in Sterling and have a maturity in line with the duration of Scheme liabilities. If the real discount rate increased/decreased by 0.25%, the defined benefit obligations at 31 December 2023 would decrease/increase by approximately 3%.

The impact on the defined benefit obligation to changes in the financial and demographic assumptions is shown below:

|   | 31 December<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
|---|------------------------------|------------------------------|
| Present value of defined benefit obligations at 31 December | (363,887)                    | (358,425)                    |
| 0.25% increase in discount rate                             | 11,939                       | 11,583                       |
| 0.25% decrease in discount rate                             | (12,573)                     | (12,209)                     |
| 0.25% increase in pension growth rate                       | (8,731)                      | (8,417)                      |
| 0.25% decrease in pension growth rate                       | 8,390                        | 8,085                        |
| 0.25% increase in inflation rate                            | (6,447)                      | (6,007)                      |
| 0.25% decrease in inflation rate                            | 7,433                        | 7,270                        |
| 1 year increase in life expectancy                          | (15,568)                     | (14,042)                     |
| 1 year decrease in life expectancy                          | 15,601                       | 14,110                       |

# Notes to the consolidated financial statements continued

## 20. Post-employment benefit obligations continued

In June 2023, the High Court ruled that a failure to obtain a “Section 37 certificate” alongside an amendment where there is a statutory requirement to do so would render the amendment void. If effected, this issue could affect scheme liabilities if it is not possible to locate Section 37 certificates where required. However, this ruling is currently under appeal and it is uncertain as to whether the Department for Work and Pension would nullify the effect of the ruling. Therefore, the Scheme’s legal advisers are not yet undertaking an analysis of the Scheme’s historic documentation and no allowance has been made for the ruling within the IAS19 disclosures at 31 December 2023. This position will be revisited in future sets of disclosures.

### (b) Defined contribution plan

The Group operates defined contribution schemes under the Istock Pension Scheme, the Supreme Concrete Limited Pension Scheme, the Anderton Concrete Pension Scheme, the Supreme Concrete Group Personal Plan and the Longley Concrete Pension scheme. Contributions by both employees and Group companies are held in externally invested, externally administered funds.

The Group contributes a specified percentage of earnings for members of the above defined contribution schemes, and thereafter has no further obligations in relation to the Scheme. The total cost charged to the income statement in relation to the defined contribution scheme in the year was £5.2 million (year ended 31 December 2022: £4.8 million).

## 21. Deferred tax assets/liabilities

The movement on the deferred tax account is shown below:

|  | 31 December<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
|--|------------------------------|------------------------------|
| Net deferred tax liability at beginning of period  | (84,349)                     | (92,352)                     |
| Arising on business combination  | (99)                         | 19                           |
| Tax charged to the consolidated income statement   | (6,802)                      | (2,797)                      |
| Tax credited within other comprehensive income   | 1,468                        | 10,665                       |
| Tax (charged)/credited directly to equity  | (147)                        | 116                          |
| <b>Net deferred tax liability at period end</b>  | <b>(89,929)</b>              | <b>(84,349)</b>              |
| Presented in the consolidated balance sheet after offset as:   |                              |                              |
| Deferred tax liabilities   | (89,929)                     | (84,349)                     |
|  | <b>(89,929)</b>              | <b>(84,349)</b>              |
| Deferred tax assets and liabilities before offsetting of balances within the same tax jurisdiction are as follows: |                              |                              |
| Deferred tax assets  | 5,621                        | 4,107                        |
| Deferred tax liabilities   | (95,550)                     | (88,456)                     |
| <b>Net deferred tax liability at period end</b>  | <b>(89,929)</b>              | <b>(84,349)</b>              |
| Deferred tax assets expected to unwind within one year   | 1,202                        | 955                          |
| Deferred tax assets expected to unwind after one year  | 4,419                        | 3,152                        |
|  | <b>5,621</b>                 | <b>4,107</b>                 |
| Deferred tax liabilities expected to unwind within one year  | (3,169)                      | (3,064)                      |
| Deferred tax liabilities expected to unwind after one year   | (92,381)                     | (85,392)                     |
|  | <b>(95,550)</b>              | <b>(88,456)</b>              |

The movement in the net deferred tax liability analysed by each type of temporary difference is as follows:

| Deferred tax assets/(liabilities)                               | Year ended 31 December 2023               |  |   |                               |  | As at 31 December 2023 |                                 |                                      |
|---|---|--|---|-------------------------------|--|------------------------|---------------------------------|--------------------------------------|
|   | Net balance at<br>1 January 2023<br>£'000 | Arising on<br>business<br>combination<br>£'000 | Recognised<br>in income<br>statement<br>£'000 | Recognised<br>in OCI<br>£'000 | Recognised<br>directly in<br>equity<br>£'000 | Net<br>£'000           | Deferred tax<br>assets<br>£'000 | Deferred tax<br>liabilities<br>£'000 |
| Intangible fixed assets   | (19,475)                                  | –  | 1,629   | –                             | –  | (17,846)               | –                               | (17,846)                             |
| Tangible fixed assets   | (62,348)                                  | (99)   | (10,100)                                      | –                             | –  | (72,547)               | –                               | (72,547)                             |
| Right-of-use assets   | 416                                       | –  | 609   | –                             | –  | 1,025                  | 1,025                           | –                                    |
| Rolled-over and held-over<br>capital gains                      | (2,699)                                   | –  | –   | –                             | –  | (2,699)                | –                               | (2,699)                              |
| Employee pension liabilities                                    | (3,799)                                   | –  | 21  | 1,320                         | –  | (2,458)                | –                               | (2,458)                              |
| Provisions  | 2,860                                     | –  | 911   | –                             | –  | 3,771                  | 3,771                           | –                                    |
| Share incentive plans   | 804                                       | –  | 139   | –                             | (147)  | 796                    | 796                             | –                                    |
| Derivative financial<br>instrument                              | (135)                                     | –  | (7)   | 148                           | –  | 6                      | 6                               | –                                    |
| Tax losses  | 27  | –  | (4)   | –                             | –  | 23                     | 23                              | –                                    |
| <b>Deferred tax (liabilities)/<br/>assets before offsetting</b> | <b>(84,349)</b>                           | <b>(99)</b>                                    | <b>(6,802)</b>                                | <b>1,468</b>                  | <b>(147)</b>                                 | <b>(89,929)</b>        | <b>5,621</b>                    | <b>(95,550)</b>                      |
| Offset of balances within<br>the same tax jurisdiction          |   |  |   |                               |  |                        | (5,621)                         | 5,621                                |
| <b>Net deferred tax liabilities</b>                             |   |  |   |                               |  |                        |                                 | <b>(89,929)</b>                      |

| Deferred tax assets/(liabilities)                               | Year ended 31 December 2022               |  |   |                               |   | As at 31 December 2022 |                                 |                                      |
|---|---|--|---|-------------------------------|---|------------------------|---------------------------------|--------------------------------------|
|   | Net balance at<br>1 January 2022<br>£'000 | Arising on<br>business<br>combination<br>£'000 | Recognised<br>in income<br>statement<br>£'000 | Recognised<br>in OCI<br>£'000 | Recognised<br>directly in equity<br>£'000 | Net<br>£'000           | Deferred tax<br>assets<br>£'000 | Deferred tax<br>liabilities<br>£'000 |
| Intangible fixed assets   | (20,795)                                  | –  | 1,320   | –                             | –   | (19,475)               | –                               | (19,475)                             |
| Tangible fixed assets   | (58,311)                                  | (8)  | (4,029)                                       | –                             | –   | (62,348)               | –                               | (62,348)                             |
| Right-of-use assets   | 510                                       | –  | (94)  | –                             | –   | 416                    | 416                             | –                                    |
| Rolled-over and held-over<br>capital gains                      | (2,699)                                   | –  | –   | –                             | –   | (2,699)                | –                               | (2,699)                              |
| Employee pension liabilities                                    | (14,439)                                  | –  | (174)   | 10,814                        | –   | (3,799)                | –                               | (3,799)                              |
| Provisions  | 2,978                                     | –  | (118)   | –                             | –   | 2,860                  | 2,860                           | –                                    |
| Share incentive plans   | 390                                       | –  | 298   | –                             | 116                                       | 804                    | 804                             | –                                    |
| Derivative financial<br>instrument                              | 14  | –  | –   | (149)                         | –   | (135)                  | –                               | (135)                                |
| Tax losses  | –   | 27   | –   | –                             | –   | 27                     | 27                              | –                                    |
| <b>Deferred tax assets/<br/>(liabilities) before offsetting</b> | <b>(92,352)</b>                           | <b>19</b>                                      | <b>(2,797)</b>                                | <b>10,665</b>                 | <b>116</b>                                | <b>(84,349)</b>        | <b>4,107</b>                    | <b>(88,456)</b>                      |
| Offset of balances within<br>the same tax jurisdiction          |   |  |   |                               |   |                        | (4,107)                         | 4,107                                |
| <b>Net deferred tax liabilities</b>                             |   |  |   |                               |   |                        |                                 | <b>(84,349)</b>                      |

There are no unrecognised deferred tax assets or liabilities as at 31 December 2023 or the prior year end.

# Notes to the consolidated financial statements continued

## 22. Financial instruments – risk management

### Financial assets

|                                       | 31 December<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
|---------------------------------------|------------------------------|------------------------------|
| Trade and other receivables (Note 15) | 33,525                       | 60,024                       |
| Derivative financial instruments      | –                            | 567                          |
| Cash and cash equivalents             | 23,872                       | 54,283                       |
| <b>Total</b>                          | <b>57,397</b>                | <b>114,874</b>               |

### Financial liabilities

|                                    | 31 December<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
|------------------------------------|------------------------------|------------------------------|
| Trade and other payables (Note 17) | 77,651                       | 112,233                      |
| Derivative financial instruments   | 24                           | –                            |
| Lease liabilities (Note 26)        | 43,833                       | 33,104                       |
| Borrowings (Note 18)               | 124,488                      | 100,205                      |
| <b>Total</b>                       | <b>245,996</b>               | <b>245,542</b>               |

With the exception of the Group's derivative financial instruments, see below, all financial assets and liabilities are held at amortised cost.

#### Credit risk

Credit risk arises from cash and cash equivalents, trade receivables and deposits with banks and is managed on a Group basis. This risk arises from transactions with banks, such as those involving cash and cash equivalents and deposits. To reduce the credit risk, the Group has concentrated its main activities with a Group of banks that have strong, independently verified credit ratings. For each bank, individual risk limits are set based on its financial position, credit ratings, past experience and other factors. The utilisation of credit limits is regularly monitored.

The Group has significant sales contracts with a number of blue-chip companies and accordingly the Directors believe there is a limited exposure to credit risk, although this is actively monitored at the operational Company level. The Group's policy on credit risk requires appropriate credit checks on potential customers before sales commence. The Group also maintains credit insurance.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The ageing analysis of the trade receivables (from date of past due) assessed for impairment, but concluded as no impairment is required, is as follows:

|                               | 31 December<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
|-------------------------------|------------------------------|------------------------------|
| Not past due                  | 22,655                       | 38,385                       |
| Less than one month past due  | 8,390                        | 16,870                       |
| One to six months past due    | 2,302                        | 3,749                        |
| Six to twelve months past due | 23                           | 998                          |
| More than 12 months past due  | 155                          | 22                           |
|                               | <b>33,525</b>                | <b>60,024</b>                |

The ageing analysis of the trade receivables (from date of past due) determined to be impaired is as follows:

|                               | 31 December<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
|-------------------------------|------------------------------|------------------------------|
| Less than one month past due  | 478                          | 437                          |
| One to six months past due    | 279                          | 40                           |
| Six to twelve months past due | –                            | 111                          |
| More than 12 months past due  | 208                          | 88                           |
|                               | <b>965</b>                   | <b>676</b>                   |



Movements in the provision for impairment of trade receivables are as follows:

|                                     | 31 December<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
|-------------------------------------|------------------------------|------------------------------|
| Opening balance                     | (676)                        | (636)                        |
| Charged to the income statement     | (347)                        | (133)                        |
| Released                            | 58                           | 93                           |
| <b>Closing impairment provision</b> | <b>(965)</b>                 | <b>(676)</b>                 |

The gross carrying amount of trade receivables, reflecting the maximum exposure to credit risk, is £32.7 million (2022: £59.3 million).

Other financial assets at amortised cost are insignificant and the associated credit risk is considered immaterial.

#### Market risk

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk, being currency risk, interest rate risk and other price risk. The Group's interest rate risk arises principally from the Revolving Credit Facility, which attracts floating rate interest, see Note 18. The Group manages its interest rate risk through the use of the fixed rate Private Placement in addition to using this floating rate RCF debt with varying repayment terms. The Group does not trade in derivative financial instruments and is not considered to be significantly exposed to this and other price risks. The exposure to currency risk is considered low.

#### Interest rate sensitivity analysis:

For the Group's borrowings, sensitivity analysis is considered assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 0.25 percentage points increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25 percentage points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2023 would decrease/increase by £0.2 million (2022: £nil), which is attributable to the Group's exposure to interest rates on its variable rate borrowings.

The exposure in different currencies of financial assets and liabilities is as follows:

| At 31 December 2023                   | Sterling<br>£'000 | US Dollar<br>£'000 | Euro<br>£'000 | Other<br>£'000 | Total<br>£'000 |
|---------------------------------------|-------------------|--------------------|---------------|----------------|----------------|
| <b>Financial assets</b>               |                   |                    |               |                |                |
| Cash and cash equivalents             | 22,855            | 808                | 209           | –              | 23,872         |
| Trade and other receivables (Note 15) | 32,656            | –                  | 869           | –              | 33,525         |
|                                       | 55,511            | 808                | 1,078         | –              | 57,397         |
| <b>Financial liabilities</b>          |                   |                    |               |                |                |
| Borrowings (Note 18)                  | (124,488)         | –                  | –             | –              | (124,488)      |
| Lease liabilities (Note 26)           | (43,833)          | –                  | –             | –              | (43,833)       |
| Derivative financial instruments      | (24)              | –                  | –             | –              | (24)           |
| Trade and other payables (Note 17)    | (74,994)          | (15)               | (2,642)       | –              | (77,651)       |
|                                       | (243,339)         | (15)               | (2,642)       | –              | (245,996)      |
| At 31 December 2022                   | Sterling<br>£'000 | US Dollar<br>£'000 | Euro<br>£'000 | Other<br>£'000 | Total<br>£'000 |
| <b>Financial assets</b>               |                   |                    |               |                |                |
| Cash and cash equivalents             | 54,147            | 69                 | 67            | –              | 54,283         |
| Derivative financial instruments      | 567               | –                  | –             | –              | 567            |
| Trade and other receivables (Note 15) | 58,857            | –                  | 1,167         | –              | 60,024         |
|                                       | 113,571           | 69                 | 1,234         | –              | 114,874        |
| <b>Financial liabilities</b>          |                   |                    |               |                |                |
| Borrowings (Note 18)                  | (100,205)         | –                  | –             | –              | (100,205)      |
| Lease liabilities (Note 26)           | (33,104)          | –                  | –             | –              | (33,104)       |
| Trade and other payables (Note 17)    | (110,698)         | (44)               | (1,481)       | (10)           | (112,233)      |
|                                       | (244,007)         | (44)               | (1,481)       | (10)           | (245,542)      |

# Notes to the consolidated financial statements continued

## 22. Financial instruments – risk management continued

There are no material differences between the fair values and the book values stated above with the exception of £100 million of private placement notes within borrowings. The fair value of these borrowings is assessed as £88.3 million (2022: £86.4 million). This amount was determined using discounted cash flows based on observable market data.

At 31 December 2023, the Group had negligible risk to currency fluctuations as the majority of assets and liabilities are held in the same functional currency.

### Derivative financial instruments

The Group entered into forward currency contracts as cash flow hedges to manage its exposure of foreign currency fluctuations associated with the future purchase of plant and equipment required for the construction of the major capital expenditure projects. These instruments are measured at fair value using Level 2 valuation techniques subsequent to initial recognition.

At 31 December 2023, a liability value of £0.1 million (2022: asset of £0.6 million) was recognised for these derivative financial instruments. No amounts have been reclassified to profit or loss as a result of the hedged cash flow during the year. The cash flow hedging reserve within equity includes an accumulated amount of £0.1 million deficit (2022: £0.4 million surplus) relating to these derivative financial instruments.

### Liquidity risk

The Group has generated sufficient cash from operations to meet its working capital requirements. The Group manages liquidity risk by entering into committed bank borrowing facilities to ensure the Group has sufficient funds available, and monitors cash flow forecasts to ensure the Group has adequate borrowing facilities. Excess cash is placed on interest-bearing deposits with maturity fixed at no more than three months.

The maturity of the Group's borrowings is as follows:

|                            | Less than six months<br>£'000 | Six months to one year<br>£'000 | One to two years<br>£'000 | Two to five years<br>£'000 | Greater than five years<br>£'000 | Total<br>£'000 |
|----------------------------|-------------------------------|---------------------------------|---------------------------|----------------------------|----------------------------------|----------------|
| <b>At 31 December 2023</b> |                               |                                 |                           |                            |                                  |                |
| <i>Borrowings</i>          |                               |                                 |                           |                            |                                  |                |
| Borrowings                 | 496                           | –                               | –                         | 54,192                     | 69,800                           | 124,488        |
| <b>Total</b>               | <b>496</b>                    | <b>–</b>                        | <b>–</b>                  | <b>54,192</b>              | <b>69,800</b>                    | <b>124,488</b> |
| <b>At 31 December 2022</b> |                               |                                 |                           |                            |                                  |                |
| <i>Borrowings</i>          |                               |                                 |                           |                            |                                  |                |
| Borrowings                 | 436                           | –                               | –                         | –                          | 99,769                           | 100,205        |
| <b>Total</b>               | <b>436</b>                    | <b>–</b>                        | <b>–</b>                  | <b>–</b>                   | <b>99,769</b>                    | <b>100,205</b> |

At 31 December 2023, the Group had a £125 million Revolving Credit Facility (31 December 2022: £125 million). £30.0 million (2022: £nil) of these facilities were utilised during the year with a repayment of £5.0 million (2022: £nil), resulting in an interest expense comprising £0.7 million interest on funds drawn down, £0.6 million of facility commitment fees, £0.2 million of other arrangement costs and £0.4 million of deal fee amortisation.

For details of the maturity of other financial liabilities, see Notes 18 and 26.

The contractual non-discounted minimum future cash flows in respect of these borrowings are:

|                            | Less than one year<br>£'000 | One to two years<br>£'000 | Two to five years<br>£'000 | Greater than five years<br>£'000 | Total<br>£'000 |
|----------------------------|-----------------------------|---------------------------|----------------------------|----------------------------------|----------------|
| <b>At 31 December 2023</b> |                             |                           |                            |                                  |                |
| <i>Borrowings</i>          |                             |                           |                            |                                  |                |
| Borrowings                 | 2,899                       | 2,897                     | 37,275                     | 75,197                           | 118,268        |
| <b>Total</b>               | <b>2,899</b>                | <b>2,897</b>              | <b>37,275</b>              | <b>75,197</b>                    | <b>118,268</b> |
| <b>At 31 December 2022</b> |                             |                           |                            |                                  |                |
| <i>Borrowings</i>          |                             |                           |                            |                                  |                |
| Borrowings                 | 2,897                       | 2,899                     | 7,982                      | 107,386                          | 121,164        |
| <b>Total</b>               | <b>2,897</b>                | <b>2,899</b>              | <b>7,982</b>               | <b>107,386</b>                   | <b>121,164</b> |

### Fair value hierarchy

IFRS 13 Financial Instruments: Disclosures requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

At 31 December 2023 and 31 December 2022 all of the Group's fair value measurements have been categorised as Level 2 with the exception of (i) certain equities within the Group's pension scheme, which were categorised as Level 1 valuations and (ii) the insured pensioner and deferred pensioner asset, which was categorised as a Level 3 valuation and uses assumptions set out in Note 20 to align its valuation to the related liability.

### Capital risk management

The capital structure of the Group consists of net debt<sup>1</sup> (borrowings disclosed in Note 18 after deducting cash and bank balances) and equity of the Parent Company, comprising issued capital, reserves and retained earnings, as disclosed in Note 24 and Note 23.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to minimise the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or borrow additional debt.

The Group must comply with two covenants each half year, as set out in Note 18. The covenants are certain ratios of interest cover and leverage, which are monitored on a regular basis by the Board. At the year end date, significant headroom existed on both covenant conditions.

### Dividend policy

In line with our capital allocation framework, we will look to pay an ordinary dividend. We are committed to paying dividends which are sustainable and progressive, with a targeted cover of approximately two times adjusted profit after tax. This adjusted profit measure can be seen in Note 11 to the Group financial statements. After investing to maintain, enhance and grow our assets, we will return surplus capital to shareholders.

In the current year, the Board is recommending a final ordinary dividend of 3.6 pence per share for the 2023 (2022: 5.5 pence per share). See Note 31 for further detail. At 31 December 2023, the Parent maintains significant distributable reserves of around £300 million (2022: around £340 million).

### 23. Share capital

|   | Number of shares   | Share<br>Capital<br>£'000 |
|---|--------------------|---------------------------|
| <b>At 1 January 2022</b>                        |                    |                           |
| Issued, called-up and fully paid:               |                    |                           |
| Ordinary Shares of £0.01 each                   | 409,631,594        | 4,096                     |
| <b>At 31 December 2022 and 31 December 2023</b> | <b>409,631,594</b> | <b>4,096</b>              |
| <b>Comprising:</b>                              |                    |                           |
| Issued, called-up and fully paid:               |                    |                           |
| Ordinary Shares of £0.01 each                   | 409,631,594        | 4,096                     |

In the years ended 31 December 2023 and 31 December 2022, there were no changes to the Group's issued share capital. The Company does not have a limited amount of authorised capital.

<sup>1</sup> Alternative performance measures are described in Note 3 and exceptional items are described in Note 5 to the consolidated financial statements.

# Notes to the consolidated financial statements continued

## 24. Reserves

### Share premium

The share premium account is used to record the aggregate amount or value of premia paid when the Company's shares are issued/redeemed at a premium.

### Other reserves

The movement in other reserves during the period is set out in the table below:

|   | Cash flow<br>hedging reserve<br>£'000 | Merger reserve<br>£'000 | Own shares held<br>£'000 | Treasury shares<br>£'000 | Total other<br>reserves<br>£'000 |
|---|---------------------------------------|-------------------------|--------------------------|--------------------------|----------------------------------|
| <b>Balance at 1 January 2023</b>                      | <b>418</b>                            | <b>(369,119)</b>        | <b>(1,589)</b>           | <b>(30,000)</b>          | <b>(400,290)</b>                 |
| Other comprehensive income                            | (443)                                 | –                       | –                        | –                        | (443)                            |
| Shares purchased – share buyback scheme               | –                                     | –                       | –                        | –                        | –                                |
| Issue of own shares held on exercise of share options | –                                     | –                       | 1,075                    | –                        | 1,075                            |
| <b>At 31 December 2023</b>                            | <b>(25)</b>                           | <b>(369,119)</b>        | <b>(514)</b>             | <b>(30,000)</b>          | <b>(399,658)</b>                 |
| <b>Balance at 1 January 2022</b>                      | <b>(74)</b>                           | <b>(369,119)</b>        | <b>(1,741)</b>           | <b>–</b>                 | <b>(370,934)</b>                 |
| Other comprehensive income                            | 492                                   | –                       | –                        | –                        | 492                              |
| Shares purchased – share buyback scheme               | –                                     | –                       | –                        | (30,000)                 | (30,000)                         |
| Issue of own shares held on exercise of share options | –                                     | –                       | 152                      | –                        | 152                              |
| <b>At 31 December 2022</b>                            | <b>418</b>                            | <b>(369,119)</b>        | <b>(1,589)</b>           | <b>(30,000)</b>          | <b>(400,290)</b>                 |

### Cash flow hedging reserve

The cash flow hedging reserve records movements for effective cash flow hedges measured at fair value as set out in Note 22. The accumulated balance in the cash flow hedging reserve will be reclassified to the cost of the designated hedged item in a future period.

### Merger reserve

The merger reserve of £369.1 million arose on the acquisition of Figgs Topco Limited by Istock Plc in the period ended 31 December 2015 and is the difference between the share capital and share premium of Figgs Topco Limited and the nominal value of the investment and preference shares in Figgs Topco Limited acquired by the Company.

### Own shares held

The Group's holding in its own equity instruments is shown as a deduction from shareholders' equity at cost totalling £0.5 million at 31 December 2023 (31 December 2022: £1.6 million). These amounts represent shares held in the Employee Benefit Trust to meet the future requirements of the employee share based payment plans. Consideration, if any, received for the sale of such shares is also recognised in equity with any difference between the proceeds from sale and the original cost being taken to the profit and loss reserve. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of equity shares.

### Treasury share reserve

The Treasury share reserve represents shares acquired by the Group as part of its share buyback programme in 2022.

In 2022, the Group engaged its brokers to purchase up to £30.0 million of shares on the open market on its behalf. These shares are held by the Group to meet future requirements of employee share based payment plans. At 31 December 2023, the Treasury shares reserve contained 16,791,470 shares (2022: 16,791,470 shares).

## 25. Share incentive plans

Share based payment charges:

|  | Year ended<br>31 December<br>2023<br>£000 | Year ended<br>31 December<br>2022<br>£000 |
|--|---|---|
| Long Term Incentive Plan (25(a))                       | 499                                       | 1,166                                     |
| Share Option Plan (25(b))                              | –   | 3   |
| Senior Manager Share Plan (25(c))                      | 246                                       | 172                                       |
| Annual and Deferred Bonus Plan (25(d))                 | 118                                       | 100                                       |
| Save As You Earn/Share Incentive Plan (25(e)/(f)/(g))  | 1,445                                     | 754                                       |
| Reserves transfer in relation to prior periods (25(d)) | –   | 352                                       |
|  | <b>2,308</b>                              | <b>2,547</b>                              |

### Executive share option plans

The Group operates a number of share based payment awards for certain employees.

#### (a) Long-Term Incentive Plan (LTIP)

The Group granted LTIPs during the year for Executive Directors and other key management at the discretion of the Board and this has been approved by the shareholders at the Annual General Meeting. Awards under the scheme are granted in the form of nil-priced share options. The LTIP awards contain performance conditions dependent upon the Group's Total Shareholder Return (TSR), adjusted earnings per share<sup>1</sup> (EPS), adjusted return on capital employed<sup>1</sup> (Adjusted ROCE) and certain environmental, social and governance (ESG) targets. Please refer to the information given in the Directors' Remuneration Report on pages 99 to 116 for details in relation to the vesting conditions in relation to the LTIP.

During the year, 1,120,861 options (2022: 1,366,767 options) over Ordinary Shares of one pence each were granted to management under the LTIP and 258,144 options (2022: 18,005 options) were exercised at a weighted average share price at the date of exercise of 157p (2022: 200p). During the year ended 31 December 2023, 849,075 options (2022: 643,585 options) lapsed and at 31 December 2023, the weighted average contractual life remaining was 1.4 years (2022: 1.4 years).

#### (b) Share Option Plan (SOP)

The Group maintains a Share Option Plan at the discretion of the Board and this has been approved by shareholders at the Annual General Meeting. During the years ended 31 December 2023 and 31 December 2022, no options were granted to management under the SOP.

In the year ended 31 December 2023, no options (2022: no options) were exercised under the historical SOP awards. In the year ended 31 December 2023, 243,868 (2022: Nil) lapsed. The weighted average exercise price of options outstanding is 242p (2022: 243p). At 31 December 2023 and 2022, there was no weighted average contractual life remaining. The SOP has an employment condition of three years and no other performance conditions.

#### (c) Senior Manager Share Plan (SMSP)

During the year ended 31 December 2021, the Group introduced the SMSP for certain senior managers. Awards under the scheme are granted in the form of nil-priced share options. The SMSP awards contain performance conditions dependent upon the growth of the Group's adjusted EBITDA<sup>1</sup>. The SMSP has an employment condition of two years.

In the year ended 31 December 2023, 201,832 options over Ordinary Shares of one pence each were granted to management under the SMSP. 46,871 options were exercised in the current year with a weighted average share price at the date of exercise of 154p and 13,682 options lapsed or were forfeited. In the year ended 31 December 2022, 147,999 options over Ordinary Shares of 1p each were granted to management under the 2022 SMSP. No awards were exercised, 13,741 options lapsed or were forfeited. At 31 December 2023, the weighted average contractual life remaining was 0.7 years (2022: 0.9 years).

#### (d) Annual and Deferred Bonus Plan (ADBP)

The ADBP incorporates the Company's executive bonus scheme as well as a mechanism for the deferral of bonus into awards over Ordinary Shares. The ADBP operates in respect of the annual bonus earned for the financial year. The Board can determine that part of the bonus earned under the ADBP is provided as an award of deferred shares, which take the form of a £nil cost option. The maximum value of deferred shares is 1/3 of the bonus earned. In the year ended 31 December 2023, 296,822 options (2022: 232,760 options) were awarded over Ordinary Shares under the ADBP in relation to the prior year end bonus. The main terms of these awards are a minimum deferral period of three years, during which no performance conditions will apply; and the participants' employment at the end of the deferral period. In the year ended 31 December 2023, 118,779 options (2022: 61,562 options) were exercised under the ADBP at a weighted average share price at the date of exercise of 167p (2022: 181p). At 31 December 2023, the weighted average contractual life remaining was 0.8 years (2022: 0.9 years). In the current year and prior year, no awards lapsed or were forfeited, at 31 December 2023, an amount of £0.1 million (2022: £0.2 million) had been recorded in accruals for the award relating to the bonus earned for the year ended 31 December 2023. In the current year, no (2022: £0.4 million) prior period accruals for the ADBP were reclassified to the share based payment reserve.

# Notes to the consolidated financial statements continued

## 25. Share incentive plans continued

### All-employee share schemes

In addition to the executive share option plans, the Group has three all-employee share based payment arrangements – the Save As You Earn (SAYE) plan, Share Incentive Plan and Fire Up Grant:

#### (e) Save As You Earn (SAYE)

In order to participate in the Group's Sharesave Plan, an employee must enter into a linked savings contract with a bank or building society to make contributions from salary on a monthly basis over a three-year period. A participant who enters into a savings agreement is granted an option to acquire Ordinary Shares of one pence each under the Sharesave Plan at a specified exercise price.

In the year ended 31 December 2023 and 2022, no awards were issued under this scheme. In the current year, 1,149,251 options (2022: 575,793) lapsed with a weighted average exercise price of 176p (2022: 176p) and no shares were exercised (2022: nil). As at 31 December 2023, the weighted average exercise price of outstanding options was 176p (2022: 176p), and the range of exercise prices of outstanding options in 2023 and 2022 is 176p. The remaining option life was 0.4 years (2022: 1.4 years).

#### (f) Share Incentive Plan (SIP)

Following the Group's Initial Public Offering, the Company announced a SIP. Subject to qualifying employment conditions, all employees were entitled to apply for free shares up to a value of £800 depending on their period of service. The number of shares issued under the SIP in the year ended 31 December 2016 was 553,150. The free shares had a three-year employment condition and no further vesting conditions. In the year ended 31 December 2023, no shares lapsed (2022: 800) and 25,050 shares were exercised or transferred (2022: 48,200) at a weighted average share price at date of exercise of 149p (2022: 174p).

#### (g) Fire Up Grant

In the previous year the Company announced a SIP referred to as the "Fire Up share grant". Subject to qualifying employment conditions, all employees below senior management level were entitled to 500 share options at a nil exercise price. The number of shares issued under the SIP in the previous year was 1,070,000. The free shares have a two-year employment condition and no further vesting conditions. In the year ended 31 December 2023, 136,875 shares lapsed or were forfeited (2022: 500). 139,500 shares were exercised (2022: nil) at a weighted average share price at date of exercise of 149p.

The assumptions used to calculate the fair value of the LTIP, SOP and ADBP awards granted during the year ended 31 December 2023 are detailed below:

|                                 | ADBP        | LTIP        | SMSP        |
|---------------------------------|-------------|-------------|-------------|
| Grant date                      | 16-Mar-23   | 03-Apr-23   | 16-Mar-23   |
| Share price at grant date       | £1.78       | £1.74       | £1.78       |
| Exercise price                  | nil         | nil         | nil         |
| Number of shares issued         | 288,983     | 1,104,040   | 193,931     |
| Vesting period                  | 3 years     | 3 years     | 2 years     |
| Pricing model                   | Share price | Monte Carlo | Share Price |
| % expected to vest              | 100%        | 97%         | 90%         |
| Expected share price volatility | n/a         | 35.43%      | n/a         |
| Expected dividend yield         | n/a         | n/a         | n/a         |
| Expected option life            | 3 years     | 3 years     | 2 years     |
| Fair value per share            | £1.78       | £1.50       | £1.78       |
| Risk-free rate                  | n/a         | 3.5%        | n/a         |

Awards under the executive share option plans and all-employee share schemes are as follows:

|  | Executive share options | All-employee schemes |
|--|-------------------------|----------------------|
| Outstanding at 1 January 2023          | 4,243,381               | 4,047,005            |
| Awards granted                         | 1,581,954               | –                    |
| Awards granted as dividend equivalent  | 37,561                  | –                    |
| Awards exercised                       | (423,764)               | (139,500)            |
| Awards lapsed/forfeited                | (1,106,625)             | (1,286,126)          |
| Awards outstanding at 31 December 2023 | 4,332,507               | 2,621,379            |

The expected volatility level has been calculated using historical daily data over a term commensurate with the expected life of each award.

## 26. Leases and commitments

### Amounts recognised within the consolidated balance sheet

The balance sheet shows the following amounts relating to leases:

|                                  | 31 December<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
|----------------------------------|------------------------------|------------------------------|
| Right-of-use assets              |                              |                              |
| Buildings                        | 20,697                       | 14,844                       |
| Equipment                        | 15,163                       | 14,672                       |
| Vehicles                         | 3,971                        | 1,962                        |
| <b>Total right-of-use assets</b> | <b>39,831</b>                | <b>31,478</b>                |
| Lease liabilities                |                              |                              |
| Less than six months             | (4,824)                      | (3,828)                      |
| Six months to one year           | (4,468)                      | (3,862)                      |
| <b>Current</b>                   | <b>(9,292)</b>               | <b>(7,690)</b>               |
| One to two years                 | (8,310)                      | (6,316)                      |
| Two to five years                | (16,448)                     | (13,774)                     |
| Greater than five years          | (9,783)                      | (5,324)                      |
| <b>Non-current</b>               | <b>(34,541)</b>              | <b>(25,414)</b>              |
| <b>Total lease liabilities</b>   | <b>(43,833)</b>              | <b>(33,104)</b>              |

### Movement in right-of-use asset:

|  | Buildings<br>£'000 | Equipment<br>£'000 | Vehicles<br>£'000 | Total<br>£'000  |
|--|--------------------|--------------------|-------------------|-----------------|
| <i>Cost</i>                                    |                    |                    |                   |                 |
| At 1 January 2022                              | 23,000             | 17,693             | 7,515             | 48,208          |
| Additions                                      | 2,424              | 10,838             | 1,086             | 14,348          |
| Disposals                                      | –                  | –                  | (246)             | (246)           |
| At 31 December 2022                            | 25,424             | 28,531             | 8,355             | 62,310          |
| Additions                                      | 9,660              | 6,769              | 5,001             | 21,430          |
| Disposals                                      | –                  | (118)              | –                 | (118)           |
| <b>At 31 December 2023</b>                     | <b>35,084</b>      | <b>35,182</b>      | <b>13,356</b>     | <b>83,622</b>   |
| <i>Accumulated depreciation and impairment</i> |                    |                    |                   |                 |
| At 1 January 2022                              | (8,020)            | (10,265)           | (4,809)           | (23,094)        |
| Charge for the year                            | (2,560)            | (3,594)            | (1,584)           | (7,738)         |
| At 31 December 2022                            | (10,580)           | (13,859)           | (6,393)           | (30,832)        |
| Charge for the year                            | (3,507)            | (5,279)            | (2,992)           | (11,778)        |
| Impairment                                     | (300)              | (881)              | –                 | (1,181)         |
| <b>At 31 December 2023</b>                     | <b>(14,387)</b>    | <b>(20,019)</b>    | <b>(9,385)</b>    | <b>(43,791)</b> |
| <i>Net book amount</i>                         |                    |                    |                   |                 |
| At 31 December 2022                            | 14,844             | 14,672             | 1,962             | 31,478          |
| <b>At 31 December 2023</b>                     | <b>20,697</b>      | <b>15,163</b>      | <b>3,971</b>      | <b>39,831</b>   |

# Notes to the consolidated financial statements continued

## 26. Leases and commitments continued

Movement in lease liabilities:

|                          | Year ended<br>31 December<br>2023<br>£'000 | Year ended<br>31 December<br>2022<br>£'000 |
|--------------------------|--|--|
| As at 1 January          | (33,104)                                   | (27,184)                                   |
| Additions                | (21,432)                                   | (14,175)                                   |
| Disposals                | 615  | 245  |
| Interest payments        | (2,368)                                    | (1,274)                                    |
| Cash rental payments     | 12,456                                     | 9,284                                      |
| <b>As at 31 December</b> | <b>(43,833)</b>                            | <b>(33,104)</b>                            |

### Amounts recognised within the consolidated income statement

Depreciation charge of right-of-use assets

|   | Year ended<br>31 December<br>2023<br>£'000 | Year ended<br>31 December<br>2022<br>£'000 |
|---|--|--|
| Buildings   | 3,507                                      | 2,560                                      |
| Equipment   | 5,279                                      | 3,594                                      |
| Vehicles  | 2,992                                      | 1,584                                      |
|   | 11,778                                     | 7,738                                      |
| Impairment  | 1,181                                      | –  |
| <b>Depreciation expense (included within cost of sales)</b> | <b>12,959</b>                              | <b>7,738</b>                               |
| <b>Interest expense (included within finance costs)</b>     | <b>2,368</b>                               | <b>1,274</b>                               |

In the year ended 31 December 2023, the benefit to Adjusted EBITDA<sup>1</sup> as a result of IFRS 16 leases was £12.1 million (2022: £8.5 million). Operating lease charges now expensed via depreciation amount to £11.6 million (2022: £7.1 million) and interest of £2.4 million (2022: £1.2 million) resulting in a net reduction in profit before taxation of £1.8 million (2022: £0.2 million).

The Group is lessee on a number of properties in addition to plant and machinery which it uses in its operations. The operating leases run for a variety of terms and their non-cancellable commitments are set out above. There is no material contingent rent payable, renewal or purchase options, escalation clauses or restrictions imposed by the lease agreements.

### The Group as lessor

The Group acts as lessor on a number of properties where it leases surplus land not currently utilised by the business. The operating leases run for a variety of terms and their future minimum lease payments receivable are set out as follows:

|                            | 31 December<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
|----------------------------|------------------------------|------------------------------|
| Within one year            | 68                           | 70                           |
| Between one and five years | 40                           | 47                           |
| After five years           | –                            | 12                           |
|                            | 108                          | 129                          |

### Capital commitments

Capital expenditure committed to but not yet incurred at the balance sheet date is as follows:

|  | 31 December<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
|--|------------------------------|------------------------------|
| Amount contracted for, which has not been provided | 30,844                       | 76,765                       |

<sup>1</sup> Alternative performance measures are described in Note 3 and exceptional items are described in Note 5 to the consolidated financial statements.



## 27. Notes to the Group cash flow statement

|  | 31 December<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
|--|------------------------------|------------------------------|
| Cash flows from operating activities                             |                              |                              |
| Profit before taxation   | 30,067                       | 104,764                      |
| Adjustments for:   |                              |                              |
| Depreciation   | 34,626                       | 31,579                       |
| Asset impairment charge – property, plant and equipment (Note 5) | 15,397                       | 554                          |
| Asset impairment charge – right-of-use assets (Note 5)           | 1,181                        | –                            |
| Asset impairment charge – working capital (Note 5)               | 4,022                        | –                            |
| Amortisation of intangible assets                                | 6,938                        | 6,939                        |
| Net finance costs  | 4,964                        | 2,663                        |
| Gain on disposal of property, plant and equipment                | (1,957)                      | (6,541)                      |
| Research and development expenditure credit                      | (2,427)                      | (1,560)                      |
| Share based payments   | 2,308                        | 2,547                        |
| Post-employment benefits   | 790                          | (973)                        |
| Other  | (617)                        | (172)                        |
|  | 95,292                       | 139,800                      |
| Increase in inventory  | (28,495)                     | (21,255)                     |
| Decrease/(increase) in debtors                                   | 28,298                       | (930)                        |
| (Decrease)/increase in creditors                                 | (36,865)                     | 20,650                       |
| Increase/(decrease) in provisions                                | 5,426                        | (500)                        |
| <b>Cash generated from operations</b>                            | <b>63,656</b>                | <b>137,765</b>               |

## 28. Business combinations

On 30 November 2023, the Group acquired 100% of the share capital of Valerie Coltman Holdings Limited and its subsidiary Coltman Precast Concrete Limited. The acquisition of the Coltman business will expand the Group's Concrete segment and supports further growth in precast and prestressed concrete business. The acquisition of the Coltman business will expand the Group's Concrete segment and supports further growth in precast and prestressed concrete business. The headline price for the acquisition was £3.4 million. The net cash paid in 2023 totalled £2.7 million (comprising gross payments of £5.2 million less cash acquired of £2.5 million). This net payment of £2.7 million excluded £0.7 million of the headline consideration, withheld ahead of finalisation of closing adjustments, expected to be concluded during the first half of the 2024 year.

Provisional details of the net assets acquired and goodwill are as follows:

|                                  | Fair Value<br>£000 |
|----------------------------------|--------------------|
| Cash                             | 2,532              |
| Trade receivables                | 1,343              |
| Other receivables                | 216                |
| Inventories                      | 440                |
| Property, plant and equipment    | 2,707              |
| Trade payables                   | (817)              |
| Other payables                   | (473)              |
| Provisions                       | (736)              |
| Deferred tax liabilities         | (99)               |
| Corporation tax liabilities      | (137)              |
| Net identifiable assets acquired | 4,976              |
| Goodwill                         | 209                |
| <b>Net assets acquired</b>       | <b>5,185</b>       |

The goodwill is attributable to the workforce and the profitable nature of the acquired business. It is not deductible for tax purposes.

The fair value of acquired trade receivables is £1.3 million. The gross contractual amount for trade receivables due is £1.3 million, with no loss allowance at the time of acquisition.

The acquired business contributed revenues of £0.6 million and net profit of £6,000 to the Group from the period from acquisition to 31 December 2023. If the acquisition had occurred on 1 January 2023, consolidated pro-forma revenue and profit for the year ended 31 December 2023 would have been £7.7 million and £1.6 million, respectively.

The fair values of acquired identifiable assets and liabilities are reported as provisional, pending final reviews. The valuations of these assets and liabilities shall be completed prior to the end of the measurement period.

# Notes to the consolidated financial statements continued

## 28. Business combinations continued

On 29 July 2022, the Group acquired 75% of the share capital of Generix Facades Limited for cash consideration of £1.0 million, which was paid during the prior year. Deferred consideration of £0.1 million was paid in July 2023. The values of acquired assets associated with the acquisition were finalised during the current year with no updates to provisional value assigned, which were set out on page 190 of the Group's 2022 Annual Report and Accounts.

In December 2023, the Group acquired the remaining 25% of share capital for a consideration of £0.3 million.

## 29. Group subsidiaries

Ibstock Plc had the following subsidiaries as at 31 December 2023:

| Entity   | Principal activity   | Registration number | Country of incorporation | Proportion of Ordinary Shares held directly by the parent | Proportion of Ordinary Shares held by the Group |
|--|--|---------------------|--------------------------|---|---|
| Ibstock Building Products Limited <sup>1</sup> | Holding Company  | 09329395            | UK                       | 100 %   | 100 %   |
| Figgs Bidco Limited                            | Holding Company  | 09332893            | UK                       | 100 %   | 100 %   |
| Ibstock Telling GRC Limited <sup>2</sup>       | Manufacturer and supplier of glass reinforced concrete products        | 09415340            | UK                       | 100 %   | 100 %   |
| Ibstock Group Limited                          | Holding Company  | 00984268            | UK                       | 100 %   | 100 %   |
| Forticrete Limited                             | Manufacturer of concrete products                                      | 00221210            | UK                       | 100 %   | 100 %   |
| Anderton Concrete Products Limited             | Manufacturer and supplier of precast and prestressed concrete products | 01900103            | UK                       | 100 %   | 100 %   |
| Supreme Concrete Limited                       | Manufacturer and supplier of precast and prestressed concrete products | 01410463            | UK                       | 100 %   | 100 %   |
| Ibstock Brick Holding Company Limited          | Holding Company  | 00784339            | UK                       | 100 %   | 100 %   |
| Ibstock Brick Limited                          | Brick manufacturer   | 00063230            | UK                       | 100 %   | 100 %   |
| Ibstock Manufacturing Services Limited         | Brick manufacturer   | 12292985            | UK                       | 100 %   | 100 %   |
| Kevington Building Products Limited            | Dormant  | 02122467            | UK                       | 100 %   | 100 %   |
| Ibstock Brick Leicester Limited                | Dormant  | 00106667            | UK                       | 100 %   | 100 %   |
| Ibstock Brick Aldridge Limited                 | Dormant  | 00614225            | UK                       | 100 %   | 100 %   |
| Ibstock Brick Himley Limited                   | Dormant  | 00092769            | UK                       | 100 %   | 100 %   |
| Ibstock Westbrick Limited                      | Dormant  | 01606990            | UK                       | 100 %   | 100 %   |
| Ibstock Brick Aldridge Property Limited        | Dormant  | 00251918            | UK                       | 100 %   | 100 %   |
| Moore & Sons Limited                           | Dormant  | 00118818            | UK                       | 100 %   | 100 %   |
| Manchester Brick & Precast Limited             | Dormant  | 02888297            | UK                       | 100 %   | 100 %   |
| Ibstock Brick Nostell Limited                  | Dormant  | 00531826            | UK                       | 100 %   | 100 %   |
| Ibstock Brick Roughdales Limited               | Dormant  | 00598862            | UK                       | 100 %   | 100 %   |
| Ibstock Brick Cattybrook Limited               | Dormant  | 00011298            | UK                       | 100 %   | 100 %   |
| Ibstock Hathernware Limited                    | Dormant  | 00424843            | UK                       | 100 %   | 100 %   |
| Ibstock Bricks (1996) Limited                  | Holding Company  | 00246855            | UK                       | 100 %   | 100 %   |
| Loopfire Systems Limited                       | Dormant  | 04105160            | UK                       | 100 %   | 100 %   |
| Longley Holdings Limited                       | Holding Company  | 02027916            | UK                       | 100 %   | 100 %   |
| Longley Concrete Ltd                           | Manufacturer and supplier of precast and prestressed concrete products | 00440463            | UK                       | 100 %   | 100 %   |
| Generix Facades Ltd                            | Manufacturer and supplier of facades                                   | 08432030            | UK                       | 100 %   | 100 %   |
| Generix Facades International Limited          | Dormant  | 09777110            | UK                       | 100 %   | 100 %   |
| G-Tech Coper Limited <sup>2</sup>              | Dormant  | 00888875            | UK                       | 100 %   | 100 %   |
| Coltman Precast Concrete Limited               | Manufacturer and supplier of precast and prestressed concrete products | 01032721            | UK                       | 100 %   | 100 %   |
| Valerie Coltman Holdings Limited               | Holding Company  | 06824310            | UK                       | 100 %   | 100 %   |

All entities have a place of business in the UK. The registered office address for all entities is the same as for the ultimate Parent Company, Leicester Road, Ibstock, Leicestershire, LE67 6HS.

All subsidiary undertakings are included in the consolidated financial statements. The proportion of the voting rights in the subsidiary undertakings held directly by the Parent Company do not differ from the proportion of Ordinary Shares held. At 31 December 2023, the Parent Company does not have any shareholdings in the preference shares of subsidiary undertakings included in the Group.

<sup>1</sup> Ibstock Building Products Ltd is owned directly by Ibstock Plc. All other companies are indirectly owned.

<sup>2</sup> Longley Precast Limited was renamed as G-Tech Coper Limited on 12 June 2023.

### 30. Related party transactions

Balances and transactions between Ibstock Plc (the ultimate Parent) and its subsidiaries (listed in Note 29), which are related parties, are eliminated on consolidation and are not disclosed in this note.

See Note 7 for details of Director and key management personnel remuneration.

There are no further material related party transactions nor any related party balances in either the 2023 or 2022 financial years.

### 31. Dividends paid and proposed

|   | 31 December<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
|---|------------------------------|------------------------------|
| Cash flows from operating activities                              |                              |                              |
| <b>Declared and paid during the year</b>                          |                              |                              |
| Equity dividends on Ordinary Shares:                              |                              |                              |
| Final dividend for 2022: 5.5 pence (2021: 5.5 pence)              | 21,566                       | 20,438                       |
| Interim dividend for 2023: 3.4 pence (2022: 3.3 pence)            | 13,341                       | 13,263                       |
|   | <b>34,907</b>                | <b>33,701</b>                |
| <b>Proposed (not recognised as a liability as at 31 December)</b> |                              |                              |
| Equity dividends on Ordinary Shares:                              |                              |                              |
| Final dividend for 2023: 3.6 pence (2022: 5.5 pence)              | 14,123                       | 21,560                       |
|   | <b>14,123</b>                | <b>21,560</b>                |

At the beginning of 2024, the Directors proposed a final dividend in respect of the financial year ended 31 December 2023 of 3.6 pence (2022: 5.5 pence) per Ordinary Share, which will distribute an estimated £14.1 million (2022: £21.6 million) of shareholders' funds. Subject to approval at the Annual General Meeting, this will be paid on 31 May 2024, to shareholders on the register at the close of business on 10 May 2024.

### 32. Post balance sheet events

Except for the proposed dividend (see Note 31), no further subsequent events requiring further disclosure or adjustment to these financial statements have been identified since the balance sheet date.

# Company balance sheet

(prepared in accordance with UK GAAP – FRS 102)

Company number: 09760850

| As at 31 December 2023  | Notes | 31 December<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
|---|-------|------------------------------|------------------------------|
| <b>Fixed assets</b>   |       |                              |                              |
| Investments   | 4     | 628,049                      | 626,556                      |
| <b>Current assets</b>   |       |                              |                              |
| Debtors   | 5     | 8,835                        | 5,075                        |
| Cash at bank and in hand  |       | 287                          | 300                          |
|   |       | 9,122                        | 5,375                        |
| <b>Creditors – amounts falling due within one year</b>          | 6     | <b>(262,340)</b>             | (213,471)                    |
| <b>Net current liabilities</b>                                  |       | <b>(253,218)</b>             | (208,096)                    |
| <b>Total assets less current liabilities</b>                    |       | <b>374,831</b>               | 418,460                      |
| <b>Creditors – amounts falling due after more than one year</b> | 7     | <b>(98,992)</b>              | (99,769)                     |
| <b>Net assets</b>   |       | <b>275,839</b>               | 318,691                      |
| <b>Capital and reserves</b>                                     |       |                              |                              |
| Called-up share capital   | 9     | 4,096                        | 4,096                        |
| Share premium   |       | 4,458                        | 4,458                        |
| Own shares held   |       | (30,514)                     | (31,589)                     |
| Profit and loss account   |       | 297,799                      | 341,726                      |
| <b>Total equity</b>   |       | <b>275,839</b>               | 318,691                      |

The notes on pages 178 to 181 are an integral part of these financial statements. As permitted by Section 408 of the Companies Act 2006, the Parent Company's profit and loss account has not been presented in these financial statements. The Parent Company's loss after tax for the year was £10.3 million (year ended 31 December 2022: loss of £10.8 million).

These financial statements were approved by the Board and authorised for issue on 5 March 2024. They were signed on its behalf by:

**J Hudson**  
Director

**C McLeish**  
Director

# Company statement of changes in equity

| At 31 December 2023                                       | Notes | Share capital<br>£'000 | Share premium<br>£'000 | Retained earnings<br>£'000 | Own shares held<br>£'000 | Total equity<br>£'000 |
|---|-------|------------------------|------------------------|----------------------------|--------------------------|-----------------------|
| <b>Balance as at 1 January 2023</b>                       |       | <b>4,096</b>           | <b>4,458</b>           | <b>341,726</b>             | <b>(31,589)</b>          | <b>318,691</b>        |
| Loss for the year   |       | –                      | –                      | (10,253)                   | –                        | (10,253)              |
| <b>Total comprehensive expense for the financial year</b> |       | <b>–</b>               | <b>–</b>               | <b>(10,253)</b>            | <b>–</b>                 | <b>(10,253)</b>       |
| <b>Transactions with owners:</b>                          |       |                        |                        |                            |                          |                       |
| Share based payments                                      |       | –                      | –                      | 2,308                      | –                        | 2,308                 |
| Equity dividends paid                                     |       | –                      | –                      | (34,907)                   | –                        | (34,907)              |
| Issue of share capital on exercise of share options       |       | –                      | –                      | (1,075)                    | 1,075                    | –                     |
| <b>Transactions with owners</b>                           |       | <b>–</b>               | <b>–</b>               | <b>(33,674)</b>            | <b>1,075</b>             | <b>(32,599)</b>       |
| <b>Balance at 31 December 2023</b>                        |       | <b>4,096</b>           | <b>4,458</b>           | <b>297,799</b>             | <b>(30,514)</b>          | <b>275,839</b>        |

| At 31 December 2022                                       | Notes | Share capital<br>£'000 | Share premium<br>£'000 | Retained earnings<br>£'000 | Own shares held<br>£'000 | Total equity<br>£'000 |
|---|-------|------------------------|------------------------|----------------------------|--------------------------|-----------------------|
| <b>Balance as at 1 January 2022</b>                       |       | <b>4,096</b>           | <b>4,458</b>           | <b>383,862</b>             | <b>(1,741)</b>           | <b>390,675</b>        |
| Loss for the year   |       | –                      | –                      | (10,830)                   | –                        | (10,830)              |
| <b>Total comprehensive expense for the financial year</b> |       | <b>–</b>               | <b>–</b>               | <b>(10,830)</b>            | <b>–</b>                 | <b>(10,830)</b>       |
| <b>Transactions with owners:</b>                          |       |                        |                        |                            |                          |                       |
| Share based payments                                      |       | –                      | –                      | 2,547                      | –                        | 2,547                 |
| Equity dividends paid                                     |       | –                      | –                      | (33,701)                   | –                        | (33,701)              |
| Purchase of own shares                                    |       | –                      | –                      | –                          | (30,000)                 | (30,000)              |
| Issue of share capital on exercise of share options       |       | –                      | –                      | (152)                      | 152                      | –                     |
| <b>Transactions with owners</b>                           |       | <b>–</b>               | <b>–</b>               | <b>(31,306)</b>            | <b>(29,848)</b>          | <b>(61,154)</b>       |
| <b>Balance at 31 December 2022</b>                        |       | <b>4,096</b>           | <b>4,458</b>           | <b>341,726</b>             | <b>(31,589)</b>          | <b>318,691</b>        |

The notes on pages 178 to 181 form an integral part of these financial statements.

# Notes to the Company financial statements

## 1. Authorisation of financial statements

The Parent Company financial statements of Ibstock Plc (the 'Company') for the year ended 31 December 2023 were authorised for issue by the Board of Directors on 5 March 2024 and the balance sheet was signed on its behalf by J Hudson and C McLeish.

Ibstock Plc is a public company limited by shares, which is incorporated and domiciled in England whose shares are publicly traded. The Company's Ordinary Shares are traded on the London Stock Exchange. The registered office is Leicester Road, Ibstock, Leicestershire LE67 6HS and the Company registration number is 09760850.

## 2. Summary of significant accounting policies

The financial statements have been prepared in accordance with applicable accounting standards, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Companies Act 2006. As a qualifying entity, as defined by FRS 102, the Company has elected to adopt the reduced disclosure exemptions set out with paragraph 1.12 of FRS 102, as described below.

These financial statements are prepared on a going concern basis, under the historical cost convention.

The Company has not disclosed the information required by regulation 5(1)(b) of the Companies (Disclosure of Auditor's Remuneration and Liability Limitation Agreements) Regulations 2008 as the Group accounts of the Company are required to comply with regulation 5(1)(b) as if the undertakings included in the consolidation were a single group.

### Going concern

The Directors reviewed detailed cash flows and forecasts of financial performance and stress-tested the projections. The forecasts include estimates of trading performance, operational and capital expenditure and debt requirements within the period to 30 June 2025.

Despite the net current liability position of the company, the Company is forecast to be able to meet its liabilities as they fall due throughout the reviewing period. Therefore, having assessed the principal risks and all other relevant matters, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements of the Parent Company. The Group going concern assessment can be found in Note 1 of the Group financial statements.

### Fixed asset investments

Investments in subsidiaries are included at cost stated at the historical value at the time of investment less any provisions for impairment and net of merger and Group reconstruction relief available.

### Share based payments

The Company operates a number of equity-settled share based compensation plans on behalf of the Group. The fair value of the employee services received under such plans is capitalised as an investment in the Company's subsidiary until such time as intra-Group recharges are levied by the Company to recover this cost from its subsidiaries. Upon recharge, the amounts recharged are treated as a return of capital contribution and recorded as a credit to equity (up to the value of the initial share based payment

treated as a capital contribution). Any recharge in excess of the capital contribution is recognised within the Company income statement. The amount to be recognised over the vesting period is determined by reference to the fair value of share based payments. For further details of share based payments, see Note 25 of the Group financial statements.

### Dividend distribution

Dividend distributions to Ibstock's shareholders are recognised in the Company's financial statements in the periods in which the final dividends are approved in the Annual General Meeting, or when paid in the case of an interim dividend.

### Financial instruments

#### (i) Objectives and policies

The Company, in common with its Group subsidiaries, must comply with the Group's finance guidelines that set out the principles and framework for managing Group-wide finances. Further information on the Group's policies and procedures is available in the Group financial statements. The Company does not enter into speculative treasury arrangements.

#### (ii) Foreign exchange, credit, liquidity and financial risks

##### Foreign exchange risk management

The Company primarily transacts in Sterling and therefore exposure to foreign exchange risk is regarded as low.

##### Credit risk management

For the Company, this risk arises from cash and cash equivalents and deposits with banks. This is managed on a Group basis and there are a number of initiatives underway to mitigate this risk. These include concentrating activities with a group of banks that have strong, independently verified credit ratings. For each bank, individual risk limits are set based on its financial position, credit ratings, past experience and other factors.

##### Liquidity planning, trends and risks

The Company has sufficient committed borrowing facilities to meet planned liquidity needs with headroom, through facilities provided by the Group.

The Company has adopted IAS 39 for recognition and measurement of financial instruments.

#### (iii) Financial assets

Financial assets, including trade and other receivables, loans to fellow Group companies and cash and bank balances, are initially recognised at fair value.

Such assets are subsequently carried at amortised cost using the effective interest method.

#### (iv) Financial liabilities

Financial liabilities, including trade and other payables and loans from fellow Group companies, are initially recognised at fair value.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method in accordance with IAS 39.

### Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting year. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination may be uncertain. The calculation of the tax charge therefore necessarily involves a degree of estimation and judgement. The tax liabilities are based on estimates of whether additional taxes will be due and tax assets are recognised on the basis of probable future recoverability. This requires management to exercise judgement based on its interpretation of tax laws and the likelihood of settlement of tax liabilities or recoverability of tax assets. To the extent that the final outcome differs from the estimates made, tax adjustments may be required which could have an impact on the tax charge and profit for the period in which such a determination is made.

#### **(i) Current tax**

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### **(ii) Deferred tax**

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing differences.

#### **Share capital**

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new Ordinary Shares or options are shown in equity as a deduction, from the proceeds.

#### **Related parties**

The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

#### **Disclosure exemptions**

In preparing the Parent Company financial statements, the Company has elected to adopt the reduced disclosure exemptions set out in paragraph 1.12 of FRS 102, because the Company prepares Group consolidated financial statements, as described below:

- (a) Under FRS 102 (Section 1.12(b)), the Parent Company is exempt from the requirements to prepare a cash flow statement on the grounds that its cash flows are included within the Ibstock Plc Group consolidated financial statements.
- (b) The Parent Company is a qualifying entity and has taken advantage of the exemption from disclosing key management compensation (other than Directors' emoluments) under FRS 102 (Section 1.12(e)), as it is a Parent entity whose separate financial statements are presented alongside the consolidated financial statements, which contain the requisite equivalent disclosures.
- (c) The Parent Company is a qualifying entity and has taken advantage of the exemption from disclosing certain financial instrument disclosures under FRS 102 (Section 1.12(c)), as it is a Parent entity whose separate financial statements are presented alongside the consolidated financial statements, which contain the requisite equivalent disclosures.
- (d) The Company has elected to avail itself of the disclosure exemption within FRS 102 (Section 1.12(d)) in relation to certain share based payment disclosure requirements as it is a Parent entity whose separate financial statements are presented alongside the consolidated financial statements, which contain the requisite equivalent disclosures.
- (e) The Company has taken advantage of the reduced disclosure exemption under FRS 102 (Section 1.12(a)) and is not required to follow the requirements of paragraph 4.12(a)(iv) of FRS 102 and as such only discloses a reconciliation of shares outstanding between the beginning and end of the year and not the prior year.

In addition, the Company has taken the exemption within Section 33 of FRS 102 from disclosing intra-Group transactions with wholly owned subsidiaries.

#### **Critical accounting judgements and estimation uncertainty**

In applying the Company's accounting policies, as described above, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making these critical judgements and estimates, actual outcomes could be different.

There are no critical accounting judgements or estimates were made in applying the Company's accounting policies in current and prior year.

#### **3. Employee information**

The Company has no employees. Non-Executive Directors of the Company are employed under letters of appointment. Full details of Executive and Non-Executive remuneration is disclosed in the Annual Report on Remuneration on pages 99 to 116. For further details of Directors' remuneration, refer to Note 7 of the Group financial statements.

# Notes to the Company financial statements continued

## 4. Fixed asset investments

| Cost   | Investment in subsidiary undertakings<br>£'000 |
|--|--|
| <b>At 1 January 2022</b>   | <b>625,581</b>                                 |
| Additions – fair value of share incentives issued to Group employees | <b>975</b>                                     |
| <b>At 31 December 2022</b>   | <b>626,556</b>                                 |
| Additions – fair value of share incentives issued to Group employees | <b>1,493</b>                                   |
| <b>At 31 December 2023</b>   | <b>628,049</b>                                 |

The Company holds 100% of the issued share capital of Istock Building Products Limited.

## 5. Debtors

|   | 31 December<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
|---|------------------------------|------------------------------|
| Amounts owed by subsidiary undertakings | <b>8,164</b>                 | 2,925                        |
| Deferred tax asset                      | <b>258</b>                   | 267                          |
| Other tax asset                         | <b>–</b>                     | 2                            |
| Prepayments and other debtors           | <b>413</b>                   | 1,881                        |
|   | <b>8,835</b>                 | 5,075                        |

Amounts owed by subsidiary undertakings are unsecured, repayable on demand and interest free.

## 6. Creditors – amounts falling due within one year

|   | 31 December<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
|---|------------------------------|------------------------------|
| Trade creditors                         | <b>258</b>                   | 318                          |
| Amounts owed to subsidiary undertakings | <b>230,651</b>               | 208,301                      |
| Borrowings                              | <b>25,496</b>                | 436                          |
| Accruals and other creditors            | <b>3,662</b>                 | 4,344                        |
| Corporation tax                         | <b>2,273</b>                 | 72                           |
|   | <b>262,340</b>               | 213,471                      |

Amounts owed to subsidiary undertakings are unsecured, repayable on demand and interest free. The Group has a cash pooling arrangement with its transactional bank.

## 7. Creditors – amounts falling due after more than one year

|            | 31 December<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
|------------|------------------------------|------------------------------|
| Borrowings | <b>98,992</b>                | 99,769                       |
|            | <b>98,992</b>                | 99,769                       |

In November 2021, the Company issued £100 million of private placement notes to Pricoa Private Capital, with maturities of between seven and twelve years and an average total cost of funds of 2.19% (range 2.04% – 2.27%).

Additionally, at the same time the Company entered into a £125 million Revolving Credit Facility (RCF) provided by a syndicate of five banks for an initial four-year period, with a one-year extension option, which has been enacted. At 31 December 2023, the Group had drawn £25 million (2022: £nil) under this facility.

Further details of the Private Placement and RCF are provided in Note 18 of the Group financial statements.

The carrying value of financial liabilities have been assessed as materially in line with their fair values, with the exception of £100 million of private placement notes. The fair value of these borrowings has been assessed as £88.3 million (2022: £86.4 million).

No security is currently provided over the Company's borrowings.



## 8. Financial instruments

The Company has the following financial instruments:

|  | Loans and receivables        |                              |
|--|------------------------------|------------------------------|
|  | 31 December<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
| Financial assets that are debt instruments measured at amortised cost: |                              |                              |
| Amounts owed by subsidiary undertakings                                | 8,164                        | 2,925                        |
| Cash and bank balances   | 287                          | 300                          |
|  | <b>8,451</b>                 | <b>3,225</b>                 |
|  |                              |                              |
|  | Loans and payables           |                              |
|  | 31 December<br>2023<br>£'000 | 31 December<br>2022<br>£'000 |
| Financial liabilities measured at amortised cost:                      |                              |                              |
| Trade creditors  | 258                          | 318                          |
| Amounts owed to subsidiary undertakings                                | 230,651                      | 208,301                      |
| Borrowings   | 124,488                      | 100,205                      |
| Accruals and other creditors   | 3,662                        | 4,344                        |
|  | <b>359,059</b>               | <b>313,168</b>               |

In the current and prior year there are no material differences between the fair values and the book values stated above with the exception of £100 million of private placement notes within borrowing. The fair value of these borrowings is assessed as £88.3 million (2022: £86.4 million), which was determined using discounted cash flows based on observable market data.

## 9. Called-up share capital

|   |                               | Number of<br>shares | Share<br>capital<br>£'000 |
|---|-------------------------------|---------------------|---------------------------|
| Issued, called-up and fully paid:             |                               |                     |                           |
| <b>At 1 January 2023 and 31 December 2023</b> | Ordinary Shares of £0.01 each | <b>409,631,594</b>  | <b>4,096</b>              |

There was no share capital movement in the current and prior year.

## 10. Contingent liabilities

The Company has guaranteed all Group bank borrowings as detailed in Note 18 of the Group financial statements. As part of the Group's joint and several liability, the Company is a party to the guarantee of the Group's VAT liability.

## 11. Related party transactions

The Company is exempt from disclosing related party transactions with other companies that are wholly owned within the Group. See Note 29 of the Group financial statements.

The ultimate Parent Company and the smallest and largest group to consolidate these financial statements is Ibstock Plc.

Share awards to key management personnel resulted in an amount of £0.5 million in the year ended 31 December 2023 (year ended 31 December 2022: £1.0 million), which has been taken to the fixed asset investment. See Note 25 of the Group financial statements and the Directors' Remuneration Report on pages 99 to 116 for further details of share based payments.

## 12. Post balance sheet events

A final dividend of 3.6 pence (2022: 5.5 pence) per Ordinary share is proposed in respect of the financial year ended 31 December 2023. See Note 31 of the Group financial statements.

See Note 32 of the Group financial statements for details of other post balance sheet events.

# Group five-year summary

| Results summary  | Year ended 31 December |          |           |           |           |
|--|------------------------|----------|-----------|-----------|-----------|
|  | 2019                   | 2020     | 2021      | 2022      | 2023      |
| <i>Continuing operations</i>                           |                        |          |           |           |           |
| Revenue  | 409,257                | 316,172  | 408,656   | 512,886   | 405,839   |
| Adjusted EBITDA <sup>1</sup>                           | 122,265                | 52,122   | 103,053   | 139,667   | 107,357   |
| Exceptional items <sup>1</sup> impacting EBITDA        | (2,833)                | (35,257) | 5,230     | 6,278     | (30,762)  |
| Depreciation and amortisation                          | (35,409)               | (36,477) | (38,349)  | (38,518)  | (41,564)  |
| Operating profit/(loss)                                | 84,023                 | (19,612) | 69,934    | 107,427   | 35,031    |
| Exceptional finance costs                              | –                      | (414)    | –         | –         | –         |
| Net finance costs                                      | (2,032)                | (3,914)  | (4,992)   | (2,663)   | (4,964)   |
| Profit/(loss) before taxation                          | 81,991                 | (23,940) | 64,942    | 104,764   | 30,067    |
| Taxation   | (15,516)               | (4,081)  | (33,129)  | (17,884)  | (9,007)   |
| Profit/(loss) from continuing operations               | 66,475                 | (28,021) | 31,813    | 86,880    | 21,060    |
| Profit/(loss) from discontinued operations             | (383)                  | –        | –         | –         | –         |
| Profit/(loss)  | 66,092                 | (28,021) | 31,813    | 86,880    | 21,060    |
| Profit/(loss) attributable to owners of the Company    | 66,092                 | (28,021) | 31,813    | 86,908    | 21,060    |
| Profit/(loss) attributable to non-controlling interest | –                      | –        | –         | (28)      | –         |
| <i>At 31 December</i>                                  |                        |          |           |           |           |
| Employment of capital                                  | 2019                   | 2020     | 2021      | 2022      | 2023      |
| Goodwill and intangible assets                         | 102,594                | 95,163   | 94,625    | 90,242    | 82,017    |
| Property, plant and equipment                          | 386,255                | 371,395  | 375,800   | 409,091   | 440,400   |
| Right-of-use assets                                    | 30,479                 | 26,653   | 25,114    | 31,478    | 39,831    |
| Non-current assets                                     | 519,328                | 493,211  | 495,539   | 530,811   | 562,248   |
| Inventories  | 84,327                 | 63,386   | 72,821    | 94,275    | 119,189   |
| Receivables  | 58,088                 | 58,906   | 64,756    | 65,935    | 37,919    |
| Current tax recoverable                                | –                      | –        | 3,199     | 1,717     | 1,171     |
| Assets held for sale                                   | 1,186                  | 1,186    | 875       | –         | –         |
| Current assets   | 143,601                | 123,478  | 141,651   | 161,927   | 158,279   |
| Payables   | (88,150)               | (85,423) | (103,132) | (120,003) | (80,526)  |
| Lease liabilities                                      | (30,361)               | (29,076) | (27,184)  | (33,104)  | (43,833)  |
| Other liabilities excluding debt                       | (83,922)               | (78,711) | (102,527) | (93,261)  | (105,493) |
| Net assets excluding pension and debt                  | 460,496                | 423,479  | 404,347   | 446,370   | 490,675   |
| Net debt <sup>1</sup>                                  | (84,851)               | (69,184) | (38,872)  | (45,922)  | (100,616) |
| Pension  | 88,656                 | 43,576   | 57,754    | 15,194    | 9,832     |
| Derivative financial instruments                       | –                      | –        | –         | 567       | (24)      |
| Total net assets                                       | 464,301                | 397,871  | 423,229   | 416,209   | 399,867   |
| Called-up share capital                                | 4,093                  | 4,096    | 4,096     | 4,096     | 4,096     |
| Reserves   | 460,208                | 393,775  | 419,133   | 412,062   | 395,771   |
| Equity attributable to owners of the Company           | 464,301                | 397,871  | 423,229   | 416,158   | 399,867   |
| Equity attributable to non-controlling interest        | –                      | –        | –         | 51        | –         |
| Total equity   | 464,301                | 397,871  | 423,229   | 416,209   | 399,867   |

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

| Business ratios                                | At 31 December |        |       |       |        |
|--|----------------|--------|-------|-------|--------|
|  | 2019           | 2020   | 2021  | 2022  | 2023   |
| Adjusted EBITDA <sup>1</sup> margin            | 29.9%          | 16.5%  | 25.2% | 27.2% | 26.5%  |
| Interest cover (times)                         | 37x            | 10x    | 21x   | 51x   | 29x    |
| Net debt to adjusted EBITDA <sup>1</sup>       | 0.74x          | 1.53x  | 0.41x | 0.35x | 1.06x  |
| Return on capital employed <sup>1</sup>        | 19.3%          | 3.7%   | 15.8% | 23.5% | 13.4%  |
| Adjusted operating cash flow <sup>1</sup> (£m) | 72             | 50     | 76    | 108   | 50     |
| Capital expenditure (£m)                       | (39)           | (24)   | (25)  | (58)  | (65.7) |
| Adjusted free cash flow <sup>1,2</sup> (£m)    | 33             | 26     | 51    | 49    | (16)   |
| Statutory basic earnings per share             | 16.3p          | (6.8p) | 7.8p  | 21.4p | 5.4p   |
| Adjusted basic earnings per share <sup>1</sup> | 18.3p          | 4.0p   | 13.9p | 22.7p | 13.9p  |
| Interim dividend per share                     | 3.2p           | –      | 2.5p  | 3.3p  | 3.4p   |
| Final dividend per share                       | –              | 1.6p   | 5.0p  | 5.5p  | 3.6p   |
| Supplementary dividend per share               | 5.0p           | –      | –     | –     | –      |
| Total dividend per share                       | 3.2p           | 1.6p   | 7.5p  | 8.8p  | 7.0p   |
| Closing share price                            | 315p           | 207p   | 204p  | 154p  | 152p   |
| Closing market capitalisation (£m)             | 1,289.3        | 846.2  | 834.8 | 630.8 | 594.0  |

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

### Cautionary Statement

This Annual Report and Accounts has been prepared for, and only for, the members of the Company, as a body, and no other persons. The Company, its Directors, employees, agents or advisors do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. By their nature, the statements concerning the risks and uncertainties facing the Group in this Annual Report and Accounts involve uncertainty, since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and Accounts and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report and Accounts should be construed as a profit forecast.

# Shareholder Information

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Becky Parker

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## Company registration number

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## Website

[www.ibstock.co.uk](http://www.ibstock.co.uk)

## Analysis of shareholders – 31 December 2023

| 2023           | Number of holdings | %     | Balance as at 31 December 2023 | %     |
|----------------|--------------------|-------|--------------------------------|-------|
| 1-1,000        | 345                | 31.34 | 110,768                        | 0.03  |
| 1,001–5,000    | 328                | 29.79 | 755,221                        | 0.18  |
| 5,001–10,000   | 83                 | 7.54  | 612,572                        | 0.15  |
| 10,001–50,000  | 124                | 11.26 | 2,776,069                      | 0.68  |
| 50,001–Highest | 221                | 20.07 | 405,376,964                    | 98.96 |
| Total          | 1101               | 100   | 409,631,594                    | 100   |

| Holder type                         | Number of holdings | %     | Balance as at 31 December 2023 | %     |
|-------------------------------------|--------------------|-------|--------------------------------|-------|
| Individuals                         | 715                | 64.94 | 1,892,017                      | 0.46  |
| Nominee and institutional investors | 386                | 35.06 | 407,739,577                    | 99.54 |
| Total                               | 1101               | 100   | 409,631,594                    | 100   |



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