BREEDON

MAKING A MATERIAL DIFFERENCE

ANNUAL REPORT 2022

From our quarries and plants come the **essential materials** to build our environment

Contents

Our purpose is to make a material difference to the lives of our colleagues, customers and communities.

We do that by delivering essential materials to build the places where we live and work, play and in-between.

Record revenue

£1.4bn

Revenue

Record earnings

£136m

Profit before tax

Higher returns

10.8%

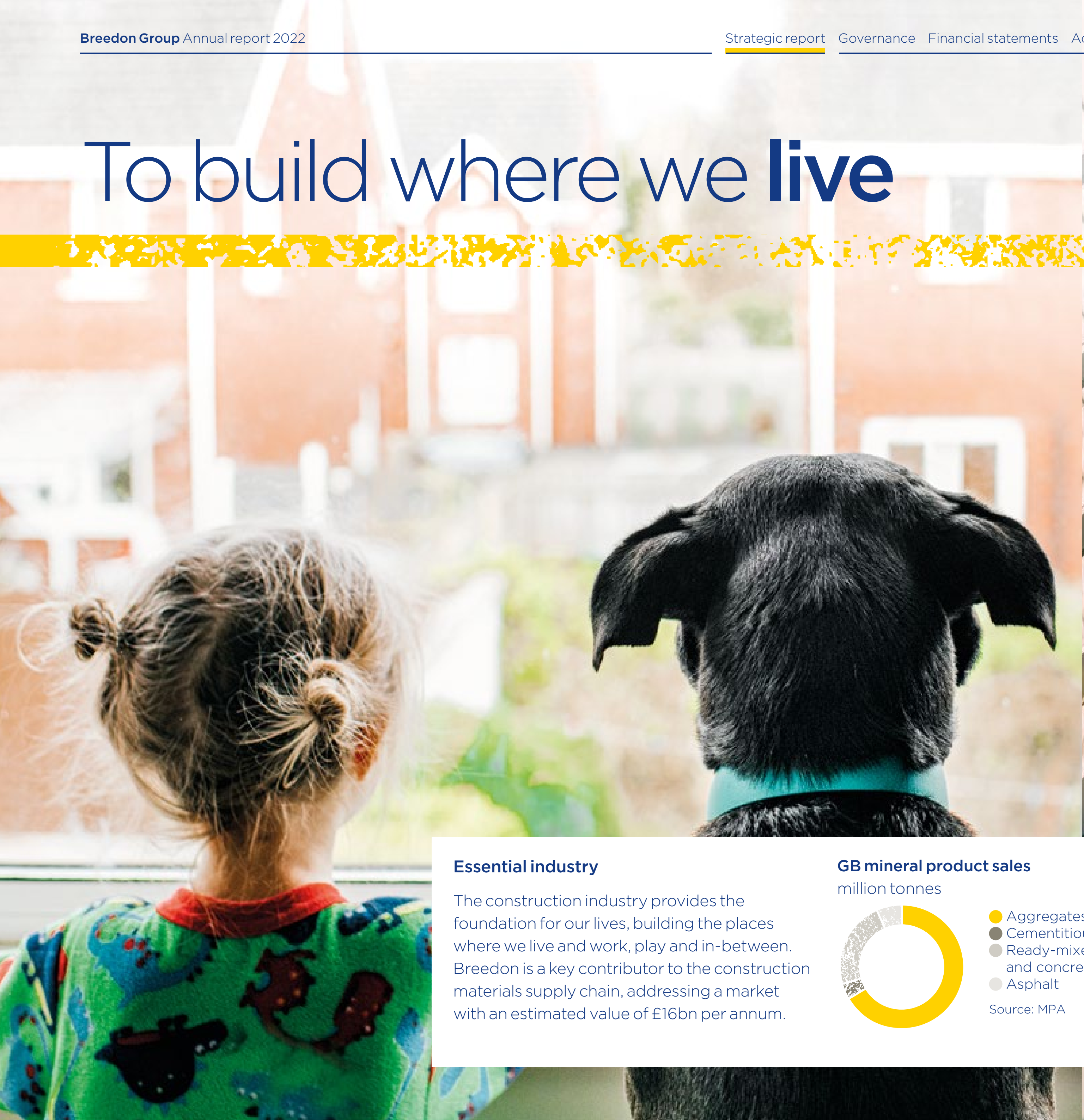
Return on invested capital

Essential materials

Breedon is a **leading vertically-integrated construction materials** group in Great Britain and Ireland.

We supply the construction industry with the **essential materials** needed to build the places where we live and work, play and in-between.

We use our core assets to produce **valued-added** downstream products, pulling through our aggregates and cement to deliver asphalt, ready-mixed concrete and surfacing solutions to the whole construction supply chain.




To build where we **live** and **work**

Essential industry

The construction industry provides the foundation for our lives, building the places where we live and work, play and in-between. Breedon is a key contributor to the construction materials supply chain, addressing a market with an estimated value of £16bn per annum.

GB mineral product sales

million tonnes

Aggregates
Cementitious
Ready-mixed concrete and concrete products
Asphalt

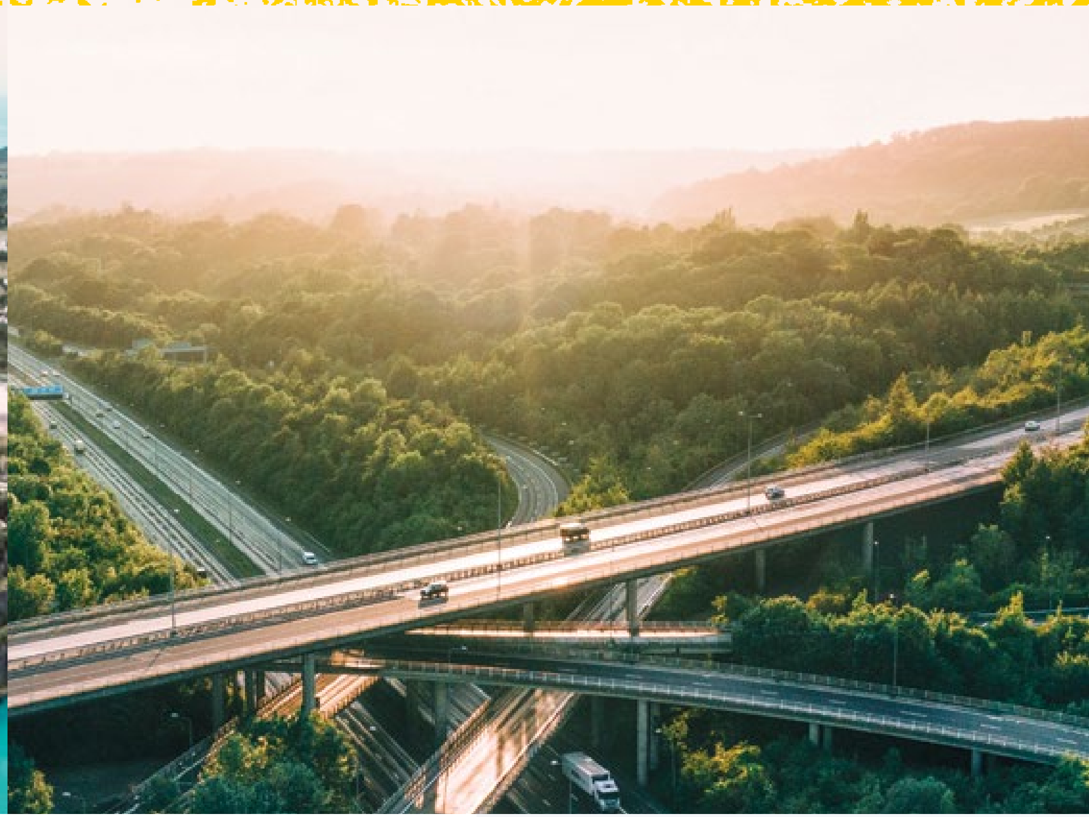
Source: MPA

Typical home

12
tonnes of mortar

200
tonnes of aggregates

Where we **play** and **in-between**



Essential materials

Our products play a critical role in the construction and maintenance of our homes, offices, schools, roads, and so much more. Our assets are valuable, so we take great care to maximise their sustainable use.

Reserves and resources
billion tonnes

Road

A11 15km road reconstruction

150,000

tonnes of asphalt

Investment case

We offer **sustainable growth,** underpinned by a **proven financial framework**

The foundations of our **asset-backed model** are one billion tonnes of mineral reserves and resources and two well-invested cement plants.

At a glance »06-07

Our **vertically-integrated** operating model offers margin-enhancing routes to market by pulling through our cement and aggregates in the production of ready-mixed concrete and asphalt, and the provision of surfacing solutions.

Business model »16-21

We supply attractive end-markets, such as infrastructure and housebuilding, which benefit from long-term **structural growth** trends.

Market review »10-15

Our **self-help culture** of continuous improvement supports margin enhancement and drives returns in excess of our cost of capital.

Strategy »22-29

Our **disciplined capital allocation** drives returns, delivers strong Free Cash Flow generation, enables multiple routes to growth, and facilitates the payment of a progressive dividend.

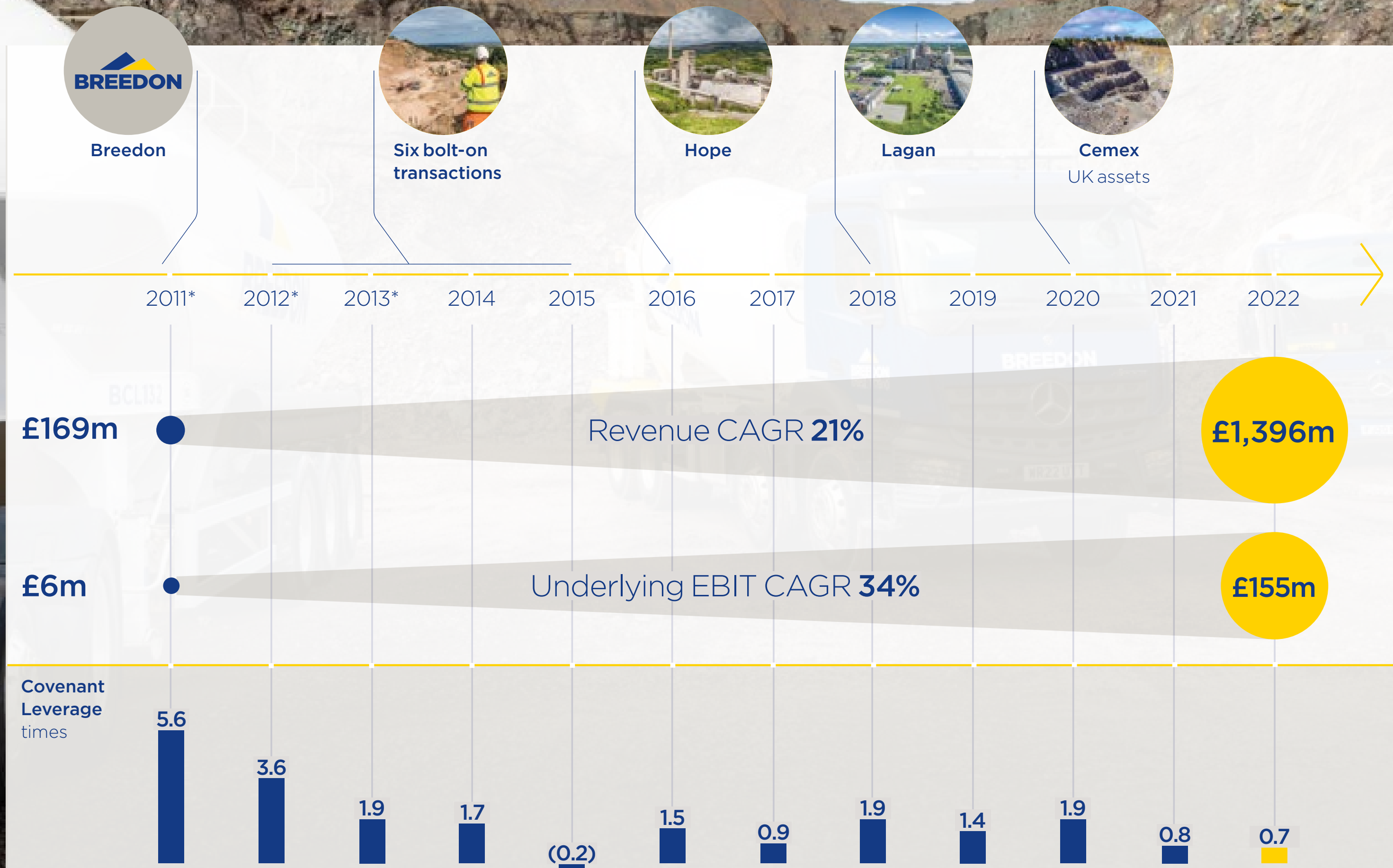
Financial review »38-43

Investment case

An outstanding track record of sustainable growth

Since our first full year of trading as Breedon, we have undertaken over 20 acquisitions while simultaneously pursuing organic growth.

In this time, our growth has outpaced our markets, we have successfully converted profits to cash and rapidly reduced gearing.

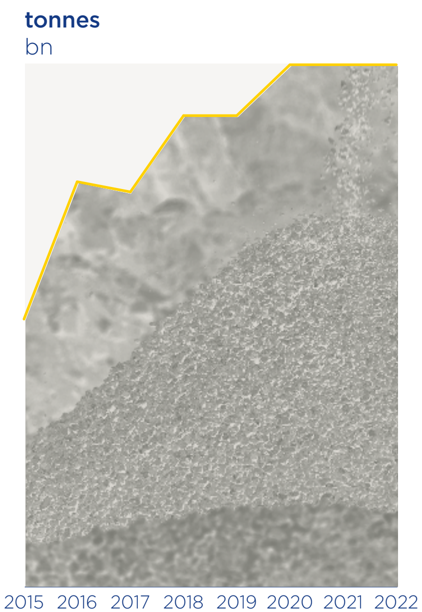


* Covenant Leverage has been calculated on a consistent basis for all periods, following the principles set out in the Group's current debt facility agreements. Note 27 of the financial statements contains further details of this calculation.

Breedon at a glance

A balanced portfolio of high-quality assets operated by our first class team

Reserves and resources



1 billion
tonnes

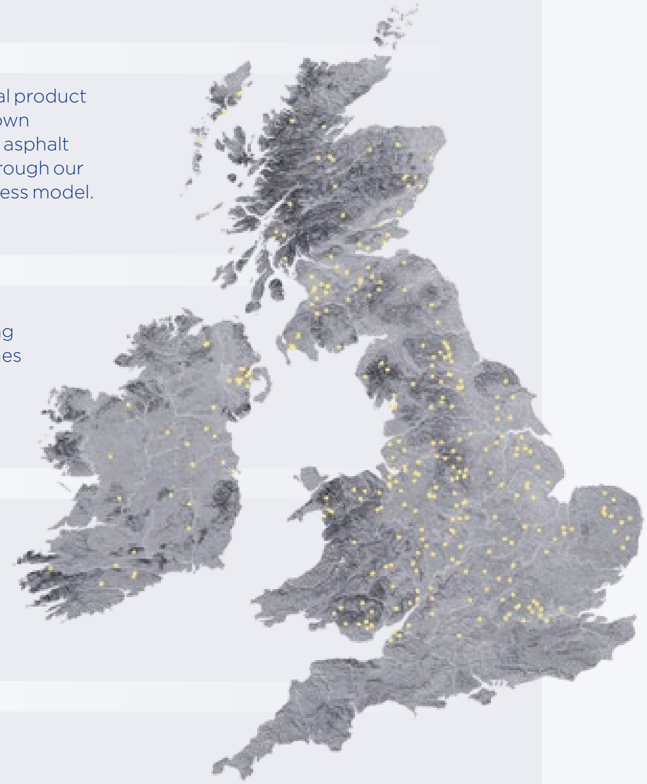
We are stewards of one billion tonnes of mineral reserves and resources, equivalent to over 30 years of production.

Connected

Our extensive road and rail haulage infrastructure delivers our mineral reserves and resources sustainably.

Asset-backed and vertically-integrated

We have a balanced portfolio of high-quality assets operated by our highly-engaged, first class team of 3,700 colleagues.



Aggregates

>100
quarries

Our quarries supply mineral product to our customers and our own ready-mixed concrete and asphalt plants, pulling materials through our vertically-integrated business model.

Cement

2
plants

Two well-invested cement plants capable of producing more than two million tonnes of cement annually.

Ready-mixed concrete

>170
plants

More than 170 ready-mixed concrete plants supplying quality assured concrete, screed and mortar to a broad scope of projects.

Asphalt

>50
plants

More than 50 asphalt plants supplying quality assured materials to a wide range of projects from car parks to major trunk roads.

Surfacing

Our **Great Britain** surfacing operations are strategically located around nine regional hubs in England and Scotland, serving our customers efficiently and economically.

Our **Ireland** surfacing and contracting activities benefit from multi-year frameworks and term contracts, delivering high-profile projects including airport runways and major trunk road resurfacing.

Breedon at a glance

Our culture

Our purpose is to **make a material** difference to the lives of our colleagues, customers and communities.

Our values

We adopt clear authentic behaviours to ensure long-term success.

- KEEP IT SIMPLE
- STRIVE TO IMPROVE
- MAKE IT HAPPEN
- SHOW WE CARE

Our people

Our people are one of our greatest assets. Their safety and wellbeing is the objective of our **Home Safe and Well** campaign and one of our highest priorities.

3,700
people

60
new apprentices

77%
engagement score

Our strategy

Sustain
Sustainability considerations guide all of our decisions

Optimise
Continuously improving efficiency

Expand
Through organic and inorganic growth

Financial framework
Supporting our strategy through investment and capital allocation

Our reporting lines

Great Britain

An extensive footprint of quarries and downstream operations, from Hampshire to the Hebrides.

More detail »30-31

Ireland

A network of quarries and plants across the Island of Ireland, supporting a highly regarded surfacing business.

More detail »32-33

Cement

Our Cement division operates two well-invested plants in GB and Ireland, producing more than two million tonnes of cement annually.

More detail »34-35

Chairman's statement

Amit Bhatia
Chairman

Thoughtful capital allocation is critical to our ongoing success.

We are good at what we do

The macroeconomic conditions the Group has encountered for several years now have not been easy. We have had to contend with the uncertainties caused by Brexit, the pandemic, surging inflation, political turmoil and recession. What is clear from the Group's performance this year, in delivering record earnings while growing the business and reducing net debt, is that we are good at what we do. We keep our people safe and we deliver for our customers, regardless of the economic backdrop.

A thank you to the team

The strategic actions the Board has taken in recent years to realise our sustainable growth vision are embedded and are delivering results. While the Board has stewarded the Group through a series of extraordinary circumstances, the credit for producing yet another set of remarkable results must go to our people. They have, once again, demonstrated their resilience and determination and the Board extends our gratitude and thanks to the entire Breedon team.

Thoughtful capital allocation

Critical to maintaining our positive progress is our thoughtful approach to capital allocation. As the global macroeconomic and geopolitical landscape unfolds, we constantly review our capital base and how best to deploy our financial resources.

We have continued to invest for growth, spending just over £100m on capital projects in 2022. We completed three strategically important transactions and our M&A pipeline remains active.

We have attractive opportunities to expand our geographic footprint in the UK and Ireland, and to increase the vertical integration of our operations. Our record financial performance has allowed us to grow our dividend, increasing the proportion of earnings we pay out to our shareholders.

Cash dividends paid
£m

Chairman's statement

A new listing

To reflect our scale, maturity and growth ambitions we intend to move Breedon to the Main Market of the London Stock Exchange.

When Breedon assets were first acquired, we owned c.180 million tonnes of mineral reserves and resources and operated 29 quarries in Great Britain.

Today we own one billion tonnes of mineral reserves and resources and operate over 300 sites across GB and Ireland. We generate nearly £1.4bn in revenue and £235m of Underlying EBITDA, providing employment and opportunity for 3,700 colleagues.

Being a member of the Alternative Investment Market (AIM) has served us well. For over a decade the AIM market provided us with access to diverse and engaged investors, within a supportive community, that understands the needs of entrepreneurial businesses such as Breedon and we thank them wholeheartedly for their support.

As an established business, with a successful track record for growth and cash generation, robust corporate governance and ambitions for further expansion, we believe the Main Market now offers the appropriate listing for a group of our scale and heritage. Accordingly, we intend to seek admission to the premium segment of the Official List in the coming months.

Confident in our growth plans

Looking forward, it is important that we remain aware of the uncertainty surrounding economic growth, the rising path of interest rates and the potential this creates for market softness.

We are confident we have the building blocks for long-term success. At this time of increased uncertainty, it is vital that we retain our disciplined approach to capital allocation, our strong balance sheet and our strategic optionality.

Equally important to our progress is our growth mindset and the Board believes our reinvigorated strategy, enhanced sustainability commitment and refreshed senior leadership team are all contributing to grow the business.

We have a first class team who we trust and the ingredients in place for success. I am, therefore, optimistic about our future and confident we will deliver our exciting growth plans.

Amit Bhatia
Non-executive Chairman

8 March 2023

Board site visit to Wickwar

The Board site visit to Wickwar in September 2022

Market review

Supplying structurally-attractive and growing markets with essential building materials, products and services

2.92x
UK construction economic multiplier

Growth drivers

Economic driver

The construction industry is an important economic contributor creating, maintaining and improving the built environment in which we live and work, play and in-between.

A 2022 CBI report identified that every £1 spent on UK construction contributed £2.92 of value to the UK economy, employing 2.3 million people directly and generating 6% of UK Gross Value Added.

The population in our core markets is growing and urbanising; in the UK, 3% growth is forecast in the coming decade, while in RoI, the population is set to increase by one million between 2016 and 2040. With household formation outpacing population growth, the pressure on our infrastructure, residential and non-residential spaces is likely to persist.

Nearly two thirds of homes in England and Wales are over 50 years old, while there have been decades of underinvestment in infrastructure. With the pressing need to protect the environment, and new technological drivers emerging, there is a clear need for investment to grow our built environment.

Source: ONS, CBI, Government of Ireland National Development Plan 2021-2030.

Essential industry

Mineral products are a key component of the construction supply chain, providing essential heavyside building materials to the construction sector, including aggregates, cement and concrete products as well as asphalt and surfacing materials.

The market in GB is relatively consolidated; Breedon is one of the top five producers who together have access to c.78% of all consented reserves, with around 300 businesses accounting for the remainder. The life of consented reserves for aggregates across GB is estimated to be 31 years, a reduction of almost 30% in the past decade.

Planning consent for new quarries is rarely granted, emphasising the need to optimise mineral production alongside long-term strategic planning to secure extensions to the existing estate. Due to the heavy nature of the materials and associated costs of transport, markets are driven by local and regional factors.

Source: MPA, BDS market Intelligence.

Market review

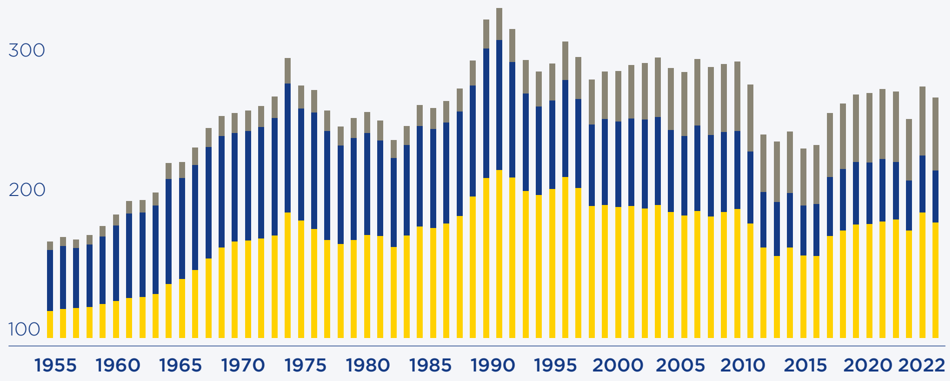
Growth drivers

Disciplined provision supports mineral products pricing power

The end-markets which we supply are influenced by economic cycles, through which the industry has a good track record of managing capacity.

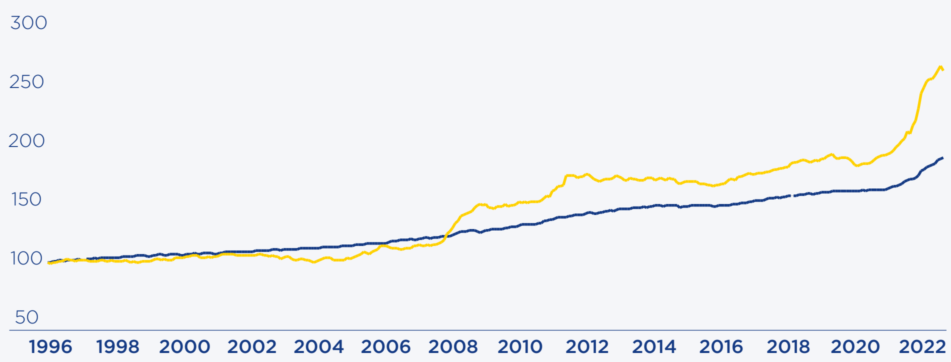
The mineral products industry supplies essential resources to growing end-markets. Over time, aggregates pricing has outpaced inflation.

Aggregates markets by source of supply in Great Britain, 1955-2022
million tonnes



Crushed rock · Sand and gravel · Recycled and secondary
Source: ONS, BGS, MPA calculations.

Aggregates prices outpace inflation over time
indexed to 100 in 1996

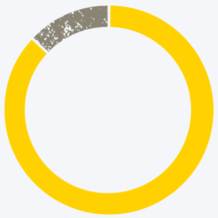


UK PPI: Other mining and quarrying products · UK CPI Index

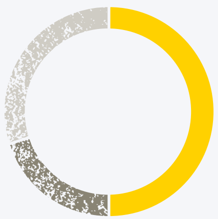
Market review

Markets

Revenue by end-market



UK 87%
RoI 13%



Infrastructure c.50%
Housing c.20%
Industrial, Commercial and Other c.30%

UK

11th UK infrastructure ranked 11th in the world for quality	**340,000** new homes required each year

A high-quality sustainable built environment is important to underpin UK economic growth and meet the country's net zero climate change commitment, creating a supportive backdrop for mineral products.

Infrastructure

The UK was ranked 11th for its overall quality of infrastructure by the World Economic Forum in 2019. However, it was only rated 36th for road infrastructure quality.

The UK Government published a National Infrastructure Strategy in 2020 which committed to deliver an infrastructure revolution. In the 2022 Autumn Statement, the Government confirmed its commitment to invest £600bn over the next five years, seeking to accelerate delivery of its infrastructure portfolio.

Government capital expenditure of £93bn in fiscal year 2022 was a substantial increase on the 2020 outturn of £70bn, and is forecast to rise to £113bn in fiscal year 2023, after which it will grow at c.1% annually. When compared to 2008, total infrastructure output in 2021 had increased by 136%, driven by roads (+202%), rail (+264%), electricity (+329%) and harbours (+115%).

In its Energy Security Strategy, the UK Government has an ambition to deliver up to 50GW of offshore wind by 2030. The Mineral Products Association (MPA) reports an identified need for over 20GW of floating wind farms where the turbine sits on a floating concrete pontoon. Floating wind infrastructure on this scale would require over 13 million cubic metres of concrete.

Source: National Infrastructure Strategy, UK Government Autumn Statement 2022, CPA, MPA.

Market review

Markets

Housebuilding

There is a shortage of housing in the UK with an estimated deficit of up to one million homes due to housing starts falling short of household formation over the past three decades. Up to 340,000 new homes are required each year to meet demand in England alone. After reaching 223,600 completions in 2007, UK housebuilding was slow to recover from the low point in 2013, building 214,160 new homes in 2019 before the pandemic caused building rates to fall over 20% in 2020.

The UK Government supported the sector, extending the Help to Buy scheme for first time buyers and incentivising transactions with temporary reductions to Stamp Duty Land Tax. Consequently, completions recovered to c.203,000 in 2021. While planning reforms have been proposed, the system remains congested and the sector delivers fewer new homes than prior to the financial crisis. Therefore, the long-term shortfall in UK housing is likely to persist.

Source: House of Commons Library Research Briefing: Tackling the under-supply of housing, ONS.

Industrial, Commercial and Other

The pandemic has changed where we work, how we shop and how we spend our leisure time. While office and retail construction output remains significantly below levels achieved prior to 2008, there are pockets of growth and opportunity.

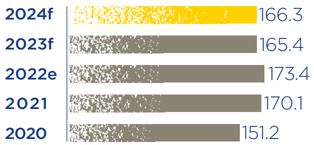
As changing working practices impact the need for fixed office space, particularly in London, there are regeneration plans underway elsewhere with projects planned across the Midlands and North, in keeping with the Government's emphasis on 'levelling up' the UK economy.

Construction output contributed from warehouse building has increased 10% since 2008 as the retail sector revised its logistics model, investing heavily in large distribution centres.

The transition to electrified transport is essential to meet the UK's net zero commitments. The Faraday Institution estimates that seven UK-based gigafactories will be needed by 2040, each producing 20GWh of batteries per annum.

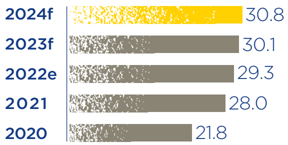
Source: CPA, Euroconstruct, The Faraday Institution.

UK Construction Output
£bn



Source: CPA industry forecasts January 2023.

UK Infrastructure Output
£bn



Source: CPA industry forecasts January 2023.

Market review

Markets

Ireland

€165bn	5%
National Development Plan	of GNI into public investment by 2025

RoI remains the fastest growing advanced economy in the world, growing GDP by an estimated 12% in 2022. Modified Domestic Demand (MDD), a better indicator of domestic activity, increased by 7.7%, providing a positive backdrop for our core markets.

As the state prepares to accommodate the additional one million people expected to live there by 2040, the National Planning Framework sets out the strategic objectives that will ensure the built and natural environment can address the challenge responsibly.

Infrastructure

In 2021 the Government of Ireland relaunched the National Development Plan (NDP) which outlined over €165bn of public investment by 2030. To deliver sustainable economic growth and improve environmental and social outcomes, public investment in RoI will increase to 5% of GNI by 2025, well above the EU average of 3% of GDP.

The NDP is particularly focused on supporting the largest public housing programme in the state's history and a large proportion of the spend is targeted directly at infrastructure investment in roads and transport where Breedon has an excellent track record for delivery and service. The forecast capital investment allocation of €12bn is 5% above the estimated 2022 outturn.

Source: National Development Plan, 94th Euroconstruct.

Housebuilding

Residential construction is expected to be buoyant. The most ambitious housing plan in RoI's history, published in September 2021, contained a series of actions to double housing output by 2026, supported by more than €4bn of annual Government funding. The Housing for All plan targets an average annual completion rate of 33,000 homes with other sources estimating the requirement to be as high as 62,000 per annum. In 2021 a total of 20,600 homes were completed, which is projected to rise to 28,000 in 2022, reaching 35,000 by 2025.

Source: 94th Euroconstruct, Government of Ireland.

Ireland construction output
€bn

Source: 94th Euroconstruct

Irish Government capital expenditure
€bn

Source: GoI budget 2023

Market review

Markets

Volumes

168m
tonnes
primary aggregates

8%
2022
volume reduction

Mineral product volumes normalised over the course of 2022, reflecting the moderation of economic growth in the UK and Ireland.

The MPA reported a gradual loss of momentum in GB volumes as the year progressed, noting slowing demand from commercial projects whose viability was impacted by rising input costs.

GB Aggregates
million tonnes

GB Asphalt
million tonnes

Volumes in GB, where data is more readily available, concluded 2022 below pre-pandemic levels; primary aggregates volumes fell 8.2%, asphalt reduced 6.5% and ready-mixed concrete decreased by 3.8%.

Mortar was the only market to report growth in 2022, increasing volumes 3.5%, supported by robust housebuilding activity.

MPA forecasts volumes will soften further in 2023, reflecting economic growth and construction output projections; primary aggregates, ready-mixed concrete and asphalt volumes are expected to fall between 2% and 5% in 2023.

GB Ready-mixed concrete
million m^3

GB Cementitious
million tonnes

Note: Cementitious market volumes for 2022 will be published in late 2023. Forecasts for 2023 and 2024 are not available.

Source: MPA.

Outlook

Our markets are characterised by steady growth and pricing power through the cycle. The prospects in both the UK and RoI in the medium to long term are well-underpinned by high levels of pent-up demand.

Construction sector output in the UK is estimated to have increased by 1.6% in 2022, although the outlook has moderated. UK construction PMI fell to 48.8 in December 2022 and the UK is widely expected to enter a mild recession in 2023.

The Construction Products Association (CPA) forecasts total construction output will fall by 4.7% in 2023 before returning to growth in 2024. While industry level data has eased, it masks meaningful sector level distinctions.

The cost of living crisis and weak consumer sentiment are expected to impact the housing sector with private housing output forecast to fall by 11% in 2023 before stabilising in 2024. However, output in infrastructure is expected to increase by 2.4% in 2023 and 2.5% in 2024 while industrial construction output is forecast to rise by 2.3% in 2023.

RoI construction PMI moved into contraction territory for much of 2022, concluding the year at 43.2. These levels reflect weak repair, maintenance and improvement activity and uncertainty regarding the near-term economic outlook.

Nonetheless, GDP in RoI is forecast to grow by 4.7% in 2023, still the fastest growth rate in Western Europe.

Similarly, while MDD is expected to moderate in 2023, it is still forecast to grow by 1.2% and construction output is forecast to grow 2.5% in real terms.

With employment data still strong, stability returning to financial markets, mortgage availability stabilising and inflation set to roll over, the risks to the upside and downside remain evenly balanced.

We recognise there is uncertainty in the near term. However, we are confident we have successfully positioned our business to take advantage of long-term structural growth opportunities in the infrastructure, housebuilding and industrial markets.

Source: CPA, ONS, S&P Global/CIPS, BNP Paribas Real Estate, HM Treasury, 94th Euroconstruct.

We provide essential products and services to the construction supply chain

VERTICALLY-INTEGRATED

ASSETS

>100 quarries

2 cement plants

1bn tonnes

ASSET-BACKED

Aggregates
Asphalt

Ready-mixed concrete
Special aggregates
Block
Tile

Surfacing

Higher margin

Better ROIC

OUR PEOPLE

3,700 people

Our first class team is at the heart of our business and one of our greatest assets.

- We have an entrepreneurial, empowered and engaged workforce.
- Our colleagues have deep and longstanding local relationships and are connected to their communities, which is key to our local operating model.

Our vertically-integrated model aims to maximise the return on every tonne of material we produce

Vertically-integrated operator

We are a business-to-business operator, supplying our customers and our own downstream operations.

EXTRACT

- We own or operate over 100 quarries in GB and RoI with an extensive mineral planning pipeline.
- Our processes are designed to optimise the assets under our stewardship.

PRODUCE

Our downstream operations pull through sales of our valuable upstream aggregates.

- Two cement plants produce over two million tonnes of cement.
- Our ready-mixed concrete, asphalt and block plants utilise our own aggregates and cement to produce quality assured materials.

DELIVER

Our strategically-located surfacing business benefits from long-term framework contracts.

- Our surfacing strategy draws material through the model, enhancing margins within a conservative risk profile.
- We deliver surfacing and maintenance services to national and local road network operators, and airport operators.

Local operating model

Our markets are driven by local and regional dynamics due to the nature of the products we supply, which travel short distances.

- We have a local sales and distribution model which mirrors our local markets.
- Our people are embedded in their local markets, with clear price and cost visibility, and are empowered to make timely entrepreneurial decisions.

Buy and build platform

Breedon's strong growth has been delivered through a balance of acquisition and organic expansion.

- Organic investment is supported by our healthy balance sheet and strong cash generation.
- We are a trusted owner of assets and have an active M&A pipeline.

We enable an extensive network of customers to build, maintain and improve the built environment

Revenue by end-market

We are a business-to-business provider, serving an extensive network of customers. Our primary end-markets are infrastructure, housebuilding and industrial.

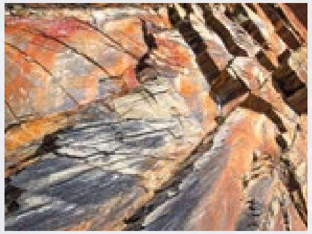
- We provide materials to small local businesses, materials merchants and major international contractors.
- The infrastructure projects delivered by our customers are backed by central government funding or local authorities.

Due to the nature of our products, we are typically engaged in the early stages of construction projects.

- Our materials are utilised in foundations and groundworks or the early phases of building production.
- Our exposure to repair, maintenance and improvement construction is limited.

Our associate, BEAR Scotland, is a leading integrated services provider and a strategic partner to Transport Scotland, managing and maintaining some of Scotland's most important roads through long-term framework contracts.

Our special aggregates and Welsh Slate businesses supply prestigious customers. Our Welsh Slate product is used by Historic England to restore listed buildings while our Breedon Golden Amber self-binding gravel, which is ideal for pathways and driveways, is the only product of its kind to hold a Royal Warrant.



Business model

Breedon's business model is highly cash generative, delivering a strong balance sheet and strategic optionality

Highly cash generative

Our business model is highly cash generative, rapidly converting revenue and profit into cash.

- Upstream product orders have short lead times, varying based on the nature of the construction project.
- Delivering downstream products and services pulls high-value products through the vertically-integrated model.
- Investment in systems and processes ensures cash collection is efficient, quickly converting revenue to cash.

Our balanced portfolio of assets and services delivers a blended operating margin and return on invested capital.

- Upstream mineral products deliver a high operating margin. However, the capital-intensive nature of the assets impacts the return on invested capital.
- Conversely, downstream services have low capital requirements and deliver higher returns on invested capital.
- Our thoughtful capital allocation approach balances returns generated by our asset portfolio.

Deploying capital

We deploy our capital responsibly, maintaining strategic optionality.

Investment for growth

Capital investment is evaluated for both maintenance and growth objectives and all opportunities are considered through a sustainability lens.

- We invest in replenishing our mineral reserves and resources and extending our quarry assets where possible.
- Our assets operate in abrasive environments and we invest proactively to maintain and upgrade our capital equipment.

Financing Breedon's future

Capital deployment opportunities are balanced to maintain strategic optionality and maximise return on invested capital.

- Breedon has an excellent track record of rapidly reducing leverage following acquisitions.
- In 2021, a progressive dividend policy was introduced, targeting a payout ratio of 40% of Underlying EPS over time.

Breedon's local model and investment approach are significant differentiators

Our assets

Opening a new quarry or cement plant is challenging. Consequently, our asset-backed model allows us to maintain our strong position in the market.

- Securing incremental permits and continuous parcels of land to existing quarries is achievable.
- Our state-of-the-art cement plant in Kinnegad was commissioned in 2002 and is one of the most modern plants in Europe.

Our investment strategy

Our thoughtful approach to capital allocation has delivered a balanced growth profile where M&A and organic expansion have contributed evenly.

- Since we began trading as Breedon, we have acquired and integrated over 20 businesses, where we have a strong track-record of improving operations and profitability.
- Disciplined capital investment ensures our assets are well maintained and incorporate the latest innovations.

Our people

Our 3,700 colleagues are typically embedded in the communities where our sites are located. Consequently, they are motivated by a close connection to the business and the community with a deep sense of ownership.

Our brand

Breedon has grown to be a top five heavyside construction materials provider in GB and Ireland in just over a decade. Our brand is gaining prominence with a reputation for quality of product and reliability of service.

Our reputation as an asset owner

We have a reputation as a good owner and acquirer of assets. Our M&A pipeline is populated with family-run operations for whom this is an important consideration.

Business model

Ready for the next chapter of growth

Sustain

Thriving in a low-carbon economy

Sustainability is the filter through which all strategic decisions are reviewed as we seek to make a material difference to all our stakeholders.

Our sustainability framework sets out how Breedon is responding to the urgent challenge posed by climate change.

We have established a strategy and framework with clear focus areas and a range of measurable targets.

We continue to increase transparency and disclosure as we move towards our 2030 targets.

Optimise

Maximising the value of our assets

We are a trusted steward of minerals and businesses, delivering continuous improvement to drive efficiencies of scale and increase the utilisation of our assets.

We fully integrate acquired assets, applying Breedon best practice, ensuring our operations are competitive.

Perpetual improvement is embedded in our culture and reflected in our core values. Every day, our experienced team makes it happen and strives to improve.

Each year we review and enhance our operations, using innovation and technology to improve outcomes.

Expand

Multiple options to grow our business

Breedon is the product of over a decade of organic growth coupled with carefully selected transactions.

We have established platforms in GB and RoI, with an extensive network of quarries, plants and downstream operations.

We will continue to complement organic growth with carefully selected acquisitions to expand our footprint and capabilities.

We serve structurally growing end-markets, underpinned by long-term government funding commitments, and our M&A pipeline in GB and RoI is active.

Financial framework

Connecting strategy to thoughtful capital allocation

Our financial framework sets out the principles governing how we implement our strategy to grow sustainably.

The cash we generate is responsibly combined with external sources of finance, prioritising a strong balance sheet and strategic flexibility.

Chief Executive Officer's review and strategy

Rob Wood
Chief Executive Officer

Our tried and tested local model delivered record earnings.

Local operating model delivers record earnings

£155m	£136m
Underlying EBIT	Profit before tax

The construction materials industry is a central pillar of sustainable economic growth, helping to create and maintain the places where we live and work, play and in-between.

During 2022, our key construction end-markets, notably infrastructure, housebuilding and industrial, continued to benefit from long-term structural growth drivers, enabling us to report record results once again, growing revenue by 13% and Underlying EBIT by 16%.

Against this supportive landscape, our entrepreneurial and decentralised teams stayed close to their customers, capitalising on their embedded position within local markets which informed timely commercial decisions. Our dynamic pricing strategy, complemented by our strategic hedging programme and careful cost management, ensured full cost recovery, delivering revenue of £1,396.3m (2021: £1,232.5m) and Underlying EBIT of £155.0m (2021: £133.6m), along with margin expansion of 30bps to 11.1%.

Thanks to our first class team

Our agile team is first class and one of our greatest assets. Their resilience and dedication remain a key driver of our operational performance and they deliver, regardless of the challenges they face. I am extremely proud of our colleagues' achievements this year, delivering high- quality service to our customers and growing and improving the business, while giving back to their local communities. For this I thank them all wholeheartedly.

Progressing towards medium-term targets

Cash generation remained robust and we continued to invest for growth; we completed three strategically significant bolt-on acquisitions and increased our net capital expenditure to £102m (2021: £71m) as bottlenecks in the supply chain relaxed while reducing our Covenant Leverage to 0.7x (2021: 0.8x). ROIC exceeded our medium-term target, increasing 130bps to 10.8%. As a result of increased levels of capital investment, tax and working capital movements, Free Cash Flow conversion for the year was 29% (2021: 59%).

Chief Executive Officer's review and strategy

The Board regularly reviews capital allocation scenarios, balancing capital investment and M&A with reducing debt and returning cash to shareholders, while prioritising profitable growth and ROIC. Alongside these record results, the Board has approved a full-year dividend of 2.1p (2021: 1.6p), an increase of 31%, as we continue to implement our progressive dividend policy.

As a result of this strong and balanced financial performance, we have made excellent progress towards the targets we set out at our Capital Markets Event in the Autumn of 2021, growing revenue, margins and returns while maintaining a healthy financial position and increasing dividends to shareholders.

See Chief Financial Officer's review for more detail »38-43

Resilient platform for sustainable growth

During Breedon's relatively short history, a resilient platform has been built and tested in a range of market conditions, from Brexit and the pandemic to surging inflation coupled with political turmoil and rising interest rates.

This foundation has been created through a consistent and well-executed strategy, and has delivered market-leading growth and consistent cash flow. Since our first full year of trading as Breedon in 2011, the business has grown revenue 21% and Underlying EBIT 34% on average per annum.

Our business has created significant value and we have continued to develop our platform through the execution of our strategy; embed a culture of Sustainability, Optimise our assets and Expand our footprint and capability, while maintaining a disciplined financial framework.

Our strategy

Sustain
Sustainability considerations guide all of our decisions »26

Optimise
Continuously improving efficiency »27

Expand
Through organic and inorganic growth »28

Financial framework
Supporting our strategy through investment and capital allocation »29

Chief Executive Officer's review and strategy

Strategic building blocks for growth

Sustain

Our sustainability framework sets out how Breedon is responding to the urgent challenge posed by climate change and continues to gain traction alongside increased disclosure.

We confirmed our commitment to the Science Based Targets initiative (SBTi) in 2022 which in due course will be followed with the release of a plan outlining the trajectories required to achieve science-based carbon reductions following the 1.5°C warming pathway.

We enhanced our risk considerations in respect of the Task Force on Climate-Related Financial Disclosures (TCFD), providing a clear analysis of how climate change impacts our risk and opportunity landscape, and undertaking our first detailed scenario analysis.

We made further progress at our cement plants, achieving our highest ever combined rate of alternative fuel substitution and biomass usage, nearing 50% while at times exceeding 90% at Kinnegad.

Our electricity requirements in 2022 were substantially all sourced through renewable contracts and we were awarded planning permission at Kinnegad to install a solar farm with the capacity to deliver up to 17MW, up to 20% of the plant's energy needs.

Our Hope plant continued to engage in the pioneering HyNet carbon capture and storage infrastructure project as a member of the Peak Cluster and we have received planning consent to progress with the alternative raw material (ARM) project.

Our deliberate focus on health, safety and wellbeing brings together best practice, embracing new and innovative technologies with the ambition to become a leading company in health, safety and wellbeing.

In 2022, we maintained our strong track record, with the lost time injury frequency rate (LTIFR) falling to 2.10 (2021: 2.19) while the lost time injury severity rate (LTISR) halved. This was achieved by reinvigorating our Home Safe and Well programme, increasing training and conducting nearly 40% more visible felt leadership (VFL) site visits.

With ambitious growth plans, it is critical we continue to invest in our talent. In 2022 we enhanced our colleague communication platform, supported 93 colleagues through higher and further education programmes in collaboration with the Universities of Derby and Newcastle, and recruited 60 new apprentices across the business.

In recognition of the rising cost of living, we made two additional payments to salary during the year to over 3,000 of our colleagues.

These actions were recognised in our engagement survey; an unprecedented 75% of our colleagues took part producing an engagement score of 77%, eight percentage points higher than in 2021.

Sustainable growth strategy delivering

77%
employee engagement

1bn
tonnes mineral reserves and resources

60
new apprentices

>30
years mineral reserve life

Optimise

In an industry where new reserves and plants are limited by restrictive planning practices, we carefully manage the valuable resources we own. Every day, our team looks for ways to improve the business and this culture of continuous self-help ensures we are constantly improving the efficiency of our operations and maximising the returns from our products and services.

In 2022, we implemented electronic proof of delivery across the Group, improving our customer service, accelerating cash receipts and using less paper. We delivered £2m of synergies as planned from the integration of the acquired Cemex assets and introduced an operating model in GB to optimise quarrying efficiency and proliferate best practice.

Chief Executive Officer's review and strategy

Expand

Growth at Breedon has always been balanced between buy and build. In 2022, the business grew organically, delivering 11% revenue growth on a like-for-like basis and 13% overall.

Our vertically-integrated model is backed by one billion tonnes of mineral reserves and resources making us one of the largest heavyside building materials suppliers in the UK and Ireland, with mineral reserves under our stewardship equivalent to over 30 years of production. The diligent long-term planning of our land management teams means our mineral planning pipeline is currently in excess of 100 million tonnes.

Our downstream ready-mixed concrete, asphalt and surfacing operations are largely self-sufficient, enabling us to pull materials through the operating model, adding value through the process. This year, we brought together the asphalt assets acquired from Cemex with our proven surfacing capability to win a place on the National Highways Pavement Delivery Framework in England.

Our outstanding team has been built around an entrepreneurial culture of empowerment and decentralisation which makes us a strong partner for our customers, and a trusted owner of assets, and contributes to our active M&A pipeline.

Many of our acquisition opportunities come to us through our local knowledge and personal engagement with the asset owners.

In 2022, we acquired concrete supplier RT Mycock, further extending our reach and capability.

We enhanced our surfacing platform with the addition of Thomas Bow, an East Midlands surfacing business we have worked in partnership with since 2018.

We expanded our aggregates capability with the acquisition of Severn Sands, a family-run marine sand dredging business, bringing valuable licences in the Bristol channel into the business. These transactions, with a combined spend of £15.1m, were immediately accretive to earnings, and have met or exceeded our expectations.

Outlook

We enter 2023 in a strong position, supplying structurally growing end-markets with essential materials, delivered by our outstanding team and underpinned by a healthy financial position.

We recognise the UK economic backdrop remains uncertain, particularly with regard to residential housebuilding. However, the end-markets we serve benefit from long-term structural growth dynamics.

The CPA continues to expect UK infrastructure and industrial construction output will grow in 2023, underpinned by large ongoing projects. Euroconstruct forecasts construction output in RoI will grow 2.5% in real terms, supported by the strong macroeconomic backdrop and structural need for housing and infrastructure investment.

Our successful dynamic pricing strategy, forward hedging programme and careful approach to cost management, which enabled us to fully recover input cost increases in 2022, remain in place.

Our strategy provides multiple options for growth and our strong balance sheet and thoughtful approach to capital allocation offers the financial flexibility to take measured action at the right time.

Our M&A pipeline remains robust and we continue to engage with asset owners in GB and Ireland as we seek to infill our existing capability and footprint in the near-term.

Longer-term, we continue to explore the possibility of selectively establishing a platform in the US, a large and fragmented market that offers attractive growth prospects, in-line with our rigorous investment criteria. The cultural and regulatory profile matches our home markets, playing to our experience and strong track record of acquisition integration.

The Breedon model has repeatedly demonstrated its resilience, delivering strong operational performances irrespective of the macroeconomic backdrop, and we remain confident in our ability to deliver.

Rob Wood
Chief Executive Officer

8 March 2023

Chief Executive Officer's review and strategy

Sustain

Operating a sustainable business is one of our highest priorities and all strategic decisions are made with this in mind.

Breedon has a long history of taking positive actions to embed a culture of sustainability. Through our bespoke sustainability framework, we have introduced a range of measurable performance indicators to drive our sustainability performance, while increasing transparency and disclosure.

Progress during the year

- New Board-level Sustainability Committee established, meeting three times.
- Our commitment to develop science-based carbon reduction targets was accepted by SBTi.
- We fully comply with TCFD and assessed and quantified the potential physical and transitional risks posed by climate change.
- We launched a range of products with sustainability attributes, Breedon Balance.

Future priorities

- Continue to improve the robustness of our performance data and disclose our performance to a credible external framework.

KPIs

- Emissions intensity – Group Revenue
- Emissions intensity – Cement
- Employee LTIFR
- Employee TIFR
- People positively impacted
- Sustainable products

More detail on our KPIs »36-37

Risks

- Climate change
- Environmental impact
- Health, safety and wellbeing
- Input costs
- Legal and regulatory
- Market conditions
- Mineral reserves
- People
- Product specification

More detail on our Risks »44-49

Surfacing sustainably for all stakeholders

Surfacing colleagues > working safely in Scotland

Showing our colleagues and customers we care

Surfacing sustainably starts with keeping our people, contractors, clients and other road users safe. In 2022, we conducted safety workshops to engage our workforce and promote health, safety and wellbeing practices. We made real progress, reducing both the number and severity of injuries.

We are reducing our carbon footprint by resurfacing roads in situ in Scotland. This involves recycling the existing material with a small amount of new product, directly onto the road surface, reducing cost, truck movements, delivery time and congestion.

Our sustainability credentials are important to our customers as they set their own net zero objectives. As part of the National Highways Pavement Delivery tender, we committed to supply projects from quarries within 40 miles and progressively replace all fossil fuelled vehicles. We will generate social value by employing locally with 5% of the team comprising apprentices, graduates and degree placement students.

Chief Executive Officer's review and strategy

Optimise

We are a trusted steward of mineral reserves and resources, continually improving the efficiency of our operations.

In an industry where new reserves and plants are limited by restrictive planning practices, we carefully manage the valuable resources we own. Our processes are continually refined to maximise the value of every tonne of material we quarry and manufacture. Our land management process has a long-term pipeline coupled with disciplined quarry acquisition and development.

Progress during the year

- Implemented electronic proof of delivery across the Group, improving customer service, accelerating cash receipts and using less paper.
- Delivered £2m synergies as planned from the integration of the acquired Cemex assets.
- Introduced an operating model in GB to optimise quarrying efficiency.

Future priorities

- Perpetual improvement is embedded in our culture and our people constantly strive to improve our practices and processes.
- We have particular regard to our responsibility as stewards of the land we own with a long-term plan to maximise planning consents.

KPIs

- Adjusted Underlying Basic EPS
- Free Cash Flow conversion
- Return on invested capital
- Revenue
- Underlying EBIT margin

More detail on our KPIs »36-37

Risks

- Acquisitions
- Digitisation
- Environmental impact
- Failure of a critical asset
- Mineral reserves
- People
- Product specification

More detail on our Risks »44-49

Culture of continuous self-help

Kinnegad cement plant > living our values

Constantly striving to improve

Our people are always looking for ways to improve their day-to-day practices. In 2022, the Kinnegad team reflected our core values by implementing their 'Strive to Improve' initiative.

The team created a competitive platform, generating ideas to drive change and add value. Colleagues were empowered to improve the employee environment, inspire smarter ways of working and generate sustainable improvements to health, safety and wellbeing, energy use and environmental impact.

The response was remarkable and the impact significant. The progress of ideas was captured and monitored with clear accountability for taking action. While some ideas cost nothing, the benefit was incalculable, making our employees feel valued and heard, driving engagement at the plant to over 80%.

Chief Executive Officer's review and strategy

Expand

We flex our multiple options to grow according to market conditions.

Our balanced track record of growth is driven by exposure to structurally growing end markets and carefully acquired assets. Our sophisticated land management is complemented by perpetual optimisation and vertical integration.

Progress during the year

- Working in partnership with Colas, surfacing solutions expanded in GB, winning a place on the National Highways Pavement Delivery Framework in England. In addition, the acquisition of Thomas Bow added surfacing capacity in the East Midlands.
- We acquired Severn Sands, a marine dredging sand and concrete business.
- Our land management teams replenished mineral utilised in 2022, and we have a mineral reserves and resources pipeline of over 100 million tonnes.

Future priorities

- A healthy M&A pipeline in the UK and Ireland.
- Longer-term, we continue to evaluate opportunities in the US while awaiting appropriate market conditions to execute our third platform strategy.

KPIs

- Covenant Leverage
- Free Cash Flow conversion
- Revenue
- Reserves and resources
- Return on invested capital
- Underlying EBIT margin

More detail on our KPIs »36-37

Risks

- Acquisitions
- Currency risk
- Financing and interest rate risk
- Legal and regulatory
- Market conditions
- Mineral reserves

More detail on our Risks »44-49

Extending aggregates reserves in Great Britain

Bristol channel > acquired valuable dredging licences

Breedon acquires Severn Sands

In August, we acquired Severn Sands, a family-run marine sand dredging business, operating in the Bristol Channel area.

Severn Sands is our first marine aggregates business in Great Britain, extending our operational capability, securing mineral reserves and resources and increasing the self-sufficiency of our GB operations.

The acquisition delivers valuable long-term dredging licences in the Bristol Channel and ensures our downstream concrete operations in the Gloucestershire and South Wales region, acquired through the Cemex transaction, are fully vertically-integrated.

Chief Executive Officer's review and strategy

Financial framework

Our financial framework governs how we connect our strategy to investment and capital allocation.

Our financial framework sets out how we allocate capital to the multiple growth options available to us. The framework prioritises sustainable growth and responsible leverage, focusing on return on capital investment and profitability, while ensuring a strong balance sheet that gives us flexibility.

Progress during the year

- We concluded our increased two-year capital investment plan.
- Return on invested capital exceeded our target of 10%, significantly sooner than expected.
- Healthy cash flow generation enabled us to reduce Covenant Leverage while simultaneously delivering our growth strategy and increasing our dividend payment.

Future priorities

- Maintain our thoughtful approach to capital allocation, retaining our strong balance sheet and strategic optionality.
- Maintain target Covenant Leverage of between 1x and 2x, only moving outside this range to ensure financial resilience or for compelling acquisition opportunities.

KPIs

- Covenant Leverage
- Dividend per share
- Free Cash Flow conversion
- Return on invested capital
- Underlying EBIT margin

More detail on our KPIs »36-37

Risks

- Acquisitions
- Credit risk
- Currency risk
- Financing and interest rate risk
- Input costs
- Market conditions

More detail on our Risks »44-49

Capital allocation delivers strategic priorities

Mansfield asphalt plant > commissioned November 2022

Delivering sustainable growth investment

The Mansfield asphalt plant has a well-established customer base and leading market share across the East Midlands.

At over 25 years old, the existing plant was due to be decommissioned. Investment was approved to expand the facility and the new plant was commissioned on time and within the allocated £6.5m budget.

Our capital deployment typically satisfies more than one of our strategic priorities. Investment in Mansfield has **expanded** capacity. By using enhanced software we will **optimise** the efficiency of the new plant. **Sustainability** measures will improve significantly, reducing power consumption by 40%, allowing the use of up to 50% of recycled asphalt and providing our customers with a choice of cold and warm asphalt mixes.

Operating reviews > Great Britain

Great Britain

Our GB team had a successful year, delivering significant organic growth, fully recovering rising input costs and keeping our people safe.

Highlights

Revenue	Underlying EBIT
£972.4m +15.0%	**£86.4m** +16.3%

- Outstanding trading performance; strong organic growth, Underlying EBIT margin increased to 8.9%.
- Growing surfacing operations; positions on national and local frameworks.
- Active M&A; strategically important bolt-on transactions, adding capability and capacity.
- Significant capital investment to underpin growth.

Outstanding trading performance

Our GB team had a successful year. We kept our people safe and delivered significant organic growth, fully recovering rising input costs despite unpredictable market conditions. Our extensive network, local market knowledge and entrepreneurial culture meant we recorded revenue of £972.4m (2021: £845.2m), an increase of 15% in the year, or 11% on a like-for-like* basis.

Volumes normalised in line with the broader aggregates industry as UK economic growth moderated. Rising input costs drove the well-publicised need for price increases and were fully recovered, leading to Underlying EBIT of £86.4m (2021: £74.3m). Underlying EBIT margin increased by 10bps to 8.9%.

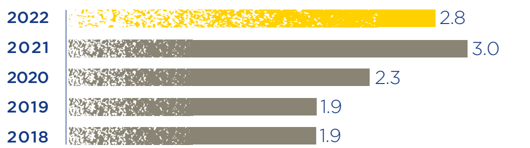
Investing for growth

In 2021 we invested in our surfacing business, growing the team and extending capability. We built on that platform in 2022, expanding our presence in the East Midlands, acquiring the Thomas Bow surfacing business with which we had partnered since 2018. This investment was validated when we were awarded a place on the National Highways Pavement Delivery Framework in England.

* Like-for-like reflects reported values adjusted for the impact of acquisitions and disposals.

Aggregates
million tonnes

Asphalt
million tonnes



Concrete
million m^3

Our associate, BEAR Scotland, successfully retained the Transport Scotland North West Network Management contract, while Breedon remained the dedicated materials supplier to BEAR and Amey in Scotland on the North West and North East contracts.

Operating reviews > Great Britain

We expanded our strategic capability and reserves through the acquisition of Severn Sands, a marine sand dredging business, and increased our ready-mixed concrete offering through the acquisition of RT Mycock.

We complemented our M&A activities with significant organic investment, directing c.40% of the increased spend towards projects aimed at driving growth.

The completion and commissioning of the Mansfield asphalt plant met all our strategic goals. This £6.5m investment has expanded the plant's production capacity, optimised efficiency, and offers improved sustainability features by enabling the use of up to 50% recycled asphalt while reducing its carbon footprint.

Supplying materials sustainably

Health, safety and wellbeing remains our highest priority. In 2022, we hosted regular safety workshops across the business, improved our injury frequency rate and materially reduced the severity of injuries sustained.

Operating the business model relies on our ability to optimise the use of our mineral reserves and resources and extend the life of our quarries. In 2022, we secured 14 million tonnes of mineral reserves and resources with an extensive pipeline at various stages of planning.

Delivering our products sustainably is an operational imperative. Revenue generated from asphalt and concrete products with sustainable attributes accelerated materially from 21% in 2021 to 38% in 2022. We launched Breedon Balance, our new product range that meets stringent sustainability criteria.

In anticipation of a change to building regulations in 2023, we are investing in a network of silos that will allow us to increase the proportion of CEM II in our concrete mix, a cement product with a reduced carbon footprint.

GB outlook

We are mindful of the challenges faced by our customers; while we recognise the uncertainties they face, the CPA continues to-forecast growth in infrastructure and industrial end-markets and we remain focused on working collaboratively with all our customers to meet their needs and maximise the efficiency of our operations.

We are already seeing the benefits of the actions we took in 2022 to invest for growth and improve processes and systems and we expect this to continue.

Delivering our surfacing strategy sustainably

Surfacing operations > Gloucestershire airport runway

Embodying our strategy to Sustain, Optimise and Expand

Our surfacing business came into its own in 2022, embodying our strategy to Sustain, Optimise and Expand.

We were successful on a number of framework tenders which will pull through more materials in the coming years, expanding our contribution from surfacing and optimising production at our asphalt plants. We are winning high-quality work, leveraging our collaborative partnerships with Colas and Volker Fitzpatrick to deliver for National Highways and the Defence Infrastructure Organisation.

Our clients increasingly require us to operate sustainably. Our place on the National Highways Pavement Delivery Framework was secured with commitments to minimise the carbon footprint of our delivery while maximising the social value we generate.

Operating reviews > Ireland

Ireland

Our team in Ireland delivered a resilient performance, fully recovering input costs and winning high quality new work.

Highlights

Revenue	Underlying EBIT
£226.2m	**£28.3m**
+0.4%	**+0.4%**

- Resilient operating performance; delivered stable revenue and earnings.
- Experienced team and exceptional track record; winning high-quality new work with full cost recovery.
- Repositioning for growth and profitability; extending mineral reserves and resources, adding manufacturing capacity, rebranded as Breedon.

Resilient performance

Our team in Ireland delivered a resilient performance, fully recovering input costs and winning high-quality new work. Our business has an established market position across the Island of Ireland and an experienced team, embedded within a healthy network of repeat customers.

Softness in aggregate and asphalt volumes at the half year reflected the absence of the governing Assembly in NI and the tendering delays in RoI. Tendering activity in RoI accelerated notably in the second half.

Exceptional track record wins high-quality work

In NI, the DfI revised the procurement process for infrastructure tenders, leading to a number of contract awards coming through in the second half of 2022. We were successful in the first two rounds of awards, securing both the Down and Armagh District Term Surfacing contracts. Tenders have been submitted for the remaining rounds with outcomes phased through 2023.

We have a successful street lighting maintenance business in NI which benefits from the switch to more efficient LED technology. In the second half, we were pleased to win two Street Lighting Maintenance contracts with the DfI, each for a five-year term.

Across the year as a whole, our infrastructure and housing end-markets remained robust, supporting a high degree of input cost recovery which yielded stable results, recording revenue of £226.2m, Underlying EBIT of £28.3m and Underlying EBIT margin of 12.5%.

The encouraging medium-term economic backdrop in Ireland is led by population expansion, accompanied by fundamental infrastructure and housing shortages. Within this market we have an exceptional track record for delivering complex projects on time, to budget and safely, which enables us to secure high-quality, risk-managed tenders, with price indexation mechanisms.

Our reputation for high-quality surfacing works helped us secure 27 trunk road projects and hundreds of local road resurfacing tenders across the Island of Ireland in the year. We completed work on the M1 near Dublin and the A2 in Belfast, operating both contracts within restrictions to weekend and night-time operations. To meet our clients' needs, these projects required significant planning, collaboration with local stakeholders and commitment from our supply chain, so we were pleased to deliver them on time and to budget.

Operating reviews > Ireland

Positioning for profitable growth

We are positioning the Ireland business f or growth and profitability; during 2022 we rebranded Whitemountain and Lagan as Breedon and we invested in the team.

A review of strategic opportunities in Ireland crystallised our decision to exit our civil engineering business in 2022 where the contract risk profile had deteriorated.

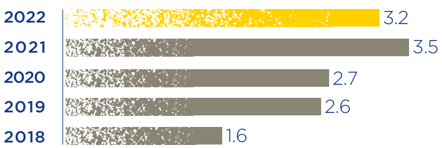
We are building new relationships to complement our existing commercial and public authority partnerships and broadening our reach, enabling us to leverage our expanded footprint and pull through more of our own material.

We made further progress with minerals in 2022 and have opportunities at various stages of the planning process. In the year we secured 11 million tonnes of incremental reserves and resources, reopened the dormant Cahersiveen quarry in Kerry and progressed a number of other extension opportunities.

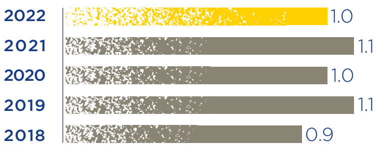
Ireland outlook

The Government of Ireland has set out clear long-term spending commitments and RoI remains the fastest growing economy in Western Europe. In NI, while the pace of activity continues to be impacted by the absence of the governing Assembly, our business is underpinned by multi-year frameworks and term contracts. High-quality tenders are coming to market and our experienced and agile team are well positioned to win further work.

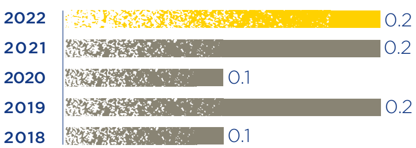
Aggregates
million tonnes



Asphalt
million tonnes



Concrete
million m^3



Supporting sustainable urban regeneration

Landmark Harland & Wolff shipyard > Titanic Quarter, Belfast

Connecting the iconic Titanic Quarter

The iconic Titanic Quarter, situated in the heart of Belfast's Innovation District, is one of Europe's largest urban waterfront regeneration projects, with sustainable development at the heart of the design.

In 2022, in partnership with Belfast Harbour and Titanic Quarter Ltd, we delivered the Eastern Access Road, connecting Queen's Island waterfront to the A2 and Belfast City beyond.

Adjacent to the landmark Harland & Wolff shipyard, the new road provides 500 metres of four lane carriageway with upgraded pedestrian and cycling infrastructure. A new bike station was installed to encourage the many visitors to the area to adopt active forms of travel.

Operating reviews > Cement

Cement

Our cement plants in GB and Ireland enjoyed their most successful year ever, aided by the hard work of our colleagues.

Highlights

Revenue	Underlying EBIT
£300.7m	**£52.1m**
+22.4%	**+25.2%**

- Strong trading performance; growing revenue, earnings and margin.
- Excellent manufacturing performance: Hope retained Plant Mastery status with kiln reliability over 96%.
- Pushing the alternative fuel boundaries: Kinnegad achieved 77% fossil fuel replacement, exceeding 90% at times.

Strong organic growth

Our cement plants in GB and Ireland enjoyed their most successful year ever, aided by the hard work of our colleagues. The division delivered strong revenue earnings growth in 2022 as demand in the UK for cement and cementitious products remained robust. Cement volumes fell 9% to 2.2 million tonnes from the elevated levels of 2021, driven primarily by lower concrete volumes and reduced imports.

Pricing remained resilient, increasing steadily during the year in response to rising input costs. We introduced a dynamic and transparent pricing strategy, implementing a carbon surcharge mechanism which gives our customers direct visibility of the carbon cost of the cement they purchase.

Our forward hedging strategy afforded us a clear view of our input costs, empowering our commercial teams to focus on full cost recovery. Consequently, revenue increased 22% to £300.7m, delivering Underlying EBIT of £52.1m, expanding margin by 40bps to 17.3%.

Remarkable team performance

Our teams are embedded in their communities and have a deep personal connection to the plants. They take enormous pride in meeting their stakeholders' needs and maximising plant performance.

Our Kinnegad plant improved kiln reliability, a creditable performance in light of the high proportion of alternative fuels it utilises which adds complexity to the production process.

In 2021, our Hope plant achieved Plant Mastery status for delivering three consecutive years of kiln reliability in excess of 96%. This is an industry recognised measure which denotes market-leading plants with strong cost and quality control, high workforce engagement and excellent health, safety and environmental records. This remarkable performance was sustained in 2022, delivering kiln reliability of 96.1% as a result of the rigorous forward planning and maintenance programme operated by the team.

Both plants delivered three complex planned kiln maintenance shutdowns on schedule and within budget.

Operating reviews > Cement

Material sustainability progress

One of our 2030 targets is a 30% reduction in gross carbon intensity per tonne of cementitious product. We are pursuing numerous strategies to reduce our carbon footprint, switching away from fossil fuel inputs, reducing the clinker content of our cementitious products and turning to innovation for carbon abatement solutions.

In 2022, both plants increased fossil fuel replacement, achieving a combined rate nearing 50% alternative fuel utilisation. Hope increased fuel replacement by two percentage points while Kinnegad once more improved its world-leading alternative fuel usage to 77% (2021: 75%).

Kinnegad was granted planning permission for a 17MW solar farm while Hope received the necessary planning consent to start the ARM project in earnest.

Reducing the clinker content of our products supports our clients' sustainability objectives. Lower clinker content product (CEM II) now comprises 50% of Kinnegad sales (2021: 40%) and we expect this contribution to continue to increase.

With respect to carbon abatement, our Hope plant is actively involved in the HyNet industrial decarbonisation, carbon capture and storage project as a member of the Peak Cluster. Our participation in this pioneering infrastructure project will facilitate the capture, transport and storage of CO_2 emissions.

Cement outlook

The outlook for the cement market is positive, underpinned by large ongoing infrastructure projects in the UK. In RoI, housing and infrastructure are supported by the Government of Ireland's development plans to accommodate a rapidly growing population.

Cement
million tonnes

Pushing the boundaries of alternative fuels

Kinnegad cement plant > RoI

Substituting fossil fuel

Both our cement plants substitute high levels of fossil fuels with waste-derived materials that would otherwise go to landfill.

In 2022, we consumed c.160,000 tonnes of non-recycled plastic and paper, used tyres, biomass waste and wastewater pellets to heat our cement kilns.

Due to the variability in the combustion profile of alternative fuels, increasing their use adds significant complexity to the production process. Nonetheless, our rigorous operation and maintenance schedules have enabled both plants to raise reliability, optimise production levels and continue to push the boundaries of alternative fuel usage.

Hope, built in 1929, reached 35% fuel replacement while Kinnegad continues to push boundaries, at times exceeding 90%.

Key performance indicators

Financial

Our financial KPIs are used to measure progress against our strategy and act as risk monitors.

There have been no changes to either the metrics used as financial KPIs, or the calculation methodology during the current year.

Where a financial KPI is a non-statutory measure of performance, a reconciliation to the most directly related statutory measure is provided in note 27 to the financial statements.

Measure		Why we chose this measure	How we performed	Link to remuneration
Revenue £	2022: 1,396.3 2021: 1,232.5 2020: 928.7 2019: 929.6 2018: 862.7	This metric tracks the Group's top-line growth.	Revenue increased through timely implementation of our dynamic pricing strategy, partially offset by expected volume reductions to more normal levels in line with the market.	
Underlying EBIT margin %	2022: 11.1 2021: 10.8 2020: 8.2 2019: 12.5 2018: 12.0	This metric tracks changes in the relative profitability of the Group.	Our Underlying EBIT margin further improved during 2022, helped by dynamic pricing recovering input costs, our layered approach to hedging and delivery of the Cemex synergy benefits.	ST
Adjusted Underlying Basic EPS pence	2022: 7.08 2021: 5.98 2020: 3.15 2019: 5.08 2018: 4.70	This metric tracks changes in adjusted Underlying Basic EPS for our shareholders.	Our adjusted Underlying EPS increased in line with earnings to a record high.	LT
Dividend per share pence	2022: 2.1 2021: 1.6 2020: 2019: 2018:	This metric tracks cash returned to shareholders through dividends.	We first declared a dividend in 2021 and have increased our payout in 2022 in both absolute terms and relative to earnings per share.	
Covenant Leverage times	2022: 0.7 2021: 0.8 2020: 1.9 2019: 1.4 2018: 1.9	This is a key credit metric for our providers of debt finance which tracks the ability of the Group to maintain sufficient liquidity to service the needs of the business and determines the margin payable on our revolving credit facility.	Year-end Covenant Leverage of 0.7x represents continued de-gearing following acquisition-related increases during 2020 and 2018.	
Return on invested capital %	2022: 10.8 2021: 9.5 2020: 5.5 2019: 8.8 2018: 9.9	This metric tracks how well the Group generates returns in relation to the average capital invested.	ROIC strengthened through the year to 10.8% which is in excess of our cost of capital and represents a five-year high for the Group.	
Free Cash Flow conversion %	2022: 29 2021: 59 2020: 94 2019: 50 2018: 64	This metric tracks the conversion of Underlying EBITDA into Free Cash Flow, which is a key indicator that the Group is able to generate sufficient cash to support its capital allocation priorities.	The reduction in year reflects the impact of increased level of capital expenditure , tax and working capital cash flows. We continue to target average Free Cash Flow conversion of 50%.	

Links to remuneration

ST Considered by Remuneration Committee as part of determining the annual cash bonus

LT Impacts vesting levels of our longer-term performance share plans

Remuneration report »116-133

Key performance indicators

Non-financial

Our non-financial KPIs are used to measure progress against our strategy and act as risk monitors.

We have included for the first time three additional non-financial metrics and their 2021 comparatives which track progress against our 2030 sustainability targets for Planet, People and Places, being:

- Emissions intensity per tonne of cementitious product
- People positively impacted
- Sustainable product sales

For further information on our 2030 sustainability targets, including details on how these metrics have been defined, see the Sustainability review on page 58.

KPI	2022	2021	2020	2019	2018	Why we chose this measure	How we performed	Link to remuneration
Employee LTIFR per million hours worked	2.10	2.19	1.95	1.05	1.81	This industry-standard metric tracks our health and safety performance and enables us to maintain a strong health and safety culture.	We were pleased to see a decrease in the LTIFR during the year, but this remains higher than previous years and we are targeting further reductions for 2023.	ST
Employee TIFR per million hours worked	14.59	15.57	15.42	17.17	20.54	This is a wider measure of our health and safety performance, which indicates the total injury frequency rate of the Group.	Our performance has improved year on year, and we will continue to work hard to reduce this measure.	ST
Reserves and resources billion tonnes	1.0	1.0	1.0	0.9	0.9	This metric tracks the level of reserves and resources available to the Group.	We maintained our asset base at 1.0 billion tonnes, with consumption being offset by new reserves acquired by the Group. At current volumes, this equates to around 32 years of production.	
Emissions intensity – Revenue $kgCO_2e$ per £ revenue	1.3	1.6	1.7	1.9		This is a reporting requirement of the UK Government's SECR regime which tracks our overall carbon intensity and has been reported by the Group since 2019.	Our total location-based emissions for this period were 1.8 $MtCO_2e$, a decrease of 4.9% in comparison to 2021. The resultant emissions intensity is 1.3 $kgCO_2e$/£ revenue, a reduction of 19% in comparison to 2021.	ST
Emissions intensity – Cementitious reduction per tonne from 2005 baseline	23%	23%				This tracks the progress in decarbonising our cement production and aligns with our 2030 target to achieve a 30% reduction in gross carbon intensity per tonne of cementitious product.	From our 2005 baseline we have achieved a 23% reduction to date. We are targeting further reductions in line with our longer-term 2050 decarbonisation roadmap.	ST
People positively impacted number of people per year	17,814	11,114				This is a key measure of social value and aligns with our 2030 target to positively impact 100,000 people.	We increased the number of people positively impacted during the year, bringing the total number of people positively impacted to date up to 28,928, achieving 28.9% of our 2030 target.	ST
Sustainable product sales % total concrete and asphalt revenue	37%	25%				This tracks our success in increasing our sales of sustainable products and aligns with our 2030 target to achieve 50% of our concrete and asphalt sales revenue from products with enhanced sustainability attributes.	We achieved 37% of our concrete and asphalt sales revenue from products with enhanced sustainability attributes. This compares to 25% in 2021 and reflects an increased market demand for these products.	ST

Links to remuneration

ST Considered by Remuneration Committee as part of determining the annual cash bonus

LT Impacts vesting levels of our longer-term performance share plans

Remuneration report »116-133

Chief Financial Officer's review

James Brotherton
Chief Financial Officer

Our sustainable growth strategy delivered record performance and further reductions in Covenant Leverage.

Revenue and Underlying EBIT

	2022		2021	
	Revenue £m	Underlying EBIT* £m	Revenue £m	Underlying EBIT* £m
Great Britain	**972.4**	**86.4**	845.2	74.3
Ireland	**226.2**	**28.3**	225.4	28.2
Cement	**300.7**	**52.1**	245.6	41.6
Central administration	**–**	**(15.3)**	–	(13.4)
Share of profit of associate and joint ventures	**–**	**3.5**	–	2.9
Eliminations	**(103.0)**	**–**	(83.7)	–
Total	**1,396.3**	**155.0**	1,232.5	133.6

* Underlying results are stated before acquisition-related expenses, redundancy and reorganisation costs, property losses, amortisation of acquisition intangibles and related tax items.

In 2022 we delivered another year of record performance, advancing revenue and Underlying EBIT through robust pricing, disciplined cost management and improvements in operating performance, and reduced our Covenant Leverage to 0.7x.

We achieved this record performance against a backdrop of significant input cost inflation throughout 2022 and the impact of more challenging macroeconomic conditions towards the end of the year.

Revenue for the year at £1,396.3m increased by 13% compared to 2021 (£1,232.5m), reflecting the success of our dynamic pricing strategy in recovering input cost increases, offset by the expected reduction in volumes to more normal levels following exceptional post-Covid demand in 2021, and the moderation of UK economic growth. Pricing contributed 20ppt of the improvement, partially offset by overall volume reductions which impacted growth by 10ppt.

On a like-for-like basis, excluding the impact of acquisitions, revenue increased by 11%.

We delivered a record earnings performance with Group operating profit of £144.5m (2021: £124.5m) and there was an encouraging improvement in our share of profit of associate and joint ventures of £3.5m (2021: £2.9m).

Our Underlying EBIT of £155.0m was up £21.4m or 16% on 2021 (£133.6m), with each division growing earnings compared to 2021.

Underlying EBIT margins strengthened to 11.1% ahead of 10.8% reported in 2021, helped in part by synergy benefits of £2m from the Cemex assets, in line with the target communicated at the time of the acquisition. This represents further progress towards our medium-term ambition to generate an Underlying EBIT margin of between 12% and 15%.

Chief Financial Officer's review

Impact of acquisitions

Our performance included a contribution of £35.6m revenue and £1.0m Underlying EBIT from the three strategic bolt-on acquisitions which completed during the second half of the year.

Non-underlying items

Non-underlying items in the year amounted to a pre-tax cost of £7.0m (2021: £6.2m), of which the majority was £4.8m (2021: £3.6m) of amortisation of acquired intangible assets. Other non-underlying items comprised a net £1.5m of gains and losses recognised on the disposal of properties and £0.7m of acquisition-related costs.

Interest

Net finance costs in the year totalled £12.2m (2021: £13.1m) and included interest on the Group's debt facilities and lease liabilities, amortisation of bank arrangement fees, and the unwinding of discounting on provisions.

Finance costs were lower than the prior year as leverage continued to fall and we realised a full year of benefits from the refinancing undertaken during 2021.

Approximately 40% of the Group's available facilities are at fixed rates of interest, with the remainder floating relative to SONIA or EURIBOR as appropriate.

Profit before tax

Profit before tax was £135.8m, 19% above 2021 (£114.3m). Underlying profit before tax was £142.8m, 19% above 2021 (£120.5m).

Tax

The Group recorded an Underlying tax charge at an effective rate of 16.0% (2021: 16.1%), which in absolute terms equated to a charge of £22.9m (2021: £19.4m).

We recognised a non-cash deferred tax charge of £1.1m (2021: £17.3m) to measure movements in our deferred tax liability in the UK at a higher tax rate than the current statutory rate of 19%.

We remeasured our existing liability in 2021 following the UK Government substantively enacting legislation to increase the future rate of corporation tax to 25% from 19%. To remain consistent we have continued to present rate change impacts as a separate line within the Underlying column of the consolidated income statement.

The statutory tax charge, which includes the full impact of the deferred tax rate changes outlined above, was £23.2m (2021: £35.7m).

Alongside the legislated tax rate change in the UK from 19% to 25% which will increase the future effective tax rate of the Group from 2023, the Group may be impacted in the future by BEPS Pillar 2, the OECD initiative for a global minimum 15% rate, as a result of our trading operations in RoI where the statutory rate of corporation tax is 12.5%. The Group's corporation tax charge in RoI was £6.0m in 2022, so while exposure is not expected to be material, we continue to closely monitor developments.

We complied effectively with our stated tax strategy, and we continue to make a significant contribution to the economies in which we operate through taxation, either borne by the Group or collected on behalf of, and paid to the tax authorities. In 2022 the total taxes borne and collected by the Group amounted to c.£210m (2021: c.£210m).

Earnings per share

Statutory Basic EPS increased by 43% to 6.65p (2021: 4.65p), while Underlying Basic EPS for the year totalled 7.02p (2021: 4.96p).

Adjusted Underlying Basic EPS, calculated using Underlying earnings and adjusted to exclude the impact of the £1.1m (2021: £17.3m) charge recognised in respect of deferred tax rate changes, increased by 18% to 7.08p (2021: 5.98p).

Statutory Diluted EPS was 6.63p (2021: 4.62p), with the only adjustment made in calculating dilution relating to employee share option schemes. Adjusted Underlying Diluted EPS was 7.05p (2021: 5.95p).

Return on invested capital

Using average invested capital, ROIC strengthened through the year to end 2022 at 10.8% (2021: 9.5%) which is in excess of the Group's cost of capital and demonstrates progress in achieving our medium-term target to consistently deliver ROIC in excess of 10%.

Statement of financial position

Net assets at 31 December 2022 were £1,043.8m (2021: £949.8m).

Total non-current assets of £1,370.7m (2021: £1,317.7m) increased as a result of the impact of exchange rates on euro- denominated assets and the acquisitions completed during 2022.

Current assets were £63.3m higher than December 2021; reflecting the impact of inflation on working capital balances, higher cash holdings and increasing raw materials inventory levels at our cement plants to manage possible supply chain disruption and ensure continuity of production.

Total liabilities increased year on year, with provision balances increasing to reflect the impact of a higher inflation rate used in the calculation of long-term site restoration liabilities, partially offset by corresponding increases in discount rates, as a result of external market movements during the year.

Chief Financial Officer's review

Impairment reviews

We completed our annual impairment review of goodwill and retain comfortable levels of headroom relative to the carrying value of our asset base.

Input cost and hedging strategy

Input cost inflation had a significant impact on our results, with energy (gas and electricity), fuels, bitumen and the cost of carbon emission permits under both the UK and EU ETS schemes all showing significant volatility. Although energy costs have fallen from the peaks experienced in the second half of 2022, they remain elevated relative to historic levels and cost price volatility is expected to continue into 2023.

Our strategy is to hedge substantially all energy and carbon requirements for at least one year in advance, with further layered purchases extending into future years, to deliver near-term cost certainty.

A proportion of our bitumen requirements are hedged in the short term, typically for larger contracts where pricing is agreed in advance. Remaining purchases are at spot; the market for asphalt, in which bitumen is the primary purchased raw material, has historically responded quickly to bitumen price changes. Other fuels are purchased at spot and passed on.

Our 2022 earnings have benefited from our hedging programme, with the primary impact being to provide near-term cost certainty and delay the point at which the Group has been exposed to increased input cost prices. In turn this allows time for our dynamic approach to pricing to reflect the underlying market movements, avoiding a potentially significant cost of under recovery due to sales pricing lags.

For 2023, we are substantially hedged in line with our policy. Recent reductions in the cost of energy have moved our forward position to more closely align with market rates. However, our hedges are still expected to provide a net benefit to the Group during 2023.

Volumes

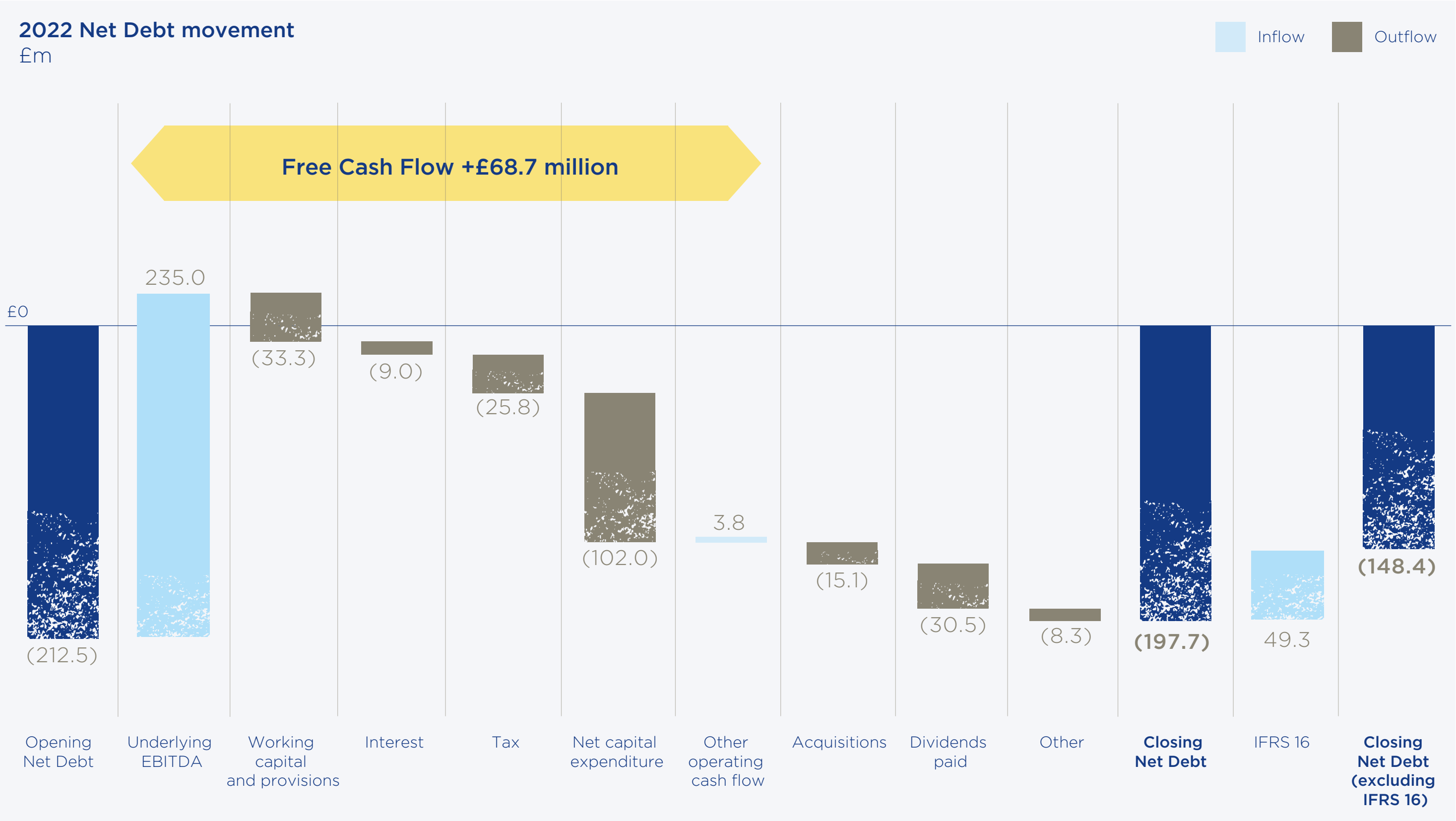
Volumes reduced in the year as expected to more normal levels following exceptional post-Covid demand in 2021 and the moderation of UK economic growth.

When compared to 2019, volumes of our core products remain ahead on a like-for-like basis: aggregates up 1%, asphalt up 9%, and cement up 9%. Ready-mixed concrete volumes decreased by 9% compared to 2019, reflecting the planned closure of less profitable plants in 2021 and an increased commercial focus.

Year-on-year change in volumes

Note: Reported percentage movements are based on non-rounded data.

Chief Financial Officer's review



Free Cash Flow

We generated £68.7m of Free Cash Flow (2021: £127.3m) while significantly increasing capital investment.

Net capital expenditure increased by £30.7m to £102.0m (2021: £71.3m) comprising capital investment of £106.8m offset by £4.8m of proceeds from specific asset disposals. This increased investment was in line with our market guidance of c.£170m in aggregate across 2021 and 2022.

Working capital flows reflected strong cash collection offset by the purchase of UK ETS carbon credits, inventory build to ensure continuity of production at our cement plants and the impact of inflation on working capital balances.

Free Cash Flow conversion

As a result of increased levels of capital investment, tax and working capital movements, Free Cash Flow conversion for the year was 29% (2021: 59%).

We continue to target average Free Cash Flow conversion after regular capital investment of 50%.

Acquisitions

Our Net Debt increased by £15.1m (2021: £6.1m) as a result of the three bolt-on acquisitions completed during 2022.

Chief Financial Officer's review

Net Debt

At 31 December 2022, Net Debt was £197.7m (2021: £212.5m). Net Debt includes IFRS 16 lease liabilities of £49.3m (2021: £51.0m).

Our Covenant Leverage at the year end was 0.7x (2021: 0.8x) reflecting the resilience of the Group's balance sheet and allows significant flexibility in pursuing our sustainable growth strategy.

Borrowing facilities

The Group's borrowing facilities comprise a £350m multi-currency revolving credit facility (RCF) and a £250m US private placement (USPP).

During the year, we exercised our option to extend the RCF for a one-year period. Arrangement fees of £0.7m were capitalised in the year and will be amortised over the period of the additional borrowing.

Following the exercise of the extension option, the RCF is available to the Group until June 2025 with an option to extend for up to a further year. Interest on the RCF is calculated as a margin referenced to the Group's Covenant Leverage plus SONIA or EURIBOR according to the currency of borrowing.

The USPP issued in 2021 provides long-term financing at low fixed interest rates with an average fixed coupon of approximately 2%. The USPP comprises £170m sterling and £80m drawn in euro, with a maturity profile between 2028 and 2036.

Our borrowing facilities are subject to leverage and interest cover covenants which are tested half-yearly, and we remained fully compliant with all covenants during the year.

The Group maintains a strong liquidity position and at 31 December 2022 total undrawn borrowing facilities available to the Group amounted to £350m.

Dividend

Subject to shareholder approval, we intend to pay a dividend in respect of the 2022 financial results of 2.1p, an increase of 31% from 2021 (1.6p).

This equates to a payout ratio of 30% (2021: 27%) of adjusted Underlying EPS. Assuming continued positive trading conditions and cash generation, the Group continues to target a payout ratio of 40% of Underlying EPS over time.

An interim dividend of 0.7p (2021: 0.5p) was paid on 30 September 2022 and, subject to shareholder approval, the remaining 1.4p (2021: 1.1p) will be paid as a final dividend on 5 May 2023.

Under IFRS dividends are recorded in the financial statements of the accounting period in which they are declared. Accordingly dividend payments amounting to £30.5m (2021: £8.4m) have been recognised in the 2022 financial statements.

Thoughtful capital allocation is core to our financial strategy, and we remain confident that our progressive dividend policy will not compromise the Group's ability to execute on our strategic objectives.

Tax strategy

Breedon's tax strategy governs our approach to tax compliance, and is underpinned by the following principles:

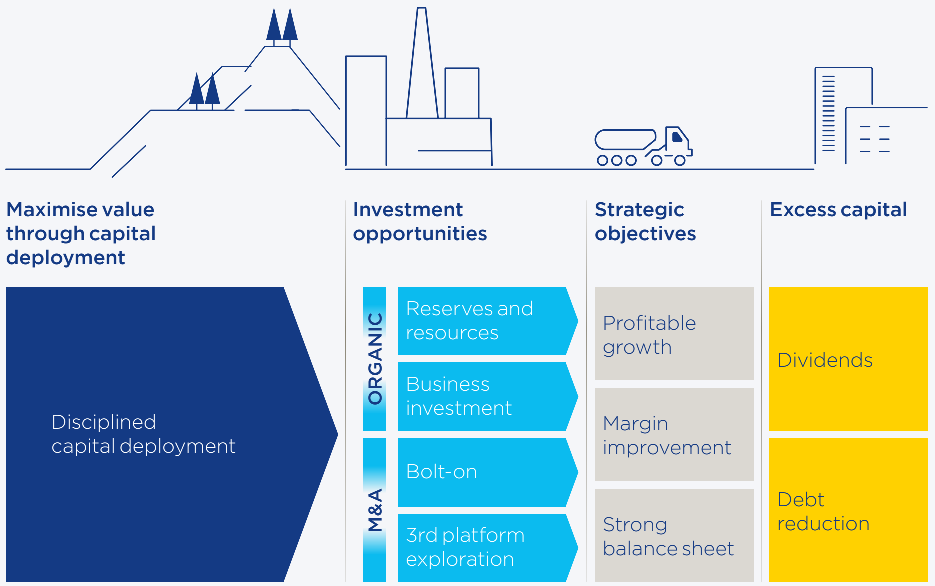
- To comply with all relevant tax regulations
- To ensure ethical tax practice is maintained and tax planning is undertaken responsibly
- To engage proactively and transparently with relevant tax authorities
- To manage tax risks effectively and maintain a high standard of tax governance

The strategy is reviewed by the Audit & Risk Committee on behalf of the Board on at least an annual basis, and full details can be found on our website at www.breedongroup.com/policies.

Chief Financial Officer's review

Our capital allocation model

Investment as a differentiator



Capital allocation

Conservative and disciplined financial management and the maintenance of a strong balance sheet are at the core of our thoughtful approach to capital allocation. The Board will always seek to deploy our capital responsibly, focusing on organic investment in our business to ensure that our asset base is well invested. We will continue to pursue selective acquisitions which will accelerate our strategic development and that we are confident will create long-term value.

This conservative approach to financial management enables us to pursue capital growth for our shareholders through active development of our business, while supporting our progressive dividend policy.

2023 technical guidance

We expect working capital to experience the normal seasonal outflow in the first half of 2023, with an overall modest inflationary outflow for the full year of c.£20m.

We continue to prioritise investment in the business and expect to invest c.£90m in capital projects during 2023.

Cash costs of dividends paid during 2023 will be c.£35m and our net interest expense c.£15m, of which c.£9m will be cash interest.

We expect an effective tax rate of c.20%, reflecting the increased statutory rate of tax in the UK, with cash tax payments higher than the effective rate as a result of the accelerated superdeduction capital allowances claimed in 2021 and 2022.

James Brotherton
Chief Financial Officer

8 March 2023

Managing our risks and opportunities

Our 'four lines of defence' risk management and internal control framework facilitates effective risk management

Risk approach

Risk is an inherent and accepted element of doing business, and effective risk management is fundamental to how we run our business and deliver on our strategy. Breedon's risk management and internal control framework facilitates identification of existing and emerging risks, and the development of actions or processes to accept, transfer or mitigate those risks to an acceptable level.

The level of the risk accepted in pursuit of our strategic goals is guided by our risk appetite, which is set by the Board and reviewed on an annual basis. This provides clear guidance to management as to the nature and level of risk the Board considers acceptable and sets appropriate boundaries for business activities and behaviours. For each of our principal risks our risk appetite is disclosed on page 45.

Breedon's risk management and internal control framework utilises a 'four lines of defence' approach, with roles and responsibilities defined as set out below.

Risk process

Our formal risk review processes apply a common methodology for identifying and assessing risk.

Each division and Group function maintains a risk register which is formally reviewed by the entity or Head of Function at least twice a year. The outputs from these reviews are analysed by the Group Risk and Controls manager and significant risks included on the Group risk register. The Group risk register is reviewed at least twice a year by the Executive Committee and the Board. Once identified and assessed, risks are assigned to a member of senior management who has responsibility for embedding appropriate risk processes in the day-to-day operations which they oversee. Risk management actions are agreed and tracked through the risk review processes.

Emerging risks

In addition to the principal risks, the Board considers those areas where an existing or an emerging threat may impact the Group in the longer term. These risks are identified and reported through the routine risk process described above and typically represent risks beyond the three-year assessment period, or where we have insufficient information to make a reasonable assessment of the potential impact and likelihood on the Group.

Emerging risks include longer-term macroeconomic conditions, the evolution of the digitalisation landscape and the transitional risks that arise from the impact of climate change. Detail on these emerging risks and how we monitor and mitigate them is included within our principal risk disclosure.

Focus in the year

During 2022 our risk and controls team continued to strengthen and enhance risk management processes, with the development of additional functional risk registers which, together with our divisional risk registers, inform the Group risk processes. This included incorporating the key findings from the TCFD climate-related scenario analysis performed during the year.

For financial controls, we have further embedded our framework, performing second line testing to provide assurance on the divisional self-assessment as to the effectiveness of all key financial controls. We continue to work closely with RSM, who provide Breedon with an outsourced independent internal audit service, on the reviews which they conducted during the year, including monitoring the implementation of the recommendations arising from those reviews.

Risk methodology

The nature of the principal risks we have identified remains consistent with 2021. These are reported under three categories of risk, Strategic, Operational and Financial.

Strategic risks

Events that may make it difficult, or even impossible, for the Group to achieve its strategic objectives.

Operational risks

Events or threats that are inherent in our day-to-day operations.

Financial risks

Threats arising from ineffective management and control of the Group's financial resources or movements in the financial markets.

Managing our risks and opportunities

'Four lines of defence' risk management and internal control framework

Board
Overall responsibility for the Group's risk management and internal control framework, and for reviewing effectiveness. The CFO has executive management responsibility for risk and internal control.

Audit & Risk Committee
Reviews the suitability and effectiveness of the risk management and internal control framework on behalf of the Board. Performance by the business against risk appetite is monitored and reported to the Audit & Risk Committee. Monitoring the effectiveness and independence of the internal and external auditors.

Senior management and risk owners
Ensure that the risk management and internal control framework is embedded within their respective business area and develop an effective risk culture.

1st line of defence

Front line teams
Any Breedon colleague who makes decisions, deploys resources or contributes to an outcome is responsible for identifying associated risks and implementing internal processes and controls to manage those risks.

2nd line of defence

Group risk and controls
Provides expertise and support to the front line teams responsible for designing the risk management policies, processes and controls, monitoring the ongoing effectiveness of internal controls and the reporting of risk across the Group.

Other monitoring functions
Responsible for designing policies and processes and monitoring the effectiveness of processes and controls, for their area of accountability.

3rd line of defence

Internal audit
Responsible for providing independent assurance over risk and control activities performed by the first and second line.

4th line of defence

External audit and regulators

Principal risks

The nature of the Group's principal risks remains unchanged. Changes to the net risk ratings are captured within the risk trends set out in the risk heat table below. Further details can be found within the principal and emerging risks section on pages 46 to 49.

The principal risks and uncertainties outlined in this section reflect those risks that, in the opinion of the Board, might materially affect the Group's future performance, prospects or reputation.

The assessment of these principal and emerging risks and the effectiveness of the associated controls put in place reflect management's current expectations, forecasts and assumptions, and will be subject to changes in our internal and external environments.

	Risk	Appetite	Net risk rating	Trend
Strategic	1 **Acquisitions**	High	Medium	→
	2 **Climate change**	Medium	Very high	→
	3 **Digitalisation**	Medium	High	↗
	4 **Market conditions**	High	High	↗
	5 **Mineral reserves**	Low	Medium	→
	6 **People**	Low	Medium	→
Operational	7 **Environmental impact**	Very low	High	→
	8 **Failure of a critical asset**	Very low	High	→
	9 **Health, safety and wellbeing**	Very low	High	→
	10 **Input costs**	Medium	High	↗
	11 **IT and cyber security**	Very low	High	↗
	12 **Legal and regulatory**	Very low	High	↗
	13 **Product specification**	Low	Low	→
Financial	14 **Credit risk**	Low	Medium	↗
	15 **Currency risk**	Low	Low	→
	16 **Financing and interest rate risk**	Low	Low	↗

Managing our risks and opportunities

Net risk rating
Low Medium High Very high

Trend
No change Increase

Strategic risks

Risk description	Management response
1 Acquisitions We may fail to complete the acquisitions required to support our growth strategy, or competition authorities may restrict the businesses we are able to acquire. We might overpay for, fail to integrate, or not achieve the expected returns from an acquisition.	We have a strong acquisition track record over many years with most transactions to date transacted on a bilateral basis. Our approach to acquisitions is underpinned by a rigorous due diligence process, supported by specialist advisers, and includes careful consideration of competition regulation and sustainability. A delegation of authority is in place to ensure acquisitions are subject to appropriate approvals, and acquired businesses are subject to detailed integration plans, implemented by dedicated project teams with progress monitored by the Board. In 2022 we successfully completed three bolt-on acquisitions and see potential for further acquisitions in new and existing geographies.
2 Climate change If we do not successfully decarbonise our business in line with our targets and the wider industry, we may be exposed to significant additional costs and reduced demand for our products. For full details on the physical and transition risks posed by climate change, alongside our response to those risks, see our TCFD report from page 50.	We have set our carbon reduction targets and are in the process of developing additional targets under the SBTi initiative. We are transparent in reporting our progress against these and senior management remuneration is structured to incentivise delivery. The Executive committee is responsible for the design, implementation and execution of the sustainability strategies and policies of the Group. The Board retains overall ownership of climate-related risks and opportunities, and is supported by the Sustainability Committee.
3 Digitalisation Failure to keep pace with advances in technology and customer digital expectations could lead to loss of custom, increases in the cost of doing business and not meeting our strategic objectives.	Our IT team provides the infrastructure, software and expertise to support our digital agenda, with external support as appropriate. During 2022 we appointed a Chief Information Officer and established a Digital Delivery team to implement our digitalisation strategy.

Strategic risks

Risk description	Management response
4 Market conditions Changes in the macroeconomic environment, including shifts in Government policy and the level of competition within the market, could all have an impact on demand for our products. Although the medium to long-term position remains positive, the current high levels of macroeconomic uncertainty and high inflation could pose an increased risk to demand in the near term.	Our customer base is well diversified across public and private sector organisations, who supply infrastructure, commercial and residential projects. We closely follow published indicators of activity in our geographies and sectors and maintain regular contact with our key stakeholders to identify significant trends or events which could impact our business. Our budgeting and forecasting process incorporates this data and allows us to adapt accordingly for any long-term changes in the economic environment.
5 Mineral reserves Failure to replenish mineral reserves and resources on an adequate and timely basis could deprive Breedon of a key raw material.	Our Land and Mineral Resources team monitors our mineral assets to assess both the quality and the longevity of our resources and have successfully secured further new reserves at a number of existing sites during 2022. We proactively monitor our compliance with all applicable regulatory requirements which govern the operation of our assets and communicate regularly with our stakeholders, especially those directly impacted by our operations.
6 People Failure to recruit, develop and retain the right people, or to maintain a positive culture and working environment, could have an adverse impact on our ability to meet our strategic objectives.	Our People team provides the framework of policies and procedures to mitigate this risk. We have made good progress in implementing our five-year People Plan, which was approved by the Board during 2021, and aims to embed our values, attract a talented and diverse workforce, provide opportunities for everyone and ensure Breedon remains a great place to work.

Managing our risks and opportunities

Net risk rating: Low | Medium | High | Very high

Trend: No change | Increase

Operational risks

Risk description	Management response
7 → Environmental impact Our impact on the environment, including water, waste disposal, recycling, air pollution and our impact on biodiversity could expose us to regulatory breaches, financial penalties, disruption, clean-up costs and reputational risk. The growing focus on biodiversity net gain, natural capital and deforestation brings forward the need to ensure that our land holdings deliver a positive contribution to nature.	We have policies in place setting clear expectations on how we should manage our environmental impact, which are complemented by a training programme which is accredited by the Institute of Environmental Management and Assessment. Targets have been approved by the Board which aim to improve our environmental impacts in respect of energy, carbon, water, waste and biodiversity. We closely monitor environmental compliance and seek continued improvement, with stringent monitoring, maintenance and reporting systems in place to detect and prevent incidents.
8 → Failure of a critical asset An unplanned production outage at one of our two cement plants or at a small number of critical quarries could cause significant operational disruption and loss of earnings.	Our sites have real-time performance monitoring and preventative maintenance and inspection programmes. Each of our cement kilns is subject to an annual shutdown in accordance with a planned maintenance schedule and in 2022 all shutdowns were completed successfully. Back up processes and facilities are in place across critical areas of the plants and spare parts are held for critical equipment. Specialist plant engineers are employed and external support is utilised when appropriate. We hold Business Interruption Insurance and continue to strengthen business continuity plans.

Operational risks

Risk description	Management response
9 → Health, safety and wellbeing Failure to identify and manage health, safety and wellbeing risks could result in harm to our employees and other stakeholders. This may also expose us to significant disruption, financial liabilities, prosecution and reputational damage.	The Group Head of Health, Safety and Wellbeing has day-to-day management responsibility for health, safety and wellbeing risk and reports directly to the Chief Executive Officer. We promote a strong safety culture with a focus on continuous improvement, provide relevant training, and facilitate personal ownership of health, safety and wellbeing. This is supported by effective health, safety and wellbeing communications, detailed investigations into both actual and potential incidents, and the sharing of lessons to help to prevent recurrence.
10 ↗ Input costs Breedon, along with the rest of the industry and wider economy, has seen significant input cost inflation in 2022 and volatility is expected to continue during 2023, particularly in relation to energy, fuel and carbon. Failure to pass on these cost rises could significantly impact our profitability.	The majority of our raw material requirements are minerals which have been purchased at historic cost and sit as mineral reserves and resources in our quarries, providing a significant natural hedge against inflation. For those items which we do purchase, our experience in recent years has demonstrated that our dynamic pricing strategy is able to recover rapidly increasing costs from our markets. This is supported by our layered hedging strategy which provides a degree of cost certainty around energy, bitumen and carbon credits under both UK and EU ETS schemes.

Managing our risks and opportunities

Net risk rating: Low | Medium | High | Very high

Trend: No change | Increase

Operational risks

Risk description	Management response
11 IT and cyber security (High; Increase) A cyber security breach could cause operational disruption, financial penalties and reputational damage. Systems integration projects or significant IT changes may lead to business disruption.	Our IT support team, with the support of external service providers, monitors and responds to new and expanding cyber risks and strengthens the Group's cyber resilience. The Group has implemented best practice controls to prevent, detect and respond quickly to events. Policies, processes and user training are all in place to define the standards of control and educate users on the constantly evolving cyber risk landscape, and during 2022 a number of enhancements were implemented following an internal audit review of the Group's cyber security. All IT system development projects are carefully planned and managed with defined governance and control procedures, and we have an ongoing IT systems enhancement programme. During 2022, the Group Information services team successfully led the integration project to bring the Ireland business onto the Group's finance systems.
12 Legal and regulatory (High; Increase) Breedon employees and business partners must comply with all applicable laws and regulations, and conduct our operations in accordance with accepted principles of good corporate governance. A number of legislative changes over recent years have increased both the level of our corporate responsibility and the level of potential fines which we would incur in addition to the reputational damage and disruption resulting from any breach of laws or regulations.	Our compliance teams monitor and respond to legal and regulatory developments, supported by external expertise where required. Our Code of Conduct clearly defines our purpose and corporate values and our compliance training programme is being distributed to all colleagues through our online learning and development platform. Our Tax Strategy is approved by the Audit & Risk Committee and sets out how we ensure compliance with all relevant tax laws and regulations. Compliance is monitored Group-wide applying the principles of the Senior Accounting Officer requirements in the UK. We operate an externally facilitated confidential whistleblowing process, with all reports, subsequent findings and follow up actions shared with the Audit & Risk Committee.

Operational risks

Risk description	Management response
13 Product specification (Low; No change) New materials or construction methods could reduce the demand for our core products and services. Failure to deliver product to specified quality standards could result in customer claims and impact our reputation for quality.	Our product technical teams evaluate and research new products, materials, methods and technologies and test these in the field to assess their performance. We have launched our eco products range Breedon Balance with careful focus on ensuring that our customers are provided with clear and verified information about our products and their environmental impact. We do not have a history of significant quality claims from our customers, and maintain strict quality control policies and procedures, high quality laboratories and experienced technical teams, in addition to holding all appropriate business accreditations and insurances.

Managing our risks and opportunities

Net risk rating: Low · Medium · High · Very high

Trend: No change · Increase

Financial risks

Risk description	Management response
14 Credit risk (Trend: Increase) We are exposed to credit risk from our sales to customers. Although we have not experienced significant credit losses to date, these may be more likely to arise in coming years as a result of the challenging macroeconomic environment.	Credit risk insurance cover is maintained over the majority of our private sector customers. We maintain regular contact with our key customers and monitor our credit limits closely. Formal authorisation procedures are in place for both insured and uninsured risk and routine reporting provides oversight of our credit risk exposure.
15 Currency risk (Trend: No change) Our operations are located in the UK and Ireland which use the pound and the euro respectively as currency. We also transact in other currencies as both customer and supplier. Accordingly, we are exposed to both transactional and translational currency risk.	Our activities are conducted primarily in the local currencies of our respective businesses, resulting in a low level of foreign currency transactional risk. Translation risk is partially mitigated by matching foreign currency investments to borrowings, and we generally do not seek to mitigate transactional exchange risks through hedging.
16 Financing and interest rate risk (Trend: Increase) If liquidity is not appropriately managed, we may not have sufficient financial resources to meet our obligations as they fall due, to invest in our business or to undertake acquisitions. We borrow from financial institutions and are therefore exposed to fluctuations that occur to the interest rates charged on those borrowings.	We maintain strong relationships with our lenders and shareholders, with long-term financing facilities in place which provide significant levels of liquidity headroom and a solid platform for future growth. These comprise a £350m revolving credit facility which expires in 2025 (with a potential extension to 2026) and a £250m USPP with tenors expiring between 2028 and 2036. We aim to minimise interest costs while maintaining appropriate levels of liquidity through an appropriate mix of borrowing at fixed and floating rates.

See pages 26 to 29 for mapping of risk to strategy.

Climate-related risks and opportunities

Task Force on Climate-related Financial Disclosures

As part of our sustainability strategy to increase disclosure and transparency, we have voluntarily complied with TCFD reporting requirements.

Our Sustainability Report from page 58 sets out how Breedon is responding to the urgent challenge posed by climate change, our progress against the metrics and targets which we have set to decarbonise our business and the practical actions we are taking to achieve this.

Our TCFD disclosure supplements the Sustainability Report by providing a clear analysis for our stakeholders on how climate change impacts Breedon's risk and opportunity landscape, and the governance arrangements we have in place to support delivery of our strategy.

During 2022 we evolved our TCFD reporting, including revisiting our climate risk assessment process to reflect the latest external data and undertaking, for the first time, detailed scenario analysis to better understand and quantify our risks and opportunities.

TCFD Pillar	Our response	Further information
Governance Disclose the organisation's governance around climate-related risks and opportunities.	The Board retains overall responsibility for climate-related risks and opportunities. The Board is supported by the Sustainability Committee, which was formed during 2022, and is comprised of all of the members of the Board and chaired by Carol Hui. The Executive Committee is responsible for the design, implementation and execution of the sustainability strategies and policies of the Group. Our Head of Sustainability leads Breedon's sustainability team. She reports directly to the CEO and has day-to-day management responsibility for climate-related issues.	See page 51 for further details of climate-related governance arrangements. The report of the Sustainability Committee is on page 114 and 115.
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	Climate change presents both opportunities and risks for Breedon in delivering our sustainable growth strategy. To ensure that the latest scientific evidence on the impacts of climate change is properly understood and to stress test the impact on our strategy, we modelled the impact of our most material risks under a range of possible warming scenarios. This exercise highlighted a number of tactical actions to manage climate risks and opportunities, but has not required fundamental adjustments to our strategy. Our strategic commitment to sustainability is demonstrated through Sustain being one of our key strategic pillars, with decarbonisation a critical element of delivering value for all of our stakeholders.	See page 56 for details of climate scenarios modelled. For more information on how sustainability fits into our wider strategy see pages 26 and 58.
Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks.	Climate change-related risk identification, assessment and management is considered through the Group's overall risk management and internal control framework. During 2022, we engaged with a third party to support our risk review processes, specifically in respect of climate risks. The output from this has helped to develop a standalone sustainability risk register, owned by the Head of Sustainability and integrated into our overall risk assessment process.	Our climate-related risks and opportunities are detailed on pages 52 to 54. For more details on our risk management processes, see page 44.
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	We report CO_2 metrics in line with the UK SECR , which include both absolute emissions (Scope 1 and 2) alongside intensity measures relative to revenue and volumes. We have committed to net zero by 2050, with medium-term targets set through to 2030, and will develop targets for SBTi validation in due course and report on progress against these. Delivery of these objectives is supported through short-term targets, the achievement of which is linked to incentive schemes which form part of senior managers' remuneration.	See page 63 for our detailed SECR reporting and page 37 for our carbon targets and progress made against them in 2022. For details of how sustainability objectives impact remuneration, see 37.

Climate-related risks and opportunities

Governance

Role of the Board

- The Board is ultimately responsible for our strategy to create sustainable value for all our stakeholders over the long term.
- The Board retains ownership of climate-related risks and opportunities, and is supported by the Committees of the Board. It receives regular updates from management on climate-related issues.
- Carol Hui is Chair of our Sustainability Committee.

Role of management

- The Executive Committee is responsible for the design, implementation and execution of the strategies and policies of the Group in relation to sustainability.
- Our Head of Sustainability leads Breedon's sustainability team. She reports directly to the CEO and chairs our cross-divisional working groups for Planet, People and Places.
- The sustainability team supports our businesses to ensure that sustainability is effectively embedded into our working practices, climate-related KPIs are accurately defined and quantified, and that practical measures are in place to make progress against our climate-related targets.

Sustainability Committee

- Oversees sustainability strategies, policies, and targets.
- Evaluates the performance of the Group over time in delivering against these targets.

Audit & Risk Committee

- Considers the integrity of climate-related disclosures.
- Reviews the effectiveness of risk identification and management processes, including climate-related risk.
- Oversees appropriate assurance on disclosed climate metrics.

Remuneration Committee

- Designs remuneration structures ensuring alignment with climate targets.
- Monitors performance against climate-related targets when approving remuneration.

Nomination Committee

- Ensures Board and senior managers have sufficient experience to provide effective leadership on climate issues.

Climate risk management process

- Climate change is one of Breedon's principal risks, with climate-related risks and opportunities integrated into the Group's overall risk management and internal control framework, which is set out on page 45.
- As part of the ongoing risk process, a full climate risk review was undertaken during 2022 to ensure that our risk assessment reflected the latest scientific understanding of the likely impacts of climate change.
- The climate risk review assessed the risks and opportunities arising from both physical and transitional impacts of climate change. Risk levels were considered over different time horizons through to 2050 and under three different possible warming scenarios, allowing for a comprehensive understanding of the evolving risk landscape.
- The formal output of this exercise was used to update our sustainability risk register which tracks our climate risks alongside the effectiveness of mitigating actions taken by the Group.
- This exercise unpinned the selection of the most significant climate-related risks and opportunities which we have modelled in our scenario analysis. This is set out in further detail below.

Our TCFD process

Assessment of potential climate risks to identify a longlist of possible climate-related impacts.

↓

Discussions with operational management to assess risks using Breedon's standard risk framework and shortlist the most significant climate risks and opportunities for further consideration.

↓

Scenario analysis performed, with external data analysis, to estimate the unmitigated impact under each climate scenario in the short, medium and longer term.

↓

Findings communicated to the Board and senior operational management. Action plans agreed to help to mitigate risk impacts.

↓

Integration into business as usual risk management processes, with plans to mitigate identified risks considered as part of our overall risk process. Sustainability risk register updated to capture both detailed risk information and mitigating actions.

Climate-related risks and opportunities

Net risk rating: Low | Medium | High | Very high

Net opportunity rating: Low | Medium | High | Very high

Our principal climate-related risks and opportunities are as follows:

	Risk	Timeframe	Net rating
P – Physical	**Flooding**	Medium to long	Low
	Landslides	Medium to long	Low
	Water availability	Medium to long	Medium
T – Transitional	**Carbon pricing**	Short to long	Very high
	Capital cost of transition	Short to long	Very high
	Fuel costs and availability	Medium to long	Very high
	Reputational damage	Short to long	High
	Substitute products	Medium to long	Low
	Opportunity		
O – Opportunities	**Alternative uses of land resources**	Medium to long	Very high
	Climate resilience and/or green infrastructure projects	Short to long	Very high
	Sustainable products	Short to long	High

	Risk/opportunity description	Management response
P – Physical risks	**Flooding** (Low) Sites may be at increased risk of flooding – either from rising sea levels or increased rainfall causing rivers to overflow.	Only a small number of sites are expected to be impacted by flooding risk, these are mostly leasehold sites that could be relocated. Business interruption plans are in place and flood risk is considered as part of our capital investment process to ensure future investments are sustainable.
	Landslides (Low) Sites may be at increased risk of landslides.	Our planning and estates teams conduct regular geological surveys to monitor landslide and landslip risks at our quarries and ensure appropriate contingency plans are in place. Only a small number of non-quarry locations are expected to be impacted. These are mostly leasehold sites that could be relocated, and geological risk is considered as part of our capital investment process, where relevant, to ensure future investments are sustainable.
	Water availability (Medium) Climate change could put additional stress on the availability of water, which is a key operating material for a number of our quarries and concrete plants.	We are installing smart meters at our top water consuming sites to understand demand patterns and allow us to scope operational contingency measures, including water storage.
T – Transitional risks	**Carbon pricing** (Very high) We purchase carbon allowances for our carbon emissions under both UK and EU ETS schemes. The cost of these allowances is forecast to rise over the long term under nearly all climate scenarios, as a factor of both market pricing and the gradual withdrawal of existing free allowances to incentivise investment in low carbon technologies. If the cost of emissions allowances rises faster than the speed that we are able to decarbonise, this would result in increased input costs.	We have carbon reduction targets and roadmaps across our business, and have committed to refining these through the SBTi process during 2023. Progress against our targets is monitored via KPIs which are linked to executive remuneration. These will reduce the carbon intensity of our business and the corresponding requirement for emissions allowances. To the extent that carbon prices rise more rapidly than the impact can be mitigated through carbon reduction, our dynamic pricing strategy has allowed us to pass on increases to date and we expect this to continue.

Climate-related risks and opportunities

Net risk rating
Low | Medium | High | Very high

Transitional risks

Risk/opportunity description	Management response
Capital cost of transition (Very high) While the capital costs of our carbon reduction strategy are reflected in our financial plans, the technology required to decarbonise our Cement business is not yet proven at scale and it is consequently not possible to quantify the gross cost of the transition over the longer term. It is likely that very substantial capital investment will be required, which could limit funds available to invest in growth projects elsewhere in the business. To be commercially viable, the costs of this investment would need to be passed into the market through higher pricing, and without clarity as to the level of investment required, it is unclear how this might impact demand for cement.	Our base case scenario is that the required carbon reduction technologies will be developed to operate at scale over the medium term, and that these will represent commercially viable investments either on a standalone basis or with the benefit of additional government subsidy. We are closely monitoring developments in emissions reducing technology, and our financial forecasting processes reflect the costs of anticipated sustainability projects. We are an active member of the MPA and the Global Cement and Concrete Association (GCCA), supporting collaborative approaches to climate challenges and policy development across the sector.
Fuel costs and availability (Very high) The transition to a lower carbon economy is forecast to impact the cost and availability of fuels which Breedon currently uses or may use in the future.	Our Energy team monitors developments in fuel costs and availability, and works closely with operational teams to ensure that we have maximum optionality on the types of fuel capable of being used in our plants. We are also investing in a number of renewable energy generation projects for electricity to reduce dependency on volatile markets, provide longer-term cost certainty and become a more sustainable business.

Transitional risks

Risk/opportunity description	Management response
Reputational damage (High) If our sustainability strategy does not demonstrably succeed in meeting the challenge of climate change, or we fail to meet our carbon reduction targets due to a perceived lack of commitment, we may suffer significant reputational damage impacting our relationships with our customers, employees, investors and other stakeholders.	We demonstrate our commitment to sustainability by taking visible actions today to decarbonise our business, setting ourselves credible targets for the future and underpinning this with appropriate governance structures. Our investments in sustainability projects provide tangible evidence that we take reducing carbon emitted by our operations seriously. We simultaneously continue to raise the bar on transparency and disclosure with a commitment to the SBTi made during 2022. Our Group Head of Sustainability provides subject matter expertise in this area, and the Board is supported, in particular by the Sustainability Committee, to ensure that our governance structures are appropriate, to provide challenge and scrutiny, and to monitor progress.
Substitute products (Low) If a lower carbon substitute product for concrete emerged which was commercially scalable, there could be a reduction in demand for concrete and cement products.	There is no obvious scalable substitute product for concrete available at present and we believe it is unlikely that one will be developed in the near term. Over the longer term, the targeted reduction in the carbon intensity of our operations will reduce the advantage of substitutes.

Climate-related risks and opportunities

Net opportunity rating
Low | Medium | High | Very high

	Risk/opportunity description	Management response
Opportunities	**Alternative uses of land resources** (Very high) We have significant land holdings, typically areas of our quarries on which restoration has been completed, which could be used for alternative purposes such as carbon sequestration to generate our own emissions credits, biodiversity net gain or to host renewable energy infrastructure, such as solar farms.	We are in the process of undertaking a strategic review of land holdings to ensure that we are maximising future value for our stakeholders. Where restored land may have an alternative use, we have paused our usual sales process pending the conclusion of this review.
Opportunities	**Climate resilience and/or green infrastructure projects** (Very high) Our products are used in infrastructure projects which both enhance physical climate resilience, such as flood defence schemes, and in transitional technologies, such as green energy networks. Increasing investment into these type of projects increases demand for our existing products.	Our network of operating locations and significant mineral reserves throughout the UK and Ireland means we are well positioned to take advantage of increased demand arising from climate resilience and green infrastructure projects.
Opportunities	**Sustainable products** (High) Demand for more sustainable products is expected to increase, which provides a market opportunity to improve both volumes and margins through product innovation and investment in lower carbon technologies.	In 2022 we launched Breedon Balance, our sustainable product range, and we continue to review opportunities for innovation within our products. Capital investment supports these product developments, with a recent multi-million pound investment approved to install silos throughout our ready-mixed concrete network to offer lower carbon CEM II ready-mixed concrete.

Financial impacts

Where we have been able to utilise external data sources to quantify a climate-related risk or opportunity, we have disclosed details of the data source and the resultant possible financial impact (prior to mitigating actions) which has informed our scenario analysis.

For those risks which cannot be reliably quantified, we have assumed that a worst case scenario (before mitigations) would be £52m of operating profit foregone per annum, representing the 2022 Underlying EBIT contribution from our Cement business.

Data source	Risk modelled	Output (highest modelled impact)
World Resources Institute's Aqueduct Floods tool to determine flood risk.	**Flooding**	Under the most pessimistic climate scenario modelled, less than 2% of operating profit is estimated to be at risk due to an increased risk of flooding to 2050.
Landslide risks using UNEP GRID WESR:Risk.	**Landslides**	Under the most pessimistic climate scenario modelled, less than 2% of operating profit is estimated to be at risk due to an increased risk of landslides to 2050.
WRI's Aqueduct Water Risk Atlas to determine risk of water stress impacting production.	**Water availability**	Under the most pessimistic climate scenario modelled, less than 1% of operating profit is estimated to be at risk due to a lack of water availability until 2030, and less than 2% to 2050.
International Energy Agency's Global Energy and Climate model.	**Carbon pricing**	To achieve net zero by 2050, all free allowances are withdrawn and carbon price grows rapidly to reach £181/tonne by 2050. Assuming no reduction of current emissions levels, this would represent a gross cost of c.£275m per annum to Breedon.
Fuel price projections are derived from an Integrated Assessment Model framework which simulates, in a forward-looking fashion, the dynamics within and between the energy, land use, water, air pollution and health, economy and climate systems.	**Fuel costs and availability**	To achieve net zero by 2050, fuel availability is limited and costs increase significantly. Assuming Breedon's current fuel mix does not change from a 2021 baseline, this could add up to £40m of increased cost to Breedon by 2030 and £70m per annum by 2050.

Climate-related risks and opportunities

Scenario analysis

Climate scenarios considered and impact on risk

- Our financial plan, which is incorporated into our viability and impairment assessments, assumes that the UK and Ireland meet their stated policy commitments to net zero by 2050 on time and in full. However, there remain a number of different possible warming scenarios as government policy and scientific understanding evolve over time.
- During 2022 we undertook a detailed scenario analysis of the impact of three possible different warming scenarios on our most significant climate-related risks and opportunities.
- Risks have been assessed over short, medium and longer term time horizons. The short-term analysis to 2025 aligns with our short-term financial planning cycle, 2030 with the timing of our medium-term decarbonisation roadmap and 2050 with our longer-term commitment to achieving net zero by this date.
- Underpinning the analysis in each scenario is an assumption that the costs of transition impact the industry equally and that no scalable substitute product for concrete emerges in the near term.

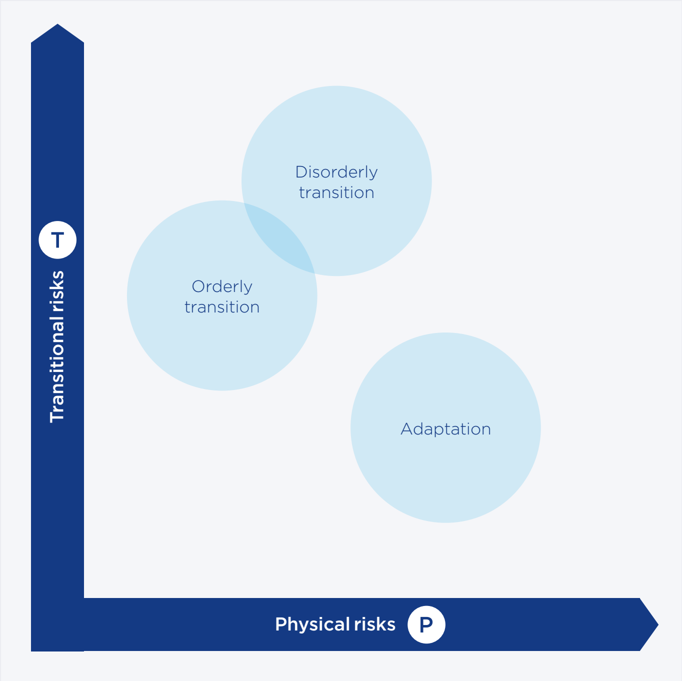
Outcome of scenarios modelled

In each scenario modelled, the Group would continue to be profitable and cash generative, although in some scenarios some restructuring of our operating model may be required to achieve this.

Given the need to decarbonise our cement operations, we are significantly more exposed to transitional than physical climate risks.

Therefore the Orderly and Disorderly scenarios which involve a successful transition to net zero by 2050 present the highest risk to Breedon as a result of elevated transitional risks in those pathways. Opportunities are less impacted by the transition pathway, but are greater in the Orderly and Disorderly scenarios.

Relative exposure to transition and physical risks under each of the Group's climate scenarios



Climate-related risks and opportunities

T TRANSITIONAL RISKS | P PHYSICAL RISKS | O OPPORTUNITIES

Risk/opportunity impact (unmitigated): LOW – HIGH

Scenario

Orderly transition 1.5 – 2.5°C

The Orderly transition scenario assumes that climate policies are introduced early and gradually become more stringent, limiting the increase in global temperatures to more manageable levels.

Transitional risks increase as climate action is more rapid and ambitious than current policy, which would include significant increases in carbon pricing and investment in renewable energy.

Physical risks are relatively subdued in comparison to other scenarios as expected temperature increases are lower, but still reflect increases in the frequency and intensity of extreme weather events and disruptions to weather patterns.

	Risk /opportunity
T	Carbon pricing
T	Capital cost of transition
T	Fuel costs and availability
T	Reputational damage
P	Water availability
O	Alternative uses of land resources
O	Climate resilience and/or green infrastructure projects

Disorderly transition 2.0 – 3.5°C

The Disorderly transition scenario assumes a delayed introduction of climate policies, with global greenhouse gas emissions increasing throughout the 2020s before more drastic action is taken by governments from 2030 to achieve net zero by 2050, with global temperatures reaching significantly higher levels than under the Orderly transition scenario.

Transitional risks are therefore the highest of all scenarios reflecting the greater severity of the measures required as a result of the delayed implementation of policy measures, while physical risks also increase relative to the Orderly transition model as increased global temperatures result in more extreme weather events.

	Risk /opportunity
T	Carbon pricing
T	Capital cost of transition
T	Fuel costs and availability
T	Reputational damage
P	Water availability
O	Alternative uses of land resources
O	Climate resilience and/or green infrastructure projects

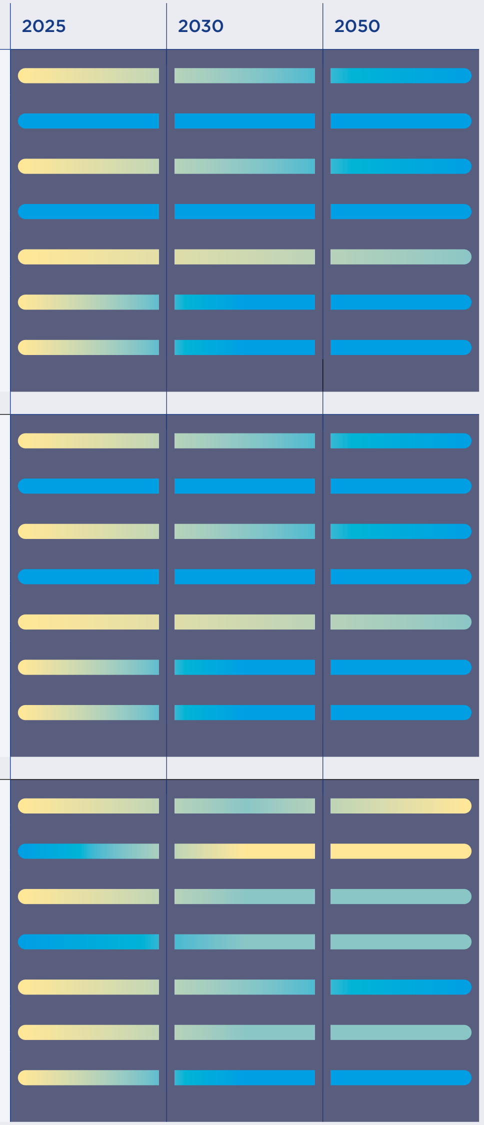
Adaptation 3.0 – 5.0°C+

The Adaptation scenario assumes that some climate policies are implemented, but that these are not sufficient to halt significant global warming.

Critical temperature thresholds are exceeded, leading to severe and irreversible physical impacts, resulting in the highest level of physical risk across the three scenarios modelled.

Policy measures focus less on incentivising decarbonisation and more on adaptation, resulting in lower levels of transitional risk and increased spend on climate resilience projects.

	Risk /opportunity
T	Carbon pricing
T	Capital cost of transition
T	Fuel costs and availability
T	Reputational damage
P	Water availability
O	Alternative uses of land resources
O	Climate resilience and/or green infrastructure projects



Climate-related risks and opportunities

Impact on strategy

- Sustainability remains a critical element of our strategy which underpins the whole of our operating model.
- The greatest climate-related risks arise from transitional impacts, which are mitigated through the strategic actions being taken to decarbonise our business and achieve net zero by 2050.
- We are well positioned to capitalise on climate-related opportunities, with a strategy to grow the percentage of sales from products with sustainable attributes, and are in the process of reviewing our land holdings to assess how we can best utilise them to maximise sustainable, environmentally friendly outcomes.
- Our operating locations in the UK and Ireland are exposed to relatively low physical risk, and consequently this does not require a significant strategic response. A number of tactical initiatives are in place to ensure that the physical risks to achieving our strategy are appropriately managed.
- The key metrics that we have selected to measure our success in executing our sustainability strategy are as follows:

Metric	Risks/opportunity
GHG emissions – scope 1 & 2 **Emissions intensity** **Energy use**	Carbon pricing Capital cost of transition Fuel costs and availability Reputational damage
Gross carbon intensity per tonne cementitious product	Carbon pricing Capital cost of transition Fuel costs and availability Reputational damage
Sustainable concrete & asphalt sales	Fuel costs and availability Reputational damage Sustainable products

The targets which have been set for each of these metrics are set out in the Sustainability review from page 58.

Climate in the financial statements

We have considered the financial reporting implications of the impacts of climate change on the financial statements.

Impairment of non-current assets

As noted in our impairment testing disclosure in note 9 of the financial statements, there may be elevated levels of climate-related risk in respect of assets in our Cement division as clarity emerges on the costs and corresponding commercial impact of the transition to net zero. However there is no current indication of impairment under either base or sensitised scenarios.

Inventory obsolescence

If market demand were to decline significantly as a result of climate change, impacting consumer purchasing habits, the cost of inventory held on the Group's balance sheet may become irrecoverable.

There has been no sign of decreasing demand for the Group's products as a result of societal responses to climate change. Furthermore, any change in consumer demand is expected to occur over a prolonged period of time. Financial controls are in place to identify these shifts in demand and we would expect to have sufficient time to identify any risks and adapt stock production accordingly.

The Group's inventories includes some spare parts held for our Cement plants. As discussed in our impairment testing disclosures, the technological advancements required to achieve net zero could result in these items becoming obsolete over time, but at present these parts are held to support a profitable trading business and are not impaired.

Recoverability of trade debtors

The economic impacts of climate change may damage our customers' liquidity, leading to irrecoverable debts. Cash collection has remained strong across the Group throughout 2022 and we mitigate this risk through credit insurance policies.

We have not identified any indicators that our customers' ability to settle debts has been impacted by climate change factors. Financial controls are in place to identify any concerns regarding bad debts.

Furthermore, any risks arising as a result of climate change are expected to occur slowly over an extended period of time, enabling management to respond.

Trade payables and other liabilities

The economic impacts of climate change may damage our suppliers' abilities to continue in operation, disrupting our supply chain. We have not identified any signs that the ability of our suppliers to continue trading is currently impacted by climate change and consider this unlikely.

Where we hold provisions for restoration, it is likely that the sustainability standards governing restoration obligations will increase over time. However, this would not impact measurement of existing liabilities.

Going Concern and Viability

We have considered the impact of climate change through the short to medium-term forecasts used to support our use of the Going Concern assumption in preparing our financial statements, and our Viability assessment over a three-year period.

Over the longer term, it is possible that the impact of climate change could result in increased costs of capital. However we completed a successful refinancing exercise in 2021 at competitive interest rates, we maintain positive relationships with our lenders and there has been no indication that the impact of climate change will result in any significant issue in the Group obtaining finance.

Sustainability

We are a **progressive, sustainable** business

Our sustainability strategy and framework has clear focus areas and targets

	Planet »60	People »70	Places »77
	Make a material difference to the environment	Make a material difference to society	Make a material difference to the built environment
2030 TARGET	**30% reduction in gross carbon intensity per tonne cementitious product (from 2005 baseline)**	**Positively impact more than 100,000 people**	**50% of our concrete and asphalt sales revenue from products with enhanced sustainability attributes**
FOCUS AREAS	Carbon reduction Responsible resource use and waste reduction Positive impact on nature and biodiversity	Develop and empower a diverse, talented workforce Positive impact on the communities in which we work	Higher performance or lower embodied carbon potential products and services Develop solutions that will help customers achieve their sustainability goals Cross-industry collaboration

Fundamental operating Principles »82

- Health, safety and wellbeing
- Good governance
- Ethics and compliance
- Quality
- Stakeholder engagement

Alignment with best practice

Global Cement and Concrete Association member	Mineral Products Association member	Business for Nature commitment
Contributing to UN SDGs	Climate-related risk assessment	SBTi commitment

Sustainability

Our purpose and progress

Our purpose is to make a material difference to the lives of our colleagues, customers and communities, and our products play an essential part in creating a sustainable built environment for everyone.

Breedon's Sustainability Strategy and Framework focuses on our most material areas of impact – Planet, People and Places, underpinned by our Principles – and is linked to our Company vision, strategy and purpose.

Embedding our approach

Over the past year we have embedded a consideration for sustainability more firmly throughout our business. We established a Board-level Sustainability Committee and appointed Executive Committee sponsors and cross-divisional working groups to support the divisions in achieving their targets for each of the Planet, People, Places and Principles focus areas.

Progress in 2022

Good progress has been made towards our remuneration-linked 2030 targets, including the launch of Breedon Balance, a range of products that have enhanced sustainability attributes.

In addition to the Cement divisions' decarbonisation roadmap to 2050, we have published a roadmap for the GB Materials and Surfacing Solutions divisions.

Furthermore, our commitment to develop science-based carbon reduction targets was accepted by the Science Based Targets initiative.

We have undertaken climate scenario modelling to better understand potential risks and opportunities, and in doing so we have met the requirements of the Task Force on Climate-Related Financial Disclosures. More detail on our response to those risks is on pages 50 to 57.

The scope and quality of our performance data has increased year-on-year. In 2022 we have further improved the assessment and recording of our Scope 3 emissions and, to demonstrate our continued commitment to accurate and transparent reporting, Bureau Veritas UK provided an independent limited assurance opinion on our Health and Safety metrics, energy consumption and Scope 1 and Scope 2 greenhouse gas emissions, as well as an assurance readiness check for our improved Scope 3 emissions. The full Limited Assurance Statement can be found on our website at www.breedongroup.com/sustainability.

Future focus

Our focus for 2023 will be to continue making progress on our shorter-term targets toward a further reduction in Group carbon intensity; positively impacting people; and increasing the sales of sustainable products, aligned with our longer-term 2030 goals.

We will continue to improve the robustness of our performance data and align our reporting to a recognised sustainability reporting framework. We have committed to disclose our full Environmental, Social and Governance (ESG) performance to a credible external framework in 2023.

In addition we will conduct a new Materiality Assessment to ensure our sustainability focus continues to be on the areas of greatest impact and importance to our business and to our stakeholders.

Sustainability > Planet

Planet
Our focus

Our aim is to make a positive material difference to the environment. We are committed to achieving net zero by 2050, managing resources responsibly and creating a positive impact on nature.

2030 target **30% reduction in gross carbon intensity per tonne cementitious product**

Focus areas	Related risks	UN SDG alignment
Carbon and energy reduction »61	Climate change Environmental impact Input costs Legal and regulatory	7 Affordable and clean energy; 13 Climate action
Responsible resource use and waste reduction »66	Environmental impact Input costs Legal and regulatory Mineral reserves	6 Clean water and sanitation; 12 Responsible consumption and production
Positive impact on nature and biodiversity »68	Environmental impact Legal and regulatory	15 Life on land

Highlights

Emissions intensity per tonne cementitious product	Emissions intensity by revenue	Emissions intensity per tonne core product	Alternative fuel usage rate
23% reduction from 2005 baseline	**1.3** $kgCO_2e/£$	**46.3** $kgCO_2e/t$	**48.5%**

Trees planted	Biodiversity Action Plans	Climate-related risks assessed	SBTi commitment accepted
c.31,000	**25**	TCFD Task Force on Climate-related Financial Disclosures	Science Based Targets

Sustainability > Planet

Carbon and energy reduction

Progress highlights	YoY improvement
Emissions intensity – Cementitious % reduction per tonne from 2005 baseline 2022: 23% 2021: 23% 2020 2019 2018	**Stable** We have maintained a 23% reduction from our 2005 baseline year. We are targeting further reductions in line with our 2050 decarbonisation roadmap.
Emissions intensity – Revenue $kgCO_2e/£$ 2022: 1.3 2021: 1.6 2020: 1.7 2019: 1.9 2018	**19%** Our total location-based emissions were 1.8 $MtCO_2e$. The resultant emissions intensity is 1.3$kgCO_2e/£$ revenue, a reduction of 19% in comparison to 2021.
Emissions intensity by core products $kgCO_2e/t$ core products 2022: 46.3 2021: 44.2 2020: 47.2 2019: 54.8 2018	**-5%** Our emissions intensity per tonne of core product sales increased by 5%. This metric uses the total location-based Scope 1 and 2 emissions as shown on page 63.
Energy intensity kWh/tonne 2022: 71.7 2021: 68.3 2020: 75.0 2019: 84.5 2018	**-5%** Our total energy intensity per tonne of core product sales increased by 5% from 2021. This metric uses the total energy excluding road transport as shown on page 63.

Our focus on getting to net zero

We are committed to achieving net zero by 2050 and will make every effort to reach this goal sooner.

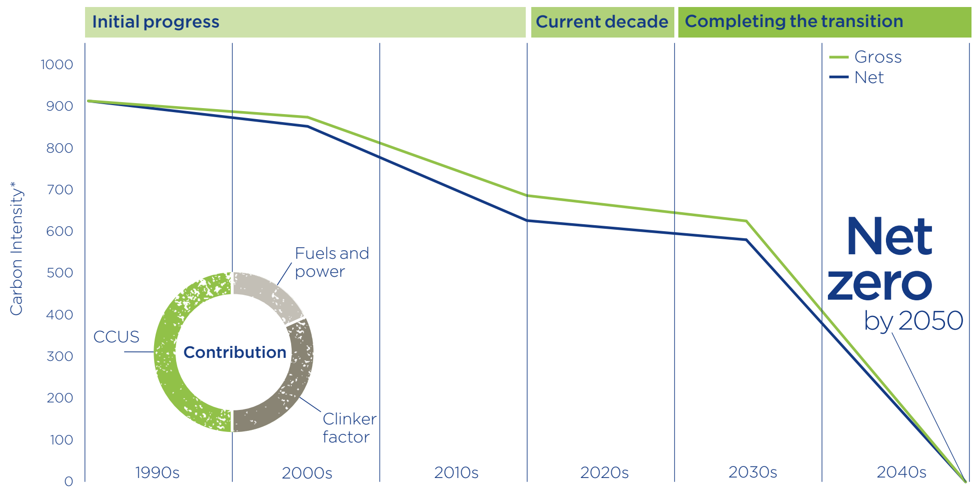
Net zero means eliminating almost all Scope 1 and 2 emissions and significantly reducing our Scope 3 emissions, with any residual emissions permanently offset through fully validated and approved schemes.

The challenge is significant, and one which cannot be achieved without a coordinated effort between our colleagues, our customers, our supply chain and our wider stakeholders.

To ensure that our commitments contribute to the wider global decarbonisation goals, Breedon formally submitted its commitment letter to the SBTi in July 2022, which was accepted. We will develop near-term targets following the SBTi Net Zero Standard and the 1.5°C pathway and will submit these to SBTi for validation in due course.

Following our SBTi target validation, we will update our decarbonisation roadmaps to ensure each of our business divisions has a framework for their reduction strategies and firm targets in place out to 2030 and beyond and we will report progress against these targets in future reports.

Cement decarbonisation roadmap to 2050



* $kgCO_2$ gross or net/t cementitious

Sustainability > Planet

Climate-related financial disclosures

What we said we would do	Progress in 2022
Establish Planet Working Groups across each division.	– A cross-divisional Planet Working Group was established and met four times in the year.
Carry out TCFD climate scenario analysis and use output to highlight risks, inform priority actions and highlight areas of investment.	– Carried out our first TCFD climate scenario analysis, the results of which can be found on pages 50 to 57.
Expand the Scope 3 data collection and reporting to include additional categories.	– Increased the number of Scope 3 categories from 4 to 11. – Additional assurance readiness checks undertaken to further inform improvements to our data and processes.

As part of our longer-term commitment, we continue to engage in the pioneering HyNet carbon capture and storage infrastructure project as a member of the Peak Cluster.

We support the aims of the TCFD and have adopted their reporting recommendations to aid both our understanding of climate change impacts on our business, and of our business on climate change.

During 2022 we engaged a third party to carry out detailed climate scenario modelling on the impact climate change could have on the Breedon business and our operational activities out to 2050 and beyond.

The climate modelling looked at several physical and transitional risks relevant to our operations, mapped on an Orderly transition, Disorderly transition and Adaptation scenario perspective.

These risks were further modelled with key value drivers such as future cost of fuel, carbon credits and availability of raw materials to provide a view of more detailed short, medium and long-term climate-related risks and opportunity considerations.

This enabled us to quantify the financial impacts of potential risks and focus our strategic considerations relating to investment, innovation, our products and markets.

The short-term analysis to 2025 aligns with our short-term financial planning cycle, the medium-term analysis aligns with our 2030 decarbonisation target and roadmap, and the longer-term analysis aligns with our commitment to achieve net zero by 2050.

The key targets we monitor are:

- 30% reduction in gross carbon intensity per tonne cementitious product; and
- 50% of revenue from sales of concrete and asphalt products with enhanced sustainability attributes.

These targets are included in our key non-financial KPIs on page 37 and are linked to remuneration.

Full details of the methodology used and the results of the modelling can be found in the TCFD section on pages 50 to 57.

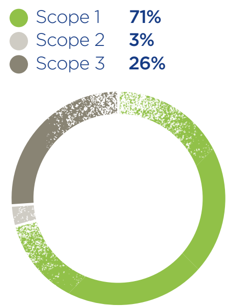
Reducing carbon emissions

We continue to make good progress on our operational energy and carbon improvements; understanding our energy improvement opportunities at sites; and allocating funds to renewables projects and for the construction of CEM II silos which will increase our ability to provide lower carbon products across the UK.

In addition to our Cement division's net zero roadmap above, a Carbon Reduction Plan (aligned with UK Government's Procurement Policy Note 06/21) has been developed and published on our website for our GB Materials and Surfacing Solutions divisions.

Breakdown of Scope 3 categories

GHG Protocol – Scope 3 emissions categories	2022 tonnes CO_2e	% of Total Scope 1, 2, 3 emissions
1: Purchased goods and services	348,753	14.3%
2: Capital goods	27,593	1.1%
3: Fuel and energy-related activities	121,988	5.0%
4: Upstream transportation and distribution	90,837	3.7%
5: Waste generated in operations	1,007	0.0%
6: Business travel	840	0.0%
7: Employee commuting	7,338	0.3%
8: Upstream leased assets	270	0.0%
9: Downstream transportation and distribution	20,290	0.8%
10: Processing of sold products	4,936	0.2%
12: End-of-life treatment of sold products	72	0.0%
Scope 3 total	**623,923**	**25.5%**



Sustainability > Planet

Breedon Group energy and carbon consumption and emissions 2022

	Great Britain	Ireland	Cement	**2022 Group total**	2021	% diff (2022/21)
On-site combustion (MWh)	547,974	160,886	1,761,280	**2,470,140**	2,578,588	-4.2%
Electricity (MWh)	93,374	16,538	241,559	**351,471**	379,861	-7.5%
Road Transport (MWh)	73,003	11,466	15,620	**100,089**	112,796	-11.3%
Energy (MWh)	**714,351**	**188,890**	**2,018,459**	**2,921,700**	**3,071,245**	-4.9%
Process emissions Scope 1 (tCO_2e)	n/a	n/a	1,046,836	**1,046,836**	1,098,517	-4.7%
Scope 1 (tCO_2e)	154,730	43,001	502,307	**700,038**	730,075	-4.1%
Scope 2 (tCO_2e) location based	18,057	3,975	51,558	**73,590**	86,539	-15.0%
Scope 2 (tCO_2e) market-based	0	1,948	257	**2,205**	–	
Total (tCO_2e) location-based	**172,787**	**46,976**	**1,600,701**	**1,820,464**	**1,915,131**	-4.9%
Total (tCO_2e) market-based	**154,730**	**44,949**	**1,549,400**	**1,749,079**	**1,828,592**	-4.3%

	Energy MWh	%	tCO_2e (inc. process)	%
UK	2,153,399	74%	1,341,524	74%
Rest of World	768,301	26%	478,940	26%
Total	**2,921,700**	**100%**	**1,820,464**	**100%**

The table above shows the total annual energy use associated with the consumption of electricity, natural gas, all other fuels combusted on site, and fuel consumed for relevant business transport purposes, for the period 1 January to 31 December 2022, and a comparison with 2021. To provide a true reflection of our relevant emissions, this disclosure extends beyond the minimum requirement set by the regulations and includes direct process emissions associated with cement manufacture.

Bureau Veritas UK provided an independent limited assurance opinion on our 2022 data for energy consumption and Scope 1 and Scope 2 GHG emissions. The full Limited Assurance Statement can be found on our website at www.breedongroup.com/sustainability.

Methodology

The methodology applied to the calculation of greenhouse gas emissions is the GHG Protocol Corporate Accounting and Reporting Standard.

We have applied an operational control boundary, and carbon conversion factors have been taken from UK Government GHG Conversion Factors for Company Reporting – 2022. Emissions are reported as CO_2e. Location and market-based electricity emissions have been reported, as per previous years, to reflect the Group's choice of electricity supply.

Scope 3 reporting

We have made good progress on understanding and measuring our Scope 3 emissions, expanding the number of categories we measure from 4 to 11.

As a result of our engagement with SBTi, all 15 categories of Scope 3 emissions were re-assessed during 2022 and data sources identified that would meet the requirements of the GHG protocol Scope 3 calculation guidance. Four categories were identified as not relevant or where the emissions were already accounted for within other reporting scopes. The remaining 11 categories of Scope 3 emissions total 623,923 tonnes CO_2e and relate to 25.5% of total emissions. Details can be seen in the Breakdown of Scope 3 Categories chart on page 62.

Our focus for 2023 and beyond is to further improve the robustness of the primary data and to reduce the impacts from these areas.

Emissions intensity

We have used a carbon intensity metric to express the emissions, for the purpose of establishing a baseline and for ongoing comparison. The intensity metric chosen is by £ revenue. Using our 'location-based' emissions total, the resultant emissions intensity is 1.3kgCO_2e/£ revenue. This represents a reduction of 19% in comparison to 2021.

We have continued to make progress at our two Cement works with improvements to the use of alternative fuels and raw materials and have achieved a combined 48.5% replacement of fossil fuels.

The focus for 2023 will include feasibility studies for several carbon and energy reduction levers including carbon capture and use or storage (CCUS) and further reductions to clinker factors.

In order to reduce our Scope 2 emissions, we have undertaken assessments for the use of on-site renewables across the Breedon portfolio. Several projects have been identified as a result and will be progressed in 2023.

Sustainability > Planet

Alternative raw materials and alternative fuels

What we said we would do	Progress in 2022
Investigate alternative fuels for use in our quarry mobile plant to reduce our carbon emissions.	– Trialled the use of HVO in quarry dumper vehicle as alternative to diesel. – Trials of low carbon alternative fuels and innovative technologies in our plant machinery and mobile equipment.
Improve the efficiency and utilisation of our own fleet.	– Further reduction of transportation and haulage impacts through specific targets for an all-electric business car and van fleet, and a roadmap for our internal haulage fleet towards electric and hydrogen.

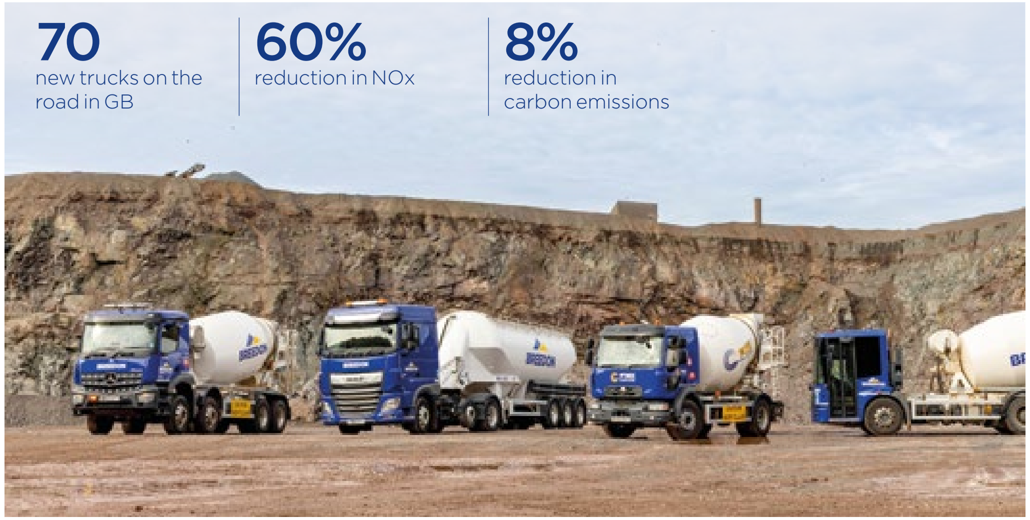
Our cement plants substitute high levels of fossil fuels with waste-derived materials that would otherwise go to landfill.

In 2022 we achieved record levels of alternative fuel use. Hope increased to 35%, up from 33% last year and Kinnegad achieved 77%, up from 75% last year.

Kinnegad's precalcining and kiln burning systems have been modified to maximise use of alternative fuels. At times it exceeded 90% replacement, utilising 93,000 tonnes of alternative fuels, of which 86% was Solid Recovered Fuel, 10% was Liquid Recovered Fuel and 4% was Meat and Bone Meal.

Current volumes of waste derived fuels at Hope are approaching 70,000 tonnes per annum. Apart from the heat these fuel streams generate, the ash contained within these fuels is incorporated into the final product, thereby reducing the amount of virgin raw materials that need to be quarried.

Projects to make continued improvement in this area are ongoing.



Other alternative fuel trials have taken place across the Group in 2022. Hydrotreated Vegetable Oil (HVO) trials in quarry vehicles took place in Northern Ireland and an order was placed for an onboard electrolyser to be installed into a diesel-powered excavator which drip feeds hydrogen into the combustion chamber of the engine, with potential improvements to fuel consumption and air quality. The results of this trial will be published on our website.

Transport and logistics

Across GB, we put 70 new trucks on the road. These were all Euro 6 and, compared to the older fleet, give a 60% reduction in nitrogen oxides (NOx) and an 8% reduction in carbon emissions. These improvements are gained from more efficient engines and fuel management systems.

Following the improved fuel efficiency and road safety in the vehicles where we had installed the Lightfoot Dynamic system previously, we continued to install the Lightfoot system in vans and 4x4s used across the business.

Sustainability > Planet

Energy management

What we said we would do	Progress in 2022
Extend the scope of the ISO 50001:2018 Energy Management System.	– Ireland ISO 50001 certificate extended to Dublin port. – Commenced pre-assessment of the ISO 50001 standard for our GB operations, including Hope Cement Works.
Implement a range of energy-saving opportunities identified in the 2021 energy surveys and carry out further energy surveys.	– New energy and carbon surveys were undertaken in 2022, with several improvement opportunities identified.
Explore opportunities for renewables to be deployed at appropriate sites.	– Identified several on-site renewable projects for development in 2023. – Rollout of on-site renewables across viable Breedon sites, focusing on rooftop or ground solar, wind and hydro-electric generation.

Last year we said we would increase the number of plants accredited to the ISO 50001 energy management standard. In Ireland we have expanded the scope of certification to cover Dublin Port Bitumen Terminal and will look to bring in more of the southern plants in 2023.

In GB, Breedon Cement and Breedon Trading have begun the process of certification with an accreditor appointed and audits of the energy management system taking place in the first half of 2023.

Increasing energy efficiency

Our businesses continue to drive for energy efficiency improvements, including regular reviews of sites' baseload energy usage to ensure electricity used during non-operational hours is minimised.

Operational efficiency audits continued in 2022 at our Norton Bottoms quarry where a deep dive into the production rates, losses and processes on site resulted in a reduction of 20% energy consumption per tonne of output versus the previous year.

At our Dowlow quarry, by understanding the impacts of the flow of mobile plant on site, and through weekly planning meetings and improvements to planned maintenance, a saving of 5% on fuel consumption was realised.

Renewable energy

Almost all our electricity was supplied from renewable contracts in 2022 , although our on-site generation has been limited to date.

During 2022 we carried out renewable energy feasibility assessment studies at a number of sites to identify on-site opportunities.

The largest project is a field solar array for up to 17MW at land adjacent to our Kinnegad cement plant. Planning consents have been received for the project, which will have the capacity to deliver up to 20% of the plant's energy needs.

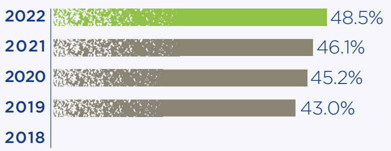
Naunton quarry is supplied by solar generated renewable energy

Sustainability > Planet

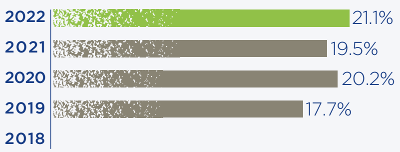
Responsible use of resources, wastes and water

Progress highlights	YoY improvement
Alternative fuels substitution rate kiln fuel	**2.4ppt** Hope increased to 35%, up from 33% in 2021 and Kinnegad achieved 77%, up from 75% in 2021.
% biomass used kiln fuel	**1.6ppt** The combined rate of biomass used at our cement plants is at a record high of 21.1%
Mains water litres/tonne	**6%** Our mains water per tonne of core product sales reduced by 6% from 2021.

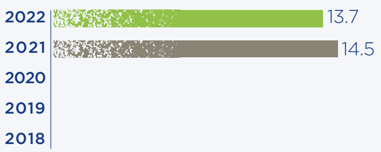
Alternative fuels substitution rate
kiln fuel



% biomass used
kiln fuel



Mains water
litres/tonne



Pollution prevention and control

We closely monitor environmental compliance and seek continued improvement, with stringent monitoring, maintenance and reporting systems in place to detect and prevent incidents.

With 94% of our operational sites certified to the ISO 14001:2015 environmental management system standard, routine internal and external audits are carried out to ensure we comply with environmental legislation and understand and mitigate our environmental impacts. In 2022, 149 internal audits and 140 external audits were carried out across the Group. No environmental enforcements were received in the year.

What we said we would do	Progress in 2022
Determine and begin the site construction for Hope's ARM project.	– Planning permission received for Hope's new ARM project.
Complete development work on the Kinnegad reception systems to further improve alternative material handling systems.	– New system implemented at Kinnegad plant enables the site to receive and process deliveries of alternative materials more efficiently.
Further recycled asphalt planings (RAP) additions to asphalt plants and maximise recovery of materials.	– Several asphalt plants improved to enable increased utilisation of RAP. Mansfield asphalt plant capable of up to 50% RAP utilisation (see page 29).

Minimising waste sent to landfill

We continue to work with our waste contractor partners to minimise waste sent to landfill. Through engagement with suppliers, clear waste segregation practices and identifying reuse opportunities, we follow the waste hierarchy at our operations.

Steps have been taken to look at the packaging we put out into the market, even though the vast majority of our products are supplied without any packaging. At our brick and tile site in Ireland we now have at least 30% recycled plastic in all our packaging and we have removed paper sheets, eliminating eight tonnes of paper use per annum.

Sustainability > Planet

Reuse of secondary and waste materials

Where sites produce material that may not be suitable for primary sources, we seek to identify opportunities for reuse.

At our Tom's Forest quarry, a relatively innovative process has been deployed to make use of overburden. The material, largely decomposed granite, has been put through a wash plant to reclaim a sand-like material for use in ready-mixed concrete. Since the Aberdeen market is short of sand, this saves a large number of lorry movements which would otherwise have been used to import sand to the concrete plant on site.

The use of RAP increased in 2022. In Scotland we increased our use of RAP in the asphalt business to 14,500 tonnes, saving around 600 tonnes of bitumen and reusing 13,900 tonnes of old road surfaces in new production.

Our investment in our Mansfield asphalt plant has extended our RAP capabilities further with up to 50% substitution rates possible. The site will be able to reuse tar bound material through a cold mix process. More details can be found on page 29.

Responsible use of water

During 2022 our sites in Ireland carried out water surveys to get a good understanding of the flows of water on site, where further metering would be beneficial and where there are potential water savings. The actions resulting from these surveys will begin to be implemented in 2023.

We continue to focus on reducing our reliance on mains water and have ponds and lagoons at specific sites, including a newly installed settlement lagoon system at Lobinstown quarry.

Our water supply contracts are being consolidated to improve automated measurement and monitoring, and to reduce costs.

Our focus for 2023 will be on our top mains water consuming sites and installing smart metering to identify any opportunities for savings.

What we said we would do	Progress in 2022
Improve waste generation data collection and prepare for UK-wide digital waste tracking service.	– Improvements in site's waste data collection and continued engagement through industry association circular economy group to prepare for the digital tracking service.
Improve water data gathering by installing meters to monitor water discharge volumes and recycled water usage.	– Water survey has been completed for all Breedon Ireland sites. Additional water meters will be installed at key sites in 2023.
Develop Environmental Sustainability training.	– Institute of Environmental Management and Assessment (IEMA) accreditation obtained for the Breedon Sustainability Centre; this allowed our approved internal teams to deliver IEMA certified courses to our managers.

IEMA Sustainability Skills for Managers

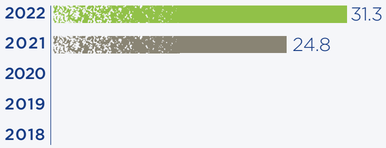
As corporate members of IEMA, we work together to develop our workforce against a backdrop of numerous sustainability and climate threats. In 2021 we began developing bespoke IEMA approved training for our business that could be delivered by our teams.

In early 2022 we became an approved IEMA Training Centre and delivered our first approved course in June. The first course developed and rolled out was based on IEMA's Sustainability Skills for Managers, a two-day course intended to support managers and supervisors from any industry in understanding the strategic and operational implications of environmental sustainability. This was made bespoke to Breedon's Sustainability strategy, operations and management systems. Over 40 managers have been through the training to date with the rollout continuing throughout the business.

Sustainability > Planet

Positive impact on nature and biodiversity

Progress highlights	YoY improvement
Trees planted Thousands of trees planted in year	**26%** Over 31,000 trees were planted at sites across the Group in 2022.



What we said we would do	Progress in 2022
Actively implement the Hope land management plan devised with the Derbyshire Wildlife Trust.	– Tree work, enhanced planting and glade creation progress made and ongoing across the site.
Work with the Woodland Trust to identify additional planting areas.	– GB land holdings reviewed.
Develop Biodiversity Action Plans (BAP) for 15 key sites.	– Developed 25 BAPs for key sites.

The growing focus on biodiversity net gain, natural capital, land use and deforestation brings forward the need to ensure that our land holdings deliver a positive contribution to nature. At Breedon, we are uniquely positioned to do more for nature and biodiversity than many other organisations.

We have over 13,000 hectares of land in GB alone, good relationships with the nature groups and communities around our operations, and many engaged and enthusiastic colleagues who are keen to do more for the ecosystems on the sites they work around every day.

Enhancing biodiversity across our sites

Our ambition for 2022 was to develop BAPs for 15 of our key sites. We exceeded our ambition, developing a total of 25 BAPs in 2022, giving us vital insight into how to manage and enhance biodiversity at these key sites.

We intend to develop BAPs for a number of other sites in 2023. A biodiversity week will be held in the spring to raise further awareness of actions that our colleagues can take to promote biodiversity at work, at home and in the community.

Habitat creation

Many projects moved forwards in 2022 including the continued development of the wetlands at North Cave, extending the sand martin colonies at Sandy Bay and Ballystockart and the introduction of beehives to Rossmore quarry. In addition, over 31,000 trees were planted at sites across the Group in 2022.

Biodiversity partnerships

We made progress with the Derbyshire Wildlife Trust as part of Hope Cement Works' land management plan. Work has been carried out on the meadow area and the planting of around 600 new trees across the site. Further biodiversity improvements are planned in 2023 and, to support this, a dedicated biodiversity officer is being recruited for GB Cement.

Our Kingscourt Brick factory has joined the Guaranteed Irish Forest initiative, which aims to encourage climate action engagement and increase biodiversity.

Heritage and archaeology

Recent excavations at Black Cat quarry and the nearby Tempsford area in Bedfordshire have revealed a diverse range of archaeological remains, stretching from the Upper Palaeolithic to the early medieval period, with particular concentrations from the early Bronze Age, the Iron Age, the Roman period, and some echoes of a Viking presence, too.

As well as providing illuminating insights into the area's past, the archaeological works at Black Cat quarry generated numerous opportunities for engagement with the local community, providing talks to various heritage and community groups.

Children and staff from a local school visited the site to experience archaeology first-hand, meeting the quarry manager, touring the site, and even excavating test-pits. The archive has been deposited at the Higgins Art Gallery and Museum in Bedford, and full excavation reports are available through the Archaeological Data Service.

Sustainability > Planet

Bird ringing programme at Mullaghglass

Following on from a bird survey carried out at our Mullaghglass landfill site in the Belfast Hills in 2021, Russell Drew, Environment Manager for Breedon Ireland, engaged with representatives from the Constant Effort Sites Scheme (CES), a national standardised bird ringing programme within the British Trust for Ornithology, to begin a programme of bird ringing on site.

This scheme is supported by a partnership between Breedon Ireland and the British Trust for Ornithology (BTO) and the Joint Nature Conservation Committee on behalf of the Department of Agriculture, Environment and Rural Affairs (DAERA), Northern Ireland.

Fourteen young local people (all under 25) are being trained to become BTO licensed bird surveyors and ringers. To date two have graduated and have been licensed by DAERA and the remaining 12 should complete their training over the next 6-12 months.

Over the spring and summer of 2022, 12 bird ringing visits took place at our Mullaghglass site where 410 birds were processed, covering 25 species.

The team also reported an impressive variety of dragonflies and damselflies from the new pond area.

> In the past two years, I have seen significantly more wildlife at Mullaghglass landfill site and on other secure Breedon properties than I have seen on many local nature reserves.

Aidan Crean, CES lead

Future focus

- We are committed to achieve a 2% improvement on Group carbon intensity (per tonne of product, normalised to 2022 production levels) by end of 2023.
- We will focus on improving our recording of Scope 3 data and on identifying opportunities to achieve reductions in these emissions.
- We will develop potential science-based carbon reduction targets for strategic consideration, with an aim to make a formal science-based target commitment in due course.
- We will develop a Group-wide waste reduction plan to achieve zero general waste to landfill by 2025, highlighting materials across the divisions that could be used or reused to lower the carbon intensity of our products.
- We will demonstrate an increase in the use of recycled, reused, or alternative raw materials in the manufacture of our cement, brick and tile, concrete and asphalt products.
- We will develop 14 additional Biodiversity Action Plans for key sites by the end of 2023.

Sustainability > People

People
Our focus

Our 3,700 colleagues are the heart of our business, and we aim to attract, develop and retain talent to help us achieve our long-term goals. We aim to be a good neighbour to the communities in which we work, ensuring that we operate ethically and responsibly.

2030 target **Positively impact more than 100,000 people**

Focus areas	Related risks	UN SDG alignment
Develop and empower a diverse, talented workforce »71	– Health, safety and wellbeing – People	4 Quality education; 5 Gender equality; 8 Decent work and economic growth
Positive impact on the communities in which we work »74	– Mineral reserves	8 Decent work and economic growth

Highlights

Employee engagement rate **77%**	New apprentices **60**	Managerial and senior roles held by women **143**
Employee training hours **21,919**	Awarded Silver **5% Club**	People positively impacted since 2021 (28.9% of 2030 target) **28,928**
Charitable donations **£318,087**	Material donations **669** tonnes	Good Neighbour Plans in place **55**

Sustainability > People

Develop and empower a diverse, talented workforce

Colleague engagement

What we said we would do	Progress in 2022
Establish People Working Groups across our business divisions.	– Cross-divisional People Working Group was established, with four meetings held in 2022.
Ensure further development of local employee forums.	– Local employee forums embedded across the Group.

Making our business a great place to work is essential as we rely on our 3,700 colleagues to deliver for our customers every day.

Colleague engagement continues to be a high priority and this year we launched our new 'always listening' approach to the way we measure engagement with a new-look colleague survey – 'Your Say'.

The engagement survey was sent to all colleagues across all disciplines and our overall engagement score significantly improved to 77% compared to 69% in 2021.

The survey sought to understand how motivated colleagues are to do a good job; how proud colleagues are to work for Breedon; and if they would recommend Breedon as a great place to work.

We actively encourage our colleagues to express their opinions and ideas through various engagement and social channels, such as our employee engagement surveys, our well-established colleague listening sessions, intranet, and our social media collaboration tool, Yammer.

In 2021 Pauline Lafferty became our designated Non-executive Director for Workforce Engagement. In September, Pauline had the opportunity to visit our GB Wales and South Focus Group at Wickwar quarry where she gained a first-hand understanding of the views from our colleagues following the launch of 'Your Say'.

The Focus Group involved colleagues with differing levels of experience, grade and roles to stimulate good discussion and give our colleagues the opportunity to offer their thoughts on the business. Various topics were covered such as community engagement, training and development, leadership, employee recognition mechanisms and employee communications.

We will continue to build on this, working with our colleagues across all areas of the Group to make Breedon an even better place to work.

Colleague wellbeing

Our colleague wellbeing is critical to us, and we understand and appreciate that the pandemic has affected our colleagues in different ways.

As part of our commitment, we were delighted to welcome a new Head of Health, Safety and Wellbeing to Breedon in May. Details of our health, safety and wellbeing strategy and performance can be found on pages 83 and 84.

An integrated wellbeing framework is at the heart of all our plans. We have already provided lots of help and support to our colleagues throughout the year, around their physical and mental wellbeing. In light of the cost-of-living crisis, we put in place additional support and advice around financial wellbeing, providing help with financial literacy, managing debt and longer-term planning for savings, investment and retirement.

Furthermore, through our Home Safe and Well programme, we have significantly enhanced our welfare facilities across the business, with help and support from our colleagues. We will continue this journey throughout 2023.

Diversity and inclusion

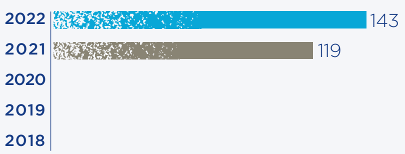
What we said we would do	Progress in 2022
Focus on our strategy to create a diverse, inclusive workforce that is fair and attractive to those wishing to pursue a career in our industry.	– Reviewed our social media engagement and the way vacancies are advertised to be more inclusive. – Focused on attracting women into the sector, especially driver and managerial roles.
Increase the number of women in managerial roles as well as attracting women drivers to ensure we are creating more opportunities within the sector.	– Increased the number of women in managerial and senior roles by 20% from 119 to 143.

Sustainability > People

Diversity and inclusion

Progress highlights	YoY improvement

Number of women at management level



20%

We now have 143 managerial and senior roles held by women.

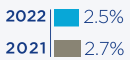
% women in workforce

Stable

Whilst we have increased the number of women in senior and managerial roles, the % of women across our wider workforce remains at 14%.

Workforce breakdown by age

16 to 21 years



22 to 29 years

30 to 39 years

40 to 49 years

50 to 59 years

60 to 69 years

70 plus years

We aim to make Breedon a more inclusive, diverse and fairer place to work. We are in the early stages of our equality, diversity and inclusion journey and are working to formalise a cohesive strategy based on research we undertook in 2022, so that we can implement the right approach to support our colleagues.

In 2022 we reviewed the way we attract and recruit talent, undertaking training on advertising vacancies and on broader engagement across our social media platforms. Our intention is to continue to develop our brand awareness and attraction pipeline to be more inclusive and diverse to positively impact candidate attraction.

We focused on increasing the number of women in managerial roles during 2022. As a result, we now have 143 managerial and senior roles held by women.

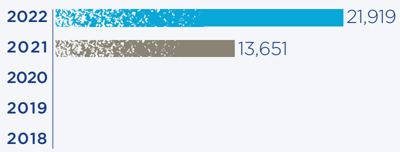
Our gender pay gap remains consistent with previous years and we are on course to greater gender pay parity in the future.

Our focus for 2023 is to create an evidence-led approach to diversity, equality and inclusion that will respond to colleague expectations, as well as directly link to our business strategy and growth requirements. This will see us put in place a number of commitments, which will see us build a diverse and inclusive culture, where we provide a supportive working environment for all our colleagues.

Education, skills, training and development

Progress highlights	YoY improvement

Hours of training provided to employees



61%

21,919 hours of training were provided to employees.

It is essential that we recruit, develop and retain the right people and that we maintain a positive culture and working environment.

We have made good progress in implementing our five-year People Plan, which was approved by the Board during 2021, and aims to embed our values, attract a talented and diverse workforce, provide opportunities for everyone and ensure Breedon remains a great place to work.

We actively support colleagues with technical and professional qualifications, funded through our levy and business sponsorship.

Sustainability > People

Highlights for 2022 include:

- Two colleagues awarded the Minerals Engineering Society 'Outstanding Achievement Award' whilst undertaking the University of Derby foundation degree in mineral extractives. This was in recognition for their mental health in construction projects.
- Twenty-one colleagues achieved certificate and diploma qualifications related to our industry, awarded by the University of Derby, with a further seven colleagues achieving foundation degrees with distinction.

The appetite for learning continues to grow, with 50 new enrolments in higher and further education programmes, adding to the 15 colleagues already engaged with their studies.

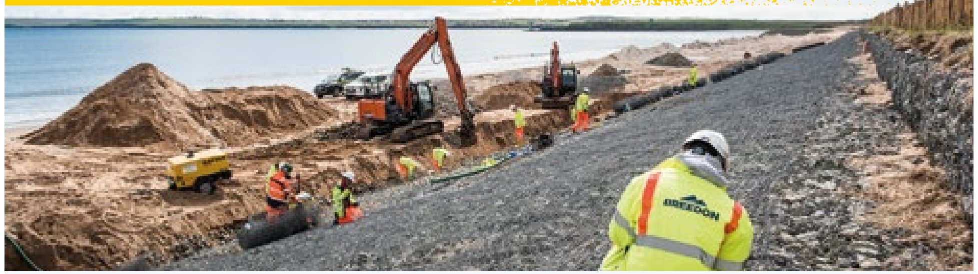
Leadership development

As a foundation for a new approach to leadership development, we have focused our leaders on managing and accelerating people performance by introducing a new performance management framework. Extensive training and coaching continues to be carried out across the Group to equip our leaders.

Aligned to our health, safety and wellbeing agenda, we have integrated wellbeing measurement and conversations into this framework to ensure these become part of our ways of working.

Our focus in 2023 is to build on this and create conversational confidence in our leaders. This will include more targeted development from supervisory level and upwards.

Hebrides surfacing team supporting back-to-work rehabilitation

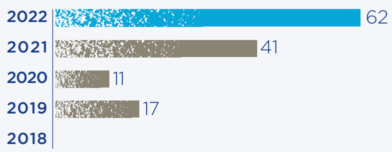


Together with a local social enterprise company, Hebrides Alpha, we have supported over 270 days of supervised back-to-work rehabilitation for individuals with past alcohol or drug-related issues through our Stornoway Airport Coastal Protection project.

Developing the next generation of talent

Progress highlights

Number of graduates/apprentices recruited in year



YoY improvement

51%

We have recruited a record number of new apprentices (60) of which 13% are female.

What we said we would do	Progress in 2022
Focus on early-years careers and introduce ambassadors to work with schools to encourage the younger generation to pursue science, technology, engineering and mathematics careers.	– We have appointed a dedicated Early Careers Manager.
Create more opportunities through our graduate and apprenticeship schemes.	– Two graduates recruited and 60 new apprenticeships, including LGV drivers.

We offer a wide range of graduate and apprenticeship programmes reflecting the breadth and diversity of our people and our business. In 2022 we focused on skills for the future, prioritising our efforts on four key disciplines: electrical and mechanical maintenance technicians, mineral products technicians, drivers, and quarry operatives.

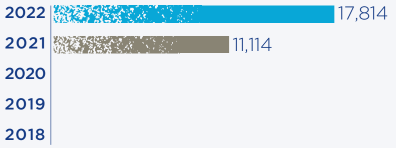
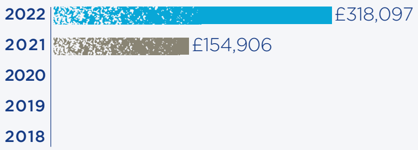
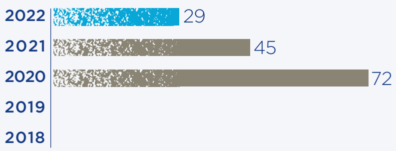
We added two graduates to the 15 recruited in 2021 and concentrated on providing a robust programme of experience and securing positions for them. Our main focus in 2022 has been on growing the apprenticeship opportunities across the business, recruiting a record number of 60 new apprentices of which 13% are female.

We appointed an Early Careers Manager to ensure we have the best programmes in place to attract a pipeline of young people to build their careers at Breedon.

We were pleased to have been awarded silver membership of The 5% Club in recognition of the work we have done to build and develop our workforce, increasing the number, quality and range of 'earn and learn' opportunities across the UK.

Sustainability > People

Positive impact on communities

Progress highlights	YoY improvement
People positively impacted number of people per year 	**60%** Our cumulative total is 28,928 people positively impacted. This is 28.9% of our target to positively influence 100,000 people by 2030.
Community/charitable financial donations £ 	**105%** We more than doubled the amount of financial donations made to communities and charitable organisations.
Community/charitable material donations tonnes 	**30%** We donated 669 tonnes of material to communities and charitable organisations.
Neighbour complaints 	**36%** The number of complaints has reduced to a record low.

Making a positive impact on society

What we said we would do	Progress in 2022
Establish a methodology, such as the National Themes, Outcomes and Measures (TOMS) framework, to enable us to capture and quantify our social value impacts.	– The People Working Group established a framework and developed a methodology for the Group to calculate the number of People Positively Impacted by our actions.
Focus on increasing the provision of social value measurements in tenders.	– Using our People Positively Impacted methodology we are able to calculate and report social value impacts for specific projects.

We aim to create a positive impact on the communities in which we operate.

'Social Value' extends beyond employee volunteering and charitable support. Providing access to employment, creating a safe and inclusive working environment, developing a diverse and talented workforce, our spend with local suppliers, and the positive impacts we have on the environment all create a positive impact on society.

In 2021 we set a target to positively impact 100,000 people by 2030. This required our People Working Group to establish a framework and methodology, broadly aligned to the TOMS framework, to enable us to calculate and report on the number of people we positively impact.

Throughout 2022 we positively impacted 17,814 people, which when added to the 11,114 people we positively impacted in 2021, brings our cumulative total to 28,928 people positively impacted. This is 28.9% of our 2030 target.

Our focus for 2023 is to further improve our data availability and robustness to more fully calculate and report our Social Value impacts.

Sustainability > People

Good Neighbour Plans

Our businesses have active liaison programmes with the communities in which they operate, and they seek to consider their interests and concerns in their operational activities.

As part of our focus on being a good neighbour to the communities around our operational sites, our ambition for 2022 was to develop bespoke Good Neighbour Plans (GNP) for 30 key sites.

We have exceeded this and by the end of the year we had 55 GNPs in place, 41 in GB and 14 in Ireland. We plan to develop additional GNPs in 2023.

Volunteering and supporting the local community

Community involvement and stakeholder engagement is important to us and we are taking positive actions.

In 2022 we donated 669 tonnes of our material to communities and charitable organisations and we doubled our financial donations.

This year we formed charitable partnerships and we introduced a new colleague volunteering programme – Make a Difference Day.

We have supported several of our colleagues' volunteering efforts, from hiking or cross-country charity bike rides to school and careers events or historic garden preservation, to make an impact in the areas that they operate.

We have allocated up to £100,000 per annum to use for matched funding to encourage further involvement and impact. In 2022 the Company matched the local funding raised by colleagues' for victims of the Ukraine conflict.

A highlight in 2022 was a weekend family fun event at our Holme Hall quarry in South Yorkshire in September. Our graduates assisted with the planning and organisation of the event which was supported by many colleagues and local businesses. Over 2,000 people from across the local community came to the site to understand more about the vital role of the quarry, our work in the local area, and to see areas of the site that have already been restored, providing woodland and thriving habitats for nature conservation.

What we said we would do	Progress in 2022
Implement GNPs at all key sites.	– 55 GNPs are now in place across GB and Ireland.
Implement a colleague volunteering programme.	– Launched a new colleague volunteering programme, 'Make a Difference Day'.


Open day at Holme Hall quarry

Sustainability > People

School Climate Challenge

Colleagues from Hope Cement Works worked with the Hope Valley Climate Action group to run the School Climate Challenge with over 300 children in Hope Valley.

The children were engaged by Ghazala Ahmad-Mear sharing her story of the South Pole Energy Challenge 2018, the first polar expedition to use only renewable energy.

The children were educated about the effects of climate change on Antarctica and how that affects us. Working in small groups, the children played a card game devised by Steve Platt, focusing on home energy, travel, consumption, nature, money and communicating.

This inspired the children to consider practical steps to tackle climate change. The children made three pledges to do something new and took these home to involve their families in taking action.

In addition, participation was promoted for the Hope Valley Climate Action group's 'Use the Bus' campaign and 'Walk to School' week. A film is being made and a teacher's pack developed to enable the School Climate Challenge to be made available to all UK schools.

Future focus

- We are committed to demonstrating a positive impact to 25,000 people by the end of 2023.
- We will improve our ability to demonstrate the Social Value of our activities through further embedding the social value methodology developed in 2022 and undertaking an impact assessment for each division.
- We will review and improve the process of formally promoting opportunities and recording volunteering hours to better reflect the actual level of activity being undertaken across the Company.
- We will create a culture of sustainable improvement by improving colleague knowledge, competency and engagement on sustainability.
- We will deliver an employee engagement survey and aim to maintain the participation rate of 75% for 2023.
- We will further develop leadership capability through the delivery of three identified programmes by the end of 2023; Safety Culture Leadership, Senior Leader programme and Leadership Essentials for managers and supervisors.

Sustainability > Places

Places
Our focus

Our focus on research, development, innovation and collaboration aims to provide our customers with products that contribute to a more sustainable built environment.

2030 target **50% of our concrete and asphalt sales revenue from products with enhanced sustainability attributes**

Focus areas	Related risks	UN SDG alignment
Sustainable products and services »78	– Market conditions – Product specification	11
Research, development and innovation »80	– Climate change – Product specification	9
Collaboration and influence »81	– Market conditions	11

Highlights

Revenue from sustainable concrete and asphalt products

37%

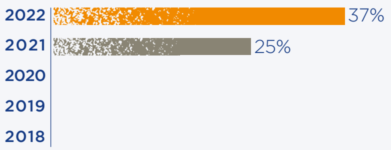
Breedon Balance sustainable product range launched

BREEDON BALANCE
RESPONSIBLY MAKING A MATERIAL DIFFERENCE

Sustainability > Places

Sustainable products and services

Progress highlights	YoY improvement
Sustainable concrete and asphalt sales revenue % of total concrete and asphalt revenue	**12ppt** 37% of our concrete and asphalt revenue was from products with sustainable attributes such as lower embodied carbon, or an increased percentage of recycled content. This compares to 25% in 2021.



To be included in our Breedon Balance portfolio, products must meet or exceed the stringent threshold values we have set based around these criteria:

- Lower carbon footprint than a generic market equivalent
- Incorporates recycled content in the product
- Less resource intensive or longer lasting
- Positive impact on nature and biodiversity
- Positive impact on water usage
- Is ethically sourced

Sustainable products

Our innovative, lower carbon products can contribute towards creating a more sustainable built environment, including infrastructure projects which enhance climate resilience, such as flood defence schemes, and in transitional technologies such as green energy networks.

What we said we would do	Progress in 2022
Increase sales volumes of bulk CEM II product.	– Increased CEM II volumes to nearly 400,000 tonnes.
Develop Environmental Product Declarations (EPD) for key products, including all our main cement products at Hope and Kinnegad.	– Developed and published an EPD for Kinnegad's product. EPDs for Hope's products to follow in 2023.
Work with alternative manufactured aggregate producers to develop suitable aggregate that may be used in our concrete blocks and ready-mixed concrete business.	– Continued work with OCO Technology on manufactured aggregates and with recycling companies that process Incinerated Bottom Ash as a recycled aggregate suitable for use in concrete.
Expand the viability of the successfully developed geopolymer concrete that has a significantly reduced level of CO_2 and may be used in many applications.	– Several geopolymer concrete projects delivered in 2022.
The following new non-financial KPI will be reported from 2022: Revenue from concrete and asphalt eco products.	– Revenue from concrete and asphalt products with sustainable attributes now formally included in non-financial KPIs.

Sustainability > Places

Our 2030 target is to achieve 50% of our annual concrete and asphalt sales revenue from products that have enhanced sustainability attributes such as lower embodied carbon, or an increased percentage of recycled content. We achieved 25% of our annual sales revenue from sustainable asphalt and concrete products in 2021 and further improved on that in 2022 with 37% of our annual revenue from these products. Building on this performance we are committed to deliver a further increase in 2023 of 3ppt in sales revenue from concrete and asphalt products with enhanced sustainability attributes.

Our product technical teams evaluate and research new products, materials, methods and technologies and test these in the field to assess their performance.

One of the key focus areas for 2022 was the development and launch of our sustainable product offering, Breedon Balance.

Officially launched in January 2023, Breedon Balance products address the broad nature of challenges our customers face: lowering carbon, utilising recycled materials, increasing the product life, minimising water footprints, enhancing biodiversity, and ensuring ethical sourcing practices.

Over the course of this year we will be working with our commercial and sales teams to fully integrate the Breedon Balance ethos and provide solutions to our customers that meet their sustainable development goals.

Environmental Product Declarations

To enable customers to select the most appropriate sustainable product, we provide carbon calculations or Lifecycle Analysis data on request.

As a further demonstration of our commitment to transparency we provide EPDs on key products. In addition to the EPD already published for Kingscourt Brick, Kinnegad Cement published an EPD in 2022 and Hope Cement has EPDs under development for 2023.

Adapting our operations

Our Hope Cement Works, which traditionally produces ordinary Portland cement CEM I and a high strength Rapid cement, started production of a lower carbon CEM II bulk product in 2022.

The CEM I we produce is typically combined with Supplementary Cementitious Materials such as fly ash, ground granulated blastfurnace slag (GGBS) or limestone at our concrete plants to reduce the embodied CO_2 of our concrete.

To reduce the embodied carbon of the cement itself, production of the Rapid cement (typically around 25kgCO_2/tonne higher than CEM I) was ceased, and the silo space was used to begin the supply of bulk CEM II into the GB market.

Replacing a portion of the clinker in the CEM II mix with limestone lowers the embodied CO_2 by up to 100kgCO_2/tonne. This CEM II can then be combined with additional Supplementary Cementitious Materials at our concrete plants to lower the embodied carbon of our concrete further.

A multi-million pound investment was approved to install silos across the ready-mixed concrete network to enable us to provide lower carbon CEM II ready-mixed concrete. In the year, we increased our CEM II volumes to nearly 400,000 tonnes.

In our Surfacing Solutions business, a number of recofoam projects were delivered, which utilise in situ recycling of the existing roads to give both savings of the natural resources and carbon savings from the reduced transport impacts. Across three projects in Scotland alone, the A86 in Creagdugh, the A96 in Pitmatchie and the A77 in Stranrear, we estimate over 600 tonnes of CO_2 was saved.

Upgrades to asphalt plants were approved in 2022, with a rollout of warm-mix dosing systems to begin in 2023.

The commissioning of the Mansfield asphalt plant, equipped with the latest asphalt technology will allow the plant to supply asphalt with high RAP content and cold mix solutions. More detail of this project can be found on page 31.

Sustainability > Places

Research, development and innovation

What we said we would do	Progress in 2022
Continue the research, development and promotion of sustainable products to help our customers mitigate climate change impacts.	– Continued laboratory evaluation and development of bio-binders. – Further temperature and fuel use reductions for warm-mix asphalts. – Developed the use of calcined clays in concrete and expanded the use of geopolymer concrete. – Increased the use of recycled aggregate in asphalt, concrete, and building products. – Developed and expanded on the use of alkali activated concrete and continued research into the injection of CO_2 into concrete.
Establish a new GB technical development and innovation centre.	– Several options were evaluated but did not meet all our requirements. This remains a focus for 2023.

Innovation is a key part of the Breedon culture and its future, from the development of lower carbon cements, to utilising recycled materials in products and from adopting new production methods to utilising additives that enhance the product lifecycle.

We have further enhanced our working relationships with research consultants and academia and for our major product streams we are partnering with others for the development of more sustainable products including bio-binders for asphalt and self-healing characteristics for concrete.

Minerals locking in carbon

In 2022 Breedon entered into a new venture alongside UNDO Carbon Ltd to provide a specific mineral product for carbon sequestration. Working with UNDO, our technical and operational teams identified, tested and supplied 25,000 tonnes of the optimal mineral material required.

UNDO spreads mineral-rich crushed basalt rock on agricultural land, enriching soil health while removing carbon dioxide from the atmosphere through a process called enhanced rock weathering.

Rainwater combines with CO_2 as it falls through the atmosphere, forming carbonic acid. When this dilute acid hits the ground, the CO_2 interacts with the basalt rock, mineralises and is safely stored as solid bicarbonate ions for 100,000+ years. This carbon removal technology is permanent, rapid and scalable.

In 2022 UNDO spread 24,000 tonnes of crushed basalt rock across 1,200 hectares of farmland, removing approximately 6,000 tonnes of CO_2.

Sustainability > Places

Collaboration and influence

What we said we would do	Progress in 2022
Establish a Places Working Group across our business divisions.	– Cross-divisional Places Working Group established and met four times in 2022.
Ongoing collaboration with UK and Ireland universities to develop innovative products.	– Collaborating with universities for the development of innovative products that potentially require extensive research especially in the fields of asphalt and concrete. – Several confidential projects being progressed.

Cross-industry collaboration

As active members of both the Mineral Products Association (MPA) and the Global Cement and Concrete Association (GCCA), we are well positioned to collaborate with our peers to tackle the barriers towards a greater adoption of sustainable solutions. Some of the shared challenges being addressed collaboratively are: agreeing a standard approach for carbon reporting; consistent declarations in EPD and Life Cycle Assessment tools; green procurement; and changes required to existing specifications in product standards to allow for more sustainable alternatives and mix designs.

Collaboration across the supply chain

In terms of supply chain collaboration, we have a longstanding relationship with OCO Technology, who utilise by-products from our operations and waste material from other industries to produce a carbon negative manufactured aggregate. This material is then supplied to our plants to incorporate into aggregate fill material, reducing the demand on natural resources. Our technical teams have worked with OCO to create a material suitable for use in ready-mixed concrete, concrete blocks and potentially other product applications.

Influencing standards

Our efforts to inform and influence specifications have led to slate material from our Welsh Slate operation now being specified by the Welsh Government for use in bituminous base and binder mixtures. The use of secondary slate material in ready-mixed concrete is also being technically evaluated. This reduces the demand for primary materials and makes good use of what would otherwise be a waste material.

Further influence on specification is through our membership and participation on MPA technical committee panels for asphalt, concrete and cement BSI standards, specifically MPA Asphalt Technical Panel, Cement Standards Committee B516, and B517 Concrete Standard Committee for BS 8500.

Future focus

- Building on the performance in 2022 we are committed to deliver a further increase of 3ppt in sales revenue from concrete and asphalt products with enhanced sustainability attributes.
- In addition, we will launch, monitor and start to report on the proportion of revenue achieved specifically from products that meet the more stringent criteria of our Breedon Balance range of products.
- We will train 70% of relevant commercial and technical colleagues on sustainable solutions.

Sustainability > Principles

Principles
Our focus

Underpinning the pillars of Planet, People and Places, our fundamental operating Principles ensure we operate responsibly and transparently.

Focus areas		Related risks	UN SDG alignment
Heath, safety and wellbeing	»83	– Health, safety and wellbeing	3 Good health and well-being
Good governance	»85	– Climate change – Legal and regulatory	16 Peace, justice and strong institutions
Quality	»85	– Product specification	
Ethics and integrity	»86	– Legal and regulatory – People	16 Peace, justice and strong institutions
Stakeholder engagement	»87	– Climate change – Market conditions – Mineral reserves – People	17 Partnerships for the goals

Highlights

Kinnegad awarded distinction for Increased Safety Awareness.

Board-level Sustainability Committee oversight and Executive Committee-level ownership of sustainability priorities.

Employee LTISR improved by

53%

Increase in proactive safety observations

10%

Colleagues receiving compliance training

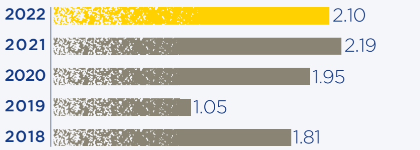
>2,200

Sustainability > Principles

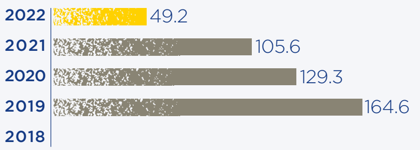
Health, safety and wellbeing

Progress highlights	YoY improvement
Employee LTIFR per million hours worked	**4%** Our employee lost time injury frequency rate fell from 2.19 to 2.10.
Employee LTI severity rate per million hours worked	**53%** Our employee lost time injury severity rate showed a significant improvement, reducing from 105.6 to 49.2.
Employee TIFR per million hours worked	**6%** Our employee total injury frequency rate has improved year on year.

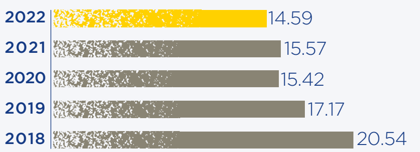
Employee LTIFR per million hours worked



Employee LTI severity rate per million hours worked



Employee TIFR per million hours worked



Home Safe and Well

What we said we would do	Progress in 2022
Continue to embed a culture of looking after ourselves and each other to ensure our colleagues go home safe and well.	– Home Safe and Well programme messaging embedded into the business. Workshops developed for leaders, managers and supervisors will be rolled out in 2023.
Defibrillators at all GB operational sites to provide support to colleagues and neighbours in the community.	– Additional defibrillators installed at sites across GB, bringing the total to 295. These are being registered on British Heart Foundations' national network.
The development of a strategy for the improved support and monitoring of our colleagues' mental health and wellbeing.	– Strategic framework developed to support mental health and wellbeing.
Extend the provision of our health and safety wellbeing clinics.	– Numerous activities relating to mental health and wellbeing developed and undertaken as part of our strategy.
Further enhancement of Kinnegad's onsite wellness walking trail.	– Kinnegad's wellness walking trail further enhanced and in daily use by colleagues and the public.

We continue to create an environment where we look out for ourselves and each other to ensure all our colleagues go home safe and well.

Throughout 2022 we have operated with a relentless focus on the health, safety and wellbeing of our people with the Home Safe and Well programme gathering momentum as it became embedded in our operations.

The focus on leadership and the behavioural aspects of our health, safety, and wellbeing culture are key in taking Breedon to the next level of performance.

Sustainability > Principles

Home Safe and Well is a core thread that flows through our health, safety, and wellbeing strategy, which covers all our sites, assets, people and processes. Over recent months there has been an increased focus on colleague mental health and the expansion of our capability in this area.

The Home Safe and Well programme is starting to bring together best practice from across the sector whilst exploring cross-sector and industry learning opportunities.

The Home Safe and Well plan concentrates Group-wide efforts on the three key strategic pillars of People, Places and Processes enabled by new and innovative technologies. Performance has been positive in the first half of the year with improved understanding of leading and lagging indicator trends which present opportunities to continue the improvement journey.

As the Group moves up the Safety Culture maturity scale, the business will become more informed with improved foresight therefore enabling a sector-leading approach to the management of health, safety and wellbeing.

Safety performance

We safeguard the health, safety and wellbeing of all our stakeholders through effective management of our operations in line with regulations, established industry standards and best practice, with risk management processes aiming to identify risks and implement appropriate mitigating processes.

We promote a strong safety culture with a focus on continuous improvement, provide relevant training, and facilitate personal ownership of health, safety and wellbeing. This is supported by effective health, safety and wellbeing communications, detailed investigations into both actual and potential incidents, and the sharing of lessons to help to prevent recurrence.

We have continued to see improvements against a number of performance indicators. In 2022, we maintained our strong health and safety track record, with the lost time injury frequency rate (LTIFR) falling to 2.10 (2021: 2.19) while the lost time injury severity rate (LTISR) showed a significant improvement of 53%, reducing from 105.6 to 49.2 over the course of the year. The Group continues to look for opportunities to further improve performance by focusing on High Priority and High Potential events.

Over 18,600 safety observations were raised in 2022, a 10% increase on 2021. Of these observations, 94% had been resolved by year end. This shows effective ongoing engagement and management of the proactive and leading health, safety and wellbeing activities across the Group. We continue to work towards becoming a leading company in our fields of operation.

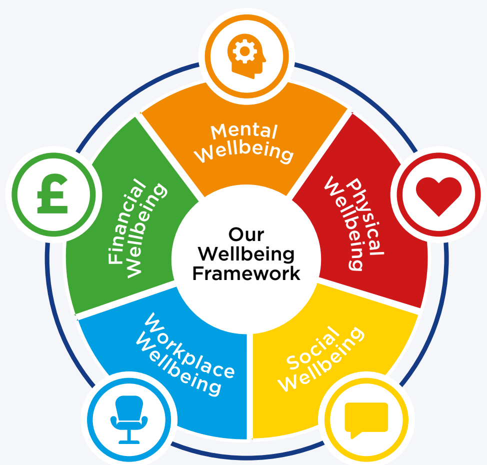
Wellbeing

Wellbeing is a fundamental part of our Sustainability framework, the People Plan, and the Home Safe and Well programme.

We have developed a 'Wellbeing Framework' that focuses on five priority wellbeing areas – mental, physical, financial, social and workplace wellbeing – to support us in delivering a resilient, healthy, capable and sustainable Breedon.

A range of resources such as mental health first aiders, health checks, seminars on financial management, volunteering schemes, diversity networking groups, and various working benefits are underway and will continue throughout 2023.

The ultimate goal of our Wellbeing Framework is to improve the health, safety and wellbeing of our colleagues and support the communities in which we work.



Sustainability > Principles

Good governance

What we said we would do	Progress in 2022
Establish a Board-level Sustainability Committee to review strategies, policies and the performance of the Group, and to drive improvement in relation to sustainability.	– Board-level Sustainability Committee established with three meetings held in 2022. Further details on page 114. – Executive Committee members sponsor each of the sustainability pillars and cross-divisional working groups focus on supporting the delivery of the Planet, People, Places and Principles objectives across all divisions.

Our Board comprises executive and non-executive directors with the appropriate skills, expertise and experience to discharge their duties effectively. The Board adopted the QCA Corporate Governance Code in 2019 and complies fully with the ten principles (see pages 100 to 104).

In 2022 we established several additional measures to enhance the governance of our approach to sustainability.

The Executive Committee have oversight and regular involvement in the sustainability agenda as part of their broader remit, with the Head of Sustainability attending four Executive Committee meetings per year.

Working groups have been established for each of the four sustainability strategic focus areas of Planet, People, Places and Principles. Each of these working groups is sponsored by an Executive Committee member and has representatives from all our divisions to share knowledge and best practices to accelerate progress, and to make recommendations to the Executive Committee.

The four divisional managing directors have each nominated a senior manager to be the Sustainability Business Lead for their division to effectively embed the Group's sustainability objectives and drive improvement actions.

Each of the four divisions have agreed specific targets for 2023, demonstrating their division's alignment and contribution to the Group's Sustainability Strategic Framework and Objectives. The achievement of key sustainability targets has been linked to performance incentives.

Bureau Veritas UK provided an independent limited assurance opinion on our 2022 data for Health and Safety metrics, for Scope 1 and Scope 2 greenhouse gas emissions and for energy consumption, as well as an assurance readiness check for our improved Scope 3 emissions. The full Limited Assurance Statement can be found on our website at www.breedongroup.com/sustainability.

To support this approach at Board level, a Sustainability Committee is in place, chaired by Non-executive Director Carol Hui, to review the strategies, policies and performance of the Group in relation to sustainability, and to drive improvements. Further details, including membership of the Sustainability Committee, can be found on page 114 and 115.

We will conduct a new Materiality Assessment in 2023 to ensure the Company's sustainability focus continues to be on the areas of greatest impact and importance to our business and to our stakeholders.

Quality

Breedon's systems and processes are underpinned by a commitment to quality assurance and continual improvement.

All our production sites are third-party accredited to the ISO 9001 quality management standard and our expert internal audit team continually reviews performance against required standards.

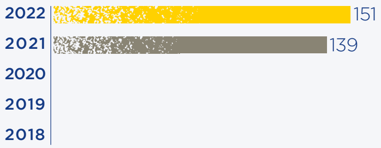
Our in-house technical teams operate from laboratories, some of which are fully United Kingdom Accreditation Service accredited.

We have robust supplier approval systems in place to ensure that our supply chain is aligned with our values, and have regular reviews of stakeholder needs, including customer satisfaction surveys and evaluation of complaints.

Sustainability > Principles

Ethics and integrity

Progress highlights	YoY improvement
Number of sites covered by Responsible Sourcing standard (BES 6001)	**9%** 151 concrete plants are certified to BES 6001



What we said we would do	Progress in 2022
Deliver online anti-bribery and competition law training.	– E-learning compliance training programme developed and delivered to over 2,200 relevant colleagues.
Undertake a Human Rights Risk Assessment exercise to identify potential risks in our supply chain.	– A Human Rights Risk Assessment has been scoped and an external organisation will undertake this with key departments in 2023.
Extend BES 6001 Responsible Sourcing certification to further key operations.	– BES 6001 Responsible Sourcing certification has been extended to all concrete plants in GB and Breedon Ireland.

Acting in an ethical manner and with integrity are crucial to maintaining our reputation, upholding the trust our stakeholders place in us, and delivering success.

We endeavour to conduct our operations on sound business principles and are committed to the highest standard of ethical conduct.

Our Code of Conduct (the Code) governs and sets the standards of conduct expected of all our colleagues. This Code underpins our wider suite of compliance policies developed to manage our most important risks and is available to all employees.

To enable us to target and monitor training, an online learning platform with bespoke training courses was developed and launched in 2022.

Throughout 2022 we sought to further embed the principles of the Code and our policies into the culture of the whole organisation by delivering mandatory online training on the Code, Anti-Bribery and Corruption, the Importance of Information, and Modern Slavery risks to over 2,200 colleagues. Additional compliance training on Competition and Data Protection was given to those of our colleagues whose roles required it. In 2023 we will deliver the same training via alternative methods such as face-to-face toolbox talk style briefings on site to those of our colleagues who do not have day-to-day IT access.

We operate a confidential whistleblowing line, and all stakeholders are encouraged to use this to raise actual or suspected breaches of any of our policies or any general areas of concern. A summary of all whistleblowing complaints, and the outcomes, are reported to the Audit & Risk Committee with any recurring themes assessed as to whether a secondary review is required.

Sustainability > Principles

Responsible supply chain

Our suppliers are onboarded to the same standards of integrity, with an obligation to comply with our Supplier Code of Conduct and our policies. Our Modern Slavery Statement is published on our website at www.breedongroup.com/modern-slavery.

To further inform our Group Risk and Responsible Procurement processes, a Human Rights Risk Assessment has been scoped and will be undertaken in 2023. This will involve key employees from Operations, HR, Procurement, Payroll and Legal. This will map and assess potential risk areas in our supply chain and provide advice on how to address any identified risks.

We plan to hold a Supplier Engagement Event to share knowledge and improve collaboration during 2023 as part of our review of our material areas of focus and an opportunity for improving engagement.

Stakeholder engagement

Our stakeholder report and our material topics, our methods of engagement and our impacts on stakeholders is on pages 88 to 93.

The number of visitors to our sites in 2022 has increased to over 4,700 and includes schools, community groups, local businesses, local government representatives and investment analysts. Over 2,000 visitors attended the successful Open Day at Holme Hall quarry.

We continue to be engaged with industry-wide topics through our active involvement with the GCCA and MPA.

We have improved the availability of information and of our performance, making these more visible on our new Company website,and we plan to disclose our performance further in 2023.

Future focus

- We are committed to voluntarily disclosing our performance to a credible external framework by end 2023. This will provide a benchmark and gap analysis to aim for incremental improvement in 2024.
- We will further align our data and reporting to a recognised sustainability reporting framework.
- We will review the remit and deliverables of the Planet, People and Places working groups to enable the delivery of our nearer-term targets.
- We will achieve an improvement in wellbeing scores over 2023 through implementation of our wellbeing strategy and initiatives.
- We will undertake a Human Rights Risk Assessment to further inform our Group Risk and Responsible Procurement processes.
- We will conduct a new Materiality Assessment in 2023 to ensure the Company's sustainability focus continues to be on the areas of greatest impact and importance to our business and to our stakeholders.

Stakeholder report

We understand and respond to the needs of our stakeholders

The Board believes that it has acted in a way which is likely to promote the success of the Company for the benefit of its members and other stakeholders through the decisions the Board has taken in the year to 31 December 2022. The Board considers the interests of stakeholders and the impact of the decisions it takes.

The Board is committed to, and actively encourages, effective relationships and communication with the Group's stakeholders. The Board believes that by taking into account the needs and interests of our stakeholders, the value for the Group and the long-term success of the Company will be maximised.

Colleagues

We recognise our dedicated workforce as a key driver of the value derived from the business. Our colleagues are offered development opportunities to further fulfil their potential. All colleagues are offered a fair benefits and compensation package relative to their role and level in the organisation.

Customers and suppliers

We work alongside our customers by striving to deliver the best customer service and seek innovative solutions to support many of the major projects on which we operate. We pride ourselves on going the extra mile and recognise customer loyalty as a key part of our long-term success. The Group recognises the significant role its suppliers play in continuing our success. We endeavour to maximise value from our suppliers and work with them to support the delivery of our customers' needs.

Communities

We are at the heart of the communities in which we operate. We recognise our responsibility to be good, supportive and engaged neighbours. This is addressed in our sustainability strategy which sets out to positively impact the communities in which we operate. Our businesses have active liaison programmes and Good Neighbour Plans which take into account community interests and concerns in their operational activities.

Investors and lenders

Our investors and lenders play an important role in the continued success of our business. We maintain purposeful and close relationships with them and our sustainable long-term growth strategy provides value for our investors and lenders.

Regulators, local government, industry associations

Developing and sustaining good relationships with the many regulators who govern our business is central to the success of our business and maintaining our licence to operate. We are committed to adherence of our legal and regulatory obligations. We actively support our industry representatives in pursuing the best regulatory regime for our business.

Stakeholder report

	Colleagues	Customers and suppliers	Communities	Investors and lenders	Regulators, local government, industry associations
Their material issues	– Physical working conditions – Pay and benefits – Communication – Opportunities for development and training – Health, safety and wellbeing – Sustainability	– Product development – Service levels – Sustainability commitments – Product quality – Payment practices – Cost	– Noise – Transportation routes – Health and safety – Environment – Communication – Support for local causes	– Governance – Profitability and return on investment – Sustainability commitments – Dividend policies – Environment – Strategy	– Climate change – Emissions and discharges – Site restoration and aftercare – Health and safety – Logistics practices – Planning compliance
Methods of engagement	– Colleague engagement surveys – Colleague focus groups – Intranet, post, emails, newsletters, notices and presentations – Colleague groups and social committees – DNED for Workforce Engagement – Personal development reviews	– Direct engagement – Contracts and terms of business – Third-party engagement – Website – Industry associations – Tender quotations – 360 feedback	– Targeted consultations – Local liaison meetings – Good Neighbour Plans – Social media – Community events – Letters, emails, notices – Site tours, open days – Websites – School visits	– Capital Markets event – Site visits and field trips – One-to-one meetings – Telephone calls – Investor conferences – Brokers' contacts – AGM	– Mandatory returns and applications – Regulator visits and meetings – Notices – Liaison with local MPs and government offices – Participation in industry associations
Value created	Improved engagement with colleagues ensures we develop, motivate and retain our valued workforce while promoting and attracting new colleagues who want to work for us.	Engaging with our customers helps us deliver excellent customer service and build relationships to enable us to get the right product, to the right place, at the right time for the right price. Engaging with our suppliers helps us deliver a sustainable supply chain and circular economy.	Positive engagement with our communities ensures that we understand and take into account their concerns and needs so that we can address these and improve the communities that we live and work in.	Our engagement with investors and lenders ensures that they have a clear understanding of our business and objectives and are prepared to continue with their financial support.	Through our engagement we are able to respond and contribute to sector needs and requirements and deliver on compliance and regulatory standards, and have input in their development.

Stakeholder report

Board decisions
2022 stakeholder impact

Here we describe case studies or some of the key Board decisions taken in the year and how stakeholder interests were considered are summarised on pages 90 to 93.

The Board is responsible for establishing the Group's long-term strategy and objectives, however it recognises that the executive and senior managers play an important role in achieving these goals and, through a delegation structure, allows local boards and the workforce in those areas to engage effectively and react responsibly to the needs of our stakeholders.

The Board regularly undertakes site visits to engage with colleagues, with the Designated Non-executive Director for Workforce Engagement embarking on additional visits. The executive directors frequently interact with colleagues as part of their VFL activities across the business. The Board engages with shareholders at the AGM and hosts meetings with investors throughout the year.

Decision to approve a new SAYE plan for our Irish colleagues

Which stakeholders are impacted

- Colleagues
- Investors and lenders

Consideration of stakeholder interests and impact on decision-making

Due to the uncertainty of Brexit arrangements the Board had not been able to offer an approved SAYE scheme to colleagues in RoI since 2018. Colleagues that had not applied in 2018 were eager to join and participants who were reaching their three-year maturity were wanting to continue to save and share in the success of the Company.

A new administrator and Trustee for an international SAYE scheme were agreed and the Board approved plan rules for an unapproved SAYE for all colleagues in RoI. This decision affected c.10% of our colleagues.

Leaton quarry blasting presentation for the local community

Investors on a site visit at Cloud Hill quarry

ROI employees at Dublin depot

Stakeholder report

The Board at the 2022 AGM

Cement tanker at Hope

Decision to approve a new five-year haulage contract in GB Cement

Which stakeholders are impacted

- Communities
- Suppliers and customers
- Colleagues

Consideration of stakeholder interests and impact on decision-making

Following a competitive tender, the Board agreed to enter into a five-year exclusive supply haulage contract with Wincanton for GB Cement, commencing 1 January 2023.

The contract will impact key stakeholders through the resultant increase in fleet utilisation, improvement in customer service through on-time delivery and reduction in cost of delivery, due to a unified supply chain.

The improved efficiency of vehicle scheduling results in a reduction in fleet emissions via reduced delivery miles with a net zero target by 2040. As a contributor to this target, Wincanton will enable carbon offsetting for its customers through a certified and recognised programme to bridge to lower and zero-carbon operations for the long term.

Decision to pay final and interim dividend

Which stakeholders are impacted

- Investors and lenders

Consideration of stakeholder interests and impact on decision-making

The Board took the decision in June 2021 to implement a structured cash return to shareholders in the form of a committed and progressive dividend policy. Subject to trading conditions and continued sustained cash generation the Board agreed to adopt a progressive dividend policy that targets 40% of underlying earnings per share over time.

In line with shareholder expectations and record revenue and earnings in 2021, the Board agreed to recommend to shareholders at the 2022 AGM a final dividend to be paid in May 2022 of 1.1p for the financial year ended 2021. This was put to shareholders, making a total dividend return for the financial year ended 31 December 2021 of 1.6p. The Board agreed in 2022 to make an interim dividend payment in September 2022 of 0.7p and will put to the AGM in April 2023 a final dividend of 1.4p for the year ended 31 December 2022, giving a total dividend of 2.1p.

Stakeholder report

Decision to enter into a contract for National Highways Concrete Road Replacement Scheme

Which stakeholders are impacted

- Colleagues
- Communities
- Regulators, local government, industry associations
- Suppliers and customers

Consideration of stakeholder interests and impact on decision-making

National Highways is undertaking a multi-million-pound surface upgrade to the A11, as a part of its nationwide drive to replace distressed concrete roads. The upgrade is to completely remove the concrete road surface, which was laid in the 1990s and some of the foundations, before rebuilding the road with a new asphalt surface. The upgrade will impact c.45,000 drivers every day who use the road for work, leisure and the movement of goods and services.

The Board decision to approve entering into the contract to provide road surfacing services has impacted positively on the local community with dedicated locally-based colleagues using state-of-the-art paving equipment. Breedon's Longwater asphalt plant is located only eight miles away, providing 75% less CO_2 than a competitor, a carbon saving of c.570t through delivery vehicle usage alone. The fleet have the latest Euro 6 engines and are accredited to the Fleet Operated Recognition Scheme and are Construction Logistics and Community Safety compliant.

Decision to acquire Severn Sands Limited

Which stakeholders are impacted

- Communities
- Colleagues
- Suppliers and customers

Consideration of stakeholder interests and impact on decision-making

The Board agreed the acquisition of Severn Sands, which is a marine dredging business operating in the Bristol Channel area. The acquisition enhances our operational capability, secures mineral reserves and resources, and ensures our downstream operations in the Gloucestershire and South Wales region are fully-integrated.

There are c.30 longstanding colleagues that live locally to the site. Through engagement with our colleagues they have been positively impacted by Breedon's investment. Since acquisition our colleagues have benefited from the installation of new conveyors and the purchase of a new loading shovel which helps their work, together with a new welfare block and canteen which supports their wellbeing. Colleagues have been positively impacted through promotion, received training and brought onto Breedon terms and conditions.

Breedon Group colleagues working on the A11 National Highways contract

The M.V. Penfret, the 60 metre marine dredger acquired as part of the Severn Sands transaction

Stakeholder report

Decision to establish a Sustainability Committee

Which stakeholders are impacted

- Investors and lenders
- Communities
- Colleagues
- Suppliers and customers
- Regulators, local government, industry associations

Consideration of stakeholder interests and impact on decision-making

The Board established a Sustainability Committee in January 2022 to review the strategies, policies and performance of the Group in relation to sustainability, so as to drive improvement in that area.

A key decision of the Board Sustainability Committee was to support the formal commitment that Breedon Group would, over the next year, develop the necessary science-based targets to reach net zero by 2050, aligned to a 1.5°C future. The Committee supported engagement with stakeholders to make them aware of our commitment, increased engagement with our colleagues and the sharing of knowledge and best practices through cross-divisional internal Planet, People and Places working groups focused on supporting the businesses in achieving their sustainability objectives.

DNED for Workforce Engagement report

Early in 2022, in my role as the Designated Non-executive Director for Workforce Engagement, I travelled to Scotland and visited four Breedon quarries and a concrete plant.

Our longstanding VFL approach was the template for these engagements, with the aim to allow for an open and honest exchange of views between our workforce and a Board representative.

At Port Dundas concrete plant in Glasgow, I spoke with the batcher, truck mixture drivers and the area sales and distribution teams, covering topics such as health, safety and wellbeing. I continued with a tour at North Drumboy quarry and reviewed our new investment in crushing, screening, excavator and loading shovel. Later, I spoke with the management team and quarry operatives at nearby Bonnington, who expressed their view that Breedon's recent investment had meaningfully improved morale.

A subsequent visit to our Cowieslinn facility focused on coming investment, and Breedon's Make it Happen approach, while a final stop at Hyndford sand and gravel quarry involved several positive discussions with the workforce.

In September, I attended a focus group session at Wickwar quarry, following the launch of our new-look engagement survey, 'Your Say'. This was the first time a director with this remit had attended such a session – involving team members of different levels of experience, grade, and role – and feedback was positive. Topics covered included community engagement, training and development, employee recognition mechanisms and employee communications.

Pauline Lafferty
Designated Non-executive Director for Workforce Engagement

8 March 2023

Pauline Lafferty engaging with colleagues at Wickwar quarry

Governance

Corporate governance at a glance

Board overview

Non-executive tenure

Amit Bhatia	6 years, 5 months
Carol Hui	2 years, 8 months
Pauline Lafferty	17 months
Helen Miles	21 months
Clive Watson	3 years, 5 months

Independence

- **1** Non-executive Chairman
- **4** Independent
- **2** Non-independent

Non-executive experience

Board	5
Strategy	4
Finance/accounting	4
Risk/internal control	5
Sector experience	3
Legal	4
Sustainability	3
Workforce	4
Governance	5
Listed company	5

Attendance

	Board	Audit & Risk	Remuneration	Nomination	Sustainability
Amit Bhatia	6/6	–	3/3	2/2	3/3
Rob Wood	6/6	–	–	–	–
James Brotherton	6/6	–	–	–	–
Carol Hui	6/6	3/3	3/3	2/2	3/3
Pauline Lafferty	6/6	3/3	3/3	2/2	3/3
Helen Miles	6/6	3/3	3/3	1/2	3/3
Clive Watson	6/6	3/3	3/3	2/2	3/3

Ethnicity

	White	BAME
Board	5	2
Audit & Risk Committee	3	1
Remuneration Committee	3	1
Nomination Committee	3	2
Sustainability Committee	3	2
Executive Committee	8	0

Gender

	Male	Female
Board	4	3
Executive Committee	7	1
Direct report to Exec Committee	26	11

Board of Directors

Board leadership

Our Board comprises an executive leadership team with extensive knowledge of the international construction materials industry, supported by experienced non-executive directors who bring strong governance disciplines and a valuable external perspective to our business.

Key

- A Member of the Audit & Risk Committee
- R Member of the Remuneration Committee
- N Member of the Nomination Committee
- S Member of the Sustainability Committee
- ■ Committee chair

Board independence

The Board considers all the non-executive directors as independent with the exception of Amit Bhatia, who has been appointed as Abicad Holding Limited's representative on the Board, pursuant to a relationship deed dated 17 November 2015.

Amit Bhatia

Chairman of the Board

N S Independent: No

Amit was appointed to the Board in August 2016, appointed Deputy Chairman in April 2018 and Non-executive Chairman in May 2019.

Skills, experience and contribution

Amit has over 20 years' corporate finance and private equity experience. He is a founding Partner at Summix Capital, a strategic land and property fund. He is a Gold Leaf member at the Aspen Institute. He was Executive Chairman of Hope Construction Materials until it was acquired by Breedon Group in August 2016 when he joined the Board.

Amit has a strong strategic and entrepreneurial approach which he brings to the Board together with his governance and stewardship experience which, as Chairman, continues to ensure the long-term success of the Group.

Other positions held:

- Chairman, Queens Park Rangers Football Club
- Partner at Summix Capital

Rob Wood

Chief Executive Officer

Independent: No

Rob was appointed to the Board in March 2014 as Group Finance Director and took the position of Chief Executive Officer in April 2021.

Skills, experience and contribution

Rob has 20 years' experience in the international building materials industry. He qualified as a Chartered Accountant with Ernst & Young and subsequently joined Hanson PLC where he held a number of senior positions including Finance Director Brick Continental Europe, Finance Director Building Products UK and Chief Financial Officer Australia and Asia Pacific. Following the acquisition of Hanson PLC by HeidelbergCement AG, Rob returned to the UK and joined Drax Group plc as Group Financial Controller. During his time at Drax he also spent a period of time as Head of Mergers & Acquisitions.

Rob has held an executive position on the Board for a number of years bringing solid and invaluable operational leadership, as both Group Finance Director and Chief Executive Officer and fully understands the challenges and opportunities for the Group.

Other positions held:

- None

James Brotherton

Chief Financial Officer

Independent: No

James was appointed to the Board in April 2021 as Chief Financial Officer.

Skills, experience and contribution

James joined Breedon in January 2021. Previously he was CFO of Tyman Plc between 2010 and 2019, prior to which he was Director of Corporate Development for five years. Earlier in his career, James worked in investment banking roles at Citi and HSBC, after qualifying as a chartered accountant at Ernst & Young.

James has considerable international construction sector and corporate experience in the areas of finance, strategy, operational efficiency, systems development, mergers and acquisitions and business integration and has contributed significantly to the financial longevity and strategic success of the Group.

Other positions held:

- Director, The Quoted Companies Alliance
- Member of the Panel on Takeovers and Mergers
- Member of the Pre-Emption Group

Carol Hui

Non-executive Director

A R N S Independent: Yes

Carol was appointed to the Board in May 2020 and as Chair of the Sustainability Committee in January 2022.

Skills, experience and contribution

Previously, Carol was the Chairman at Robert Walters plc, an Executive Board Director at Heathrow Airport Limited and held senior positions at infrastructure companies including Amey plc and British Gas plc. She was a corporate finance lawyer London with Slaughter and May. Carol is an experienced non-executive director having served on boards in infrastructure, tourism, charities and education. She has received numerous legal and business awards throughout her career including from the Financial Times, the International Law Office and PwC.

Carol brings a diverse perspective to the Board and provides it with valuable insight from her extensive strategic, commercial, legal and sustainability expertise.

Other positions held:

- Non-executive Director, Grainger plc, Chair of Responsible Business Committee
- Non-executive Director, British Tourist Authority and Chair of the Audit and Risk Committee
- Non-executive Director, Lord Chamberlain's Committee, Royal Household

Pauline Lafferty

Non-executive Director

A R N S Independent: Yes

Pauline was appointed to the Board and as Chair of the Remuneration Committee in August 2021 and is the Designated Non-executive Director for Workforce Engagement.

Skills, experience and contribution

Pauline brings significant experience from an international career spanning manufacturing and supply, executive search and human resources. Since retiring from her role as Chief People Officer at Weir Group plc, where she was responsible for progressing the Group's agenda on all aspects of strategic HR, she has embarked on a non-executive portfolio that includes being the Chair of the Remuneration Committee for XP Power Limited and Scottish Events Campus Limited. Prior to Weir Group plc, Pauline was a Partner with The Miles Partnership and an Executive Director at Russell Reynolds Associates in the UK and Australia, and Asia Pacific Director of Materials & Supply at Digital Equipment Corporation in Hong Kong.

Pauline brings to the Board significant experience with regards to human resources, particularly in the key areas for the Board of talent, development and retention, employee engagement and cultural change. Pauline is a strong advocate on the Board for both employee engagement and positive culture changes.

Other positions held:

- Non-executive Director, XP Power Limited, Chair of Remuneration Committee
- Non-executive Director, Scottish Events Campus Limited, Chair of Remuneration Committee

Helen Miles

Non-executive Director

A R N S Independent: Yes

Helen was appointed to the Board in April 2021 as an independent Non-executive Director.

Skills, experience and contribution

Helen brings with her a breadth of operational and commercial experience having worked within regulated businesses together with her broader infrastructure experience developed across Telecoms, Leisure and Banking. As a member of the UK Board, Helen was instrumental in delivering HomeServe's future growth strategy and ensuring a sustainable, customer-focused business. As an experienced finance professional, Helen was previously Chief Financial Officer for Openreach, part of BT Group plc, and has extensive experience of delivering major business transformation across the Group. Prior to BT Group, Helen worked in a variety of sectors and organisations such as Bass Taverns Limited, Barclays Bank plc, and Compass Group plc.

Helen's strong expertise in the Board's key areas of growth strategy and sustainability and her customer-focused business and transformation experience, fully supports and complements the Board's skill set.

Other positions held:

- Capital and Commercial Services Director, Severn Trent Plc

Clive Watson

Non-executive Director

A R N S Independent: Yes

Clive was appointed to the Board in September 2019 and became the Senior Independent Director and Chair of the Audit & Risk Committee in April 2020.

Skills, experience and contribution

Clive has considerable finance experience, having previously been the Group Finance Director of Spectris plc, Chief Financial Officer and Executive Vice President for business support at Borealis, Group Finance Director at Thorn Lighting Group and held a variety of finance roles at Black & Decker. In 2019, Clive retired as a Non-executive Director of Spirax Sarco Engineering plc, where he was Chair of the Audit Committee and Senior Independent Director.

Clive is both a Chartered Accountant and member of the Chartered Institute of Tax with significant finance experience in a variety of industries which allows him to continue to support the Board with its long-term success.

Other positions held:

- Non-executive Director discoverIE Group plc, Chair of Audit and Risk Committee
- Non-executive Director Kier Group plc, Chair of Risk Management and Audit Committee
- Non-executive Director Trifast plc, Senior Independent Director and Chair of Audit and Risk Committee

Corporate governance statement

I am pleased to introduce this year's corporate governance statement, in which we describe our governance arrangements, how the Board and its Committees have operated, and how the Board has discharged its responsibilities to ensure the long-term success of the Company.

Amit Bhatia
Chairman

Board governance

Membership of the Board consists of two executive directors and five non-executive directors who together have the necessary range of skills and experiences (see pages 96 and 97 for individual biographies) to govern the Company effectively. The Board is diverse and has a 43% female representation on the Board. The Board takes into account a number of factors when making appointments, including other demands and commitments on directors' time and all new Board members undergo an induction process. The Board is supported on all governance matters by the Group General Counsel and has access to an online resource library.

The governance structure in 2022 has seen the continued development of our Board Committees, whose membership consist solely of non-executive directors, with the establishment of a new Sustainability Committee. My role as Chairman is separate to that of CEO, held by Rob Wood, and we both have distinct and agreed responsibilities. Further details on the Division of Responsibilities can be found on our website at www.breedongroup.com/division-of-responsibility, which also outlines the role of our appointed Senior Independent Director, Clive Watson. With the exception of myself, all other non-executives directors are deemed independent which represents over half of the Board membership. My performance is reviewed by the senior independent director which includes discussions with the non-executive directors while I am not present. The feedback received in 2022 on my performance was positive.

As well as formal meetings such as Board meetings and strategy sessions, during 2022 the Board met on an informal basis for dinners and site visits, together with sessions without executive directors present. Attendance at meetings by the Board can be found on page 95. The Company has an Executive Committee which consists of the two executive directors and a number of senior executives within the business. Members of the Executive Committee together with other senior managers are invited to Board meetings on a regular basis.

Board purpose and culture

Our purpose is to make a material difference to the lives of our colleagues, customers and communities. As a Board we have been fortunate to undertake a number of site visits and to meet colleagues in their environment to understand their needs, how we can make an impact and ensure our culture is aligned throughout the Group.

The Board considers culture an important aspect to its purpose, value and strategy. A colleague survey was conducted during 2022 and the Board was pleased to receive a presentation on the results noting the engagement score of 77%. Our Designated Non-executive Director for Workforce Engagement, Pauline Lafferty, sat in on a follow-up focus group with colleagues to clearly understand their views.

In 2022 we were able to hold our first AGM in person since 2019 and welcomed both shareholders and stakeholders to the meeting. The voting results were a positive affirmation of the Board's assurance of long-term success for the Company. Our corporate website was relaunched in 2022, which is easily accessible and ensures that we are able to engage effectively with our stakeholders.

Board focus in 2022

During the year, the Board has spent time scrutinising, monitoring and reviewing:

Governance – Board Delegated Authority, Committee terms of reference, Annual report and its disclosures, its effectiveness;

Finance and performance – CEO and CFO reports, budget, dividend declaration, hedging, final and interim performance;

Strategy – acquisitions, contracts, main listing, digitalisation, sustainability, US strategy;

Workforce – health and safety, employee survey, share schemes and incentives; and

Stakeholders – employee engagement, AGM, site visits, investor relations.

Corporate governance statement

A summary of the governance activities in 2022 of the Board Committees follows, and some of the Board decisions taken and how they have impacted our stakeholders can be found on page 88 to 93.

Board effectiveness

In line with good governance practice, during 2022 the Board undertook an internal review of its own effectiveness together with that of its Committees. The review encompassed a self-assessment of individual Board members' skills, knowledge and expertise, and challenged them to seek any areas that they would like to explore to ensure that they could contribute effectively. The Board was also asked to review its performance and what could be improved in terms of the Board's structure and governance and how well they perceived the Board as a whole was functioning. A small number of areas relating to function and administration were identified and the Board has agreed to take these forward during 2023. A separate individual review of my performance was carried out by the SID. The Board has agreed that an external evaluation of its effectiveness will be carried out during 2023.

Board Committees

Audit & Risk

»106

The Board approved new terms of reference for the Committee in January 2022 which widened the Committee's risk remit, following the development of the Risk Management Framework and the internal controls within the Group.

During the year, the Committee further supported the development and the embedment of the four lines of defence model, risk assurance mapping and the financial controls framework as part of the risk management framework. The Committee reviewed the principal risks alongside the Board and has received reports from the outsourced internal audit resource together with reports on Risks and Controls.

Nomination

»112

The Nomination Committee's focus in the year has been reviewing and challenging the succession plan for the executive leadership of the Company, including both the short-term and long-term succession strategy, particularly in relation to the executive directors. Following a retirement, the Committee oversaw the appointment of a new Executive Committee member.

Succession planning is a key priority for the Committee to ensure that both the Board and the Executive Committee continue to have appropriate skills, knowledge, expertise and diversity to govern and operate the Company for its continued long-term success.

Sustainability

»114

In January 2022, the Board established a new Board Committee in recognition of the importance of the Group's sustainability strategy. Carol Hui was appointed by the Board to chair the Sustainability Committee having previously been the Designated Non-executive Director for Sustainability since 2020.

During the year, the Committee reviewed progress against sustainability strategic objectives and targets; reviewed and approved the suite of sustainability policies; reviewed risks and opportunities that relate to sustainability; received regular updates on stakeholder engagement and communications; and supported the formal commitment for Breedon to develop the necessary science-based pathway to reach net zero by 2050.

Remuneration

»116

The focus for the Committee in 2022 has been on implementing the remuneration policy put in place in 2020, setting appropriately challenging targets and ensuring pay outcomes for 2022 fairly reflect the performance of the business given the challenging macroeconomic environment.

The Committee has reviewed the base salary of the executive directors and Executive Committee in the context of workforce increase and reviewed employee pay across the Group; determined bonus outcomes for 2021 and agreed measures and targets for 2022, granted PSP awards to executive directors and certain senior executives; approved the vesting of the 2019 PSP award; and received various updates on performance of outstanding PSP and annual bonus awards whilst considering remuneration trends.

Board focus in 2023

The Board's focus in 2023 remains the health, safety and wellbeing of the Group's colleagues and its continued improvement on sustainability performance; the long-term success strategy of the Company which will see the Group look for further growth opportunities whether organic or through acquisition in the UK, Ireland and internationally; and making decisions for the benefit of all our stakeholders.

For further information on our strategy, see pages 22 to 29.

Following the announcement of our intention to seek admission to the premium segment of the Official List, the Board will look to comply fully with the provisions and principles of the UK Corporate Governance Code and where it does not, we will explain. How we have currently applied the provisions and principles of the UK Corporate Governance Code can be found on page 105.

Corporate governance statement

The Board adopted the QCA Corporate Governance Code with effect from 1 January 2019. A summary of our approach in 2022 is included above and how we comply fully is detailed on pages 101 to 104.

Principle	What we did in 2022
Deliver growth	
1 Establish a strategy and business model which promotes long-term value for shareholders	The Board discusses strategy at every meeting and during the year have taken decisions towards those strategies. During 2022 the Board held a focused strategy session, which revisited its growth strategy, analysed its current position and performance and strategised various different routes to ensure the longevity of the success of the Company for its shareholders and other stakeholders.
2 Seek to understand and meet shareholder needs and expectations	During 2022, various members of the Board held both meetings and calls with shareholders and investors representing a significant proportion of the Group's issued share capital. All Board members were available to meet with shareholders at the AGM and a facility was available whereby questions could be asked directly of the Board by shareholders in advance of the AGM.
3 Take into account wider stakeholder and social responsibilities and their implications for long-term success	The Board and the appointed Designated Non-executive Director for Workforce Engagement undertook various interactions with employees, including attending an employee focus group, following the employee survey carried out in 2022. The Board, through its Sustainability Committee, received regular updates on the Company's engagement with all stakeholders.
4 Embed effective risk management, considering both opportunities and threats, throughout the organisation	The Board appointed an independent internal audit function in 2020 and has continued to embed the four lines of defence assurance model within the Group. The Audit & Risk Committee operated in 2022, with an enhanced role and responsibilities to support the Board with its risk management framework.
Maintain a dynamic management framework	
5 Maintain the Board as a well-functioning, balanced team led by the Chairman	During the year, the Board reviewed its effectiveness and its Committees and the SID carried out a review of the Chairman's performance. The Board received various presentations and training sessions during the year and undertook site visits so that they could fulfil their responsibilities.

Principle	What we did in 2022
Maintain a dynamic management framework continued	
6 Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	The Nomination Committee and the Board reviewed the skills matrix of the Board and its Committee, together with its membership profile by independence, gender, ethnicity and tenure and the Nomination Committee will continue to make recommendations on appointments based on skills, experience and knowledge that would complement the Board.
7 Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	Following an externally facilitated review in 2020, the Board undertook a self-assessed effectiveness review in 2022 based on a number of indicators against their performance and identification of any areas for development. An external evaluation will take place in 2023.
8 Promote a corporate culture that is based on ethical values and behaviours	The Board continued to embed culture and values throughout the Group during 2022, through seeking to embed the Group's agreed values of keep it simple, make it happen, strive to improve and show we care. An employment engagement score of 77% was attained in 2022.
9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	The Board formally met six times in the year and all its Board Committees met their approved terms of reference. The outcome of the self-assessed Board effectiveness review was that the Board and its Committees were all considered to be effective in 2022.
Build trust	
10 Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	The Company published its Annual Report in March 2022 and provided both full and half year results announcements, together with a trading statement in November 2022. The Board held regular calls and meetings with investors during the year and was available to shareholders in attendance at the AGM. The corporate website was re-launched in the year, which is more user-friendly for all our stakeholders.

Corporate governance statement

Deliver growth

Principle 1

Establish a strategy and business model which promote long-term value for shareholders

The Board has established the Group's strategy and regularly reviews progress towards the Group's objectives. The strategy for sustainable long-term growth consists of three priorities governed by a disciplined financial framework. These are embedding a culture of sustainability – operating a sustainable business is our highest priority and the lens through which all strategic decisions must pass; optimising our business – we are a trusted and credible steward of reserves and resources, delivering continuous improvement to drive efficiencies of scale and increase utilisation of our assets; and expanding growth through multiple routes – we have a variety of routes to grow the business.

The Board ensures that the Group communicates its strategy to investors, colleagues and other stakeholders using means appropriate for each group.

Breedon's sustainable long-term growth business model is highly cash generative, supporting the introduction of a progressive dividend. The Group provides essential construction materials into markets with multi-year growth tailwinds, particularly infrastructure and housebuilding which have long-term pipelines. Breedon's high-quality earnings stream and disciplined risk framework offers significant growth.

The Group's Strategy and Business Model, together with the key challenges faced by the Group in their execution, are described in more detail on pages 16 to 21, and 22 to 29.

Principle 2

Seek to understand and meet shareholder needs and expectations

The Board is committed to and actively encourages effective relationships and communication with the Company's shareholders.

Members of the Board have meetings with representatives of institutional shareholders and potential investors to promote a greater understanding of the business, and the Board's strategy for the continued long-term success of the business. Through these meetings, the Board gains a clear understanding of the views of the major shareholders, and the needs of potential shareholders. The executive directors play an important role in ensuring that shareholder views are communicated to the Board, and we believe that we have been successful in ensuring that all directors have a clear understanding of major shareholders' views.

The executive directors are primarily responsible for shareholder liaison and may be contacted via investors@breedongroup.com. Any individual can subscribe for the Group's regulatory news and information via www.breedongroup.com/subscription-centre.

All shareholders are actively encouraged to participate in the AGM. At general meetings the Company proposes separate resolutions on each substantially separate issue. The Company provides shareholders with the opportunity to appoint a proxy. In addition, proxy votes are counted, and the results announced.

The Chairman of the Board and Board Committee Chairs, the Senior Independent Director, and all other directors are available to answer questions at each AGM.

The Company arranges that notice of the AGM and related papers are sent to shareholders at least 20 working days before the meeting, giving time for all shareholders to consider resolutions properly.

Principle 3

Take into account wider stakeholder and social responsibilities and their implications for long-term success

We recognise the importance of balancing the interests of our key stakeholders – colleagues, customers, investors, suppliers, industry regulators and associations together with the wider communities in which we operate. Engaging with our stakeholders strengthens our relationships and helps us make better business decisions to deliver on our commitments. We have a non-executive director for workforce engagement and recognise that the executive and senior managers of our businesses can support engagement with our stakeholders to ensure that the Board fully understands any concerns. The Group has several policies in place including Biodiversity, Circular Economy, Diversity and Inclusion, Energy and Carbon, Health, Safety and Wellbeing, Quality, Environment, Social Responsibility, and Sustainability and these guide our behaviours in relation to our stakeholders.

The way in which the Board engages and takes into account stakeholder issues, together with the resultant impact is detailed on pages 88 to 93.

Corporate governance statement

Principle 4

Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board recognises its responsibility for determining the nature and extent of the principal risks the Group has to take to achieve its strategic objectives and priorities, and maintains sound risk management and internal control systems to do so. The Board reviews and approves the Group's risk appetite on an annual basis.

Risk management processes are embedded throughout the Group to help management identify and understand the risks that they face in delivering business objectives and the key controls to managing those risks. By identifying and managing those existing and emerging risks, the Board can focus on long-term business opportunities. The Board is responsible for the Group's systems of risk management and internal control, and reviewing their effectiveness. The Audit & Risk Committee reviews the suitability and effectiveness of risk management processes and controls on behalf of the Board.

Further details of the Group's approach to risk management, together with a full description of the key risks faced by the Group, are set out in pages 44 to 57.

Maintain a dynamic management framework

Principle 5

Maintain the Board as a well-functioning, balanced team led by the Chairman

The Chairman sets the Board's agenda and the Board is provided with clear, regular and timely information on the financial performance of the businesses within the Group, and of the Group as a whole. In addition, other trading reports, contract performance and market reports and data, including reports on personnel-related matters such as health and safety and environmental issues, are provided. The Board has approved a schedule of matters reserved for the Board. The Chairman encourages and facilitates each director's contribution to ensure that no one individual can dominate its proceedings. All directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. The SID undertakes an evaluation of the Chairman annually and the Board undertakes an external validation of its effectiveness every three years.

The Board has established Audit & Risk, Remuneration, Sustainability and Nomination Committees to support the Board in the performance of its duties, and the Board believes that the members of those Committees have the appropriate skills and knowledge to perform the functions delegated to them. A review of the effectiveness of the Committees is carried out annually.

The time commitment expected from directors is set out in their service agreements or letters of appointment (as appropriate). Executive directors are required to work such hours as may be necessary for the proper performance of their duties. The Board has agreed that each executive director may take on one non-executive directorship of a public company outside of the Breedon Group. Non-executive directors are expected to devote such time as is necessary for the proper performance of their duties, including in preparation for and attendance at Board, Committee and shareholder meetings. When accepting their appointment, each non-executive director confirms that they can allocate sufficient time to meet the expectations of their role.

The Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the Group on the other, to enable the Board to discharge its duties and responsibilities effectively. The Board considers all of its non-executive directors, with the exception of the non-executive Chairman, to be independent in character and judgement.

Principle 6

Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The composition and performance of the Board, and the skills and experience of each director, are regularly evaluated, to ensure that they best fit the evolution of the Group's business. The Nomination Committee regularly reviews the succession plan to ensure that when seeking to recommend new members to the Board, consideration of a range of relevant matters including the diversity of its composition is given. The Board considers that each of the directors brings a senior level of experience and judgement to bear on issues of operations, finance, strategy, performance, resources (including key appointments) and standards of conduct.

Corporate governance statement

Directors are given regular access to the Group's operations and personnel as and when required. Non-executive directors have a wealth and breadth of experience gained through their directorships on the boards of other listed companies. The individual biographical details of Directors including the skills, experience and contribution that they bring to the Board can be found on pages 96 and 97.

The roles of non-executive Chairman and CEO are not exercised by the same individual and the division of responsibility is clear and set out on the Group's website at www.breedongroup.com/division-of-responsibility.

The primary role of the Chairman is to ensure the Board is effective in setting and implementing the Group's direction and strategy and the operation of the Company's governance structures. He is responsible for leadership of the Board and ensuring that the Group maintains an appropriate level of dialogue with its shareholders. The role of the CEO is to oversee the operational management of the Group's businesses, and the role of the SID is to act as a sounding board for the Chairman and other members of the Board and to be an alternative point of access for shareholders for matters that they do not wish to raise through other channels.

The Board considers and reviews the requirement for continued professional development and each director is encouraged to reflect on their own individual needs. The Board seeks to ensure that its awareness of developments in corporate governance and the regulatory framework is current, as well as remaining knowledgeable of any industry-specific updates. The Group General Counsel, the Group's Nominated Adviser and other external advisers serve to strengthen this development by providing guidance and updates as required.

Principle 7

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board regularly reviews its own effectiveness and considers whether the Board comprises the appropriate skills to meet the needs of the business. The Chairman is in regular contact with each member of the Board to ensure that any concerns are identified and acted upon. The SID undertakes an annual performance review of the Chairman. The Board carries out an externally facilitated Board Effectiveness Review every three years and welcomes input as part of the process from stakeholders outside of the Board.

The Board also conducts an internal review of its effectiveness during the intervening period. The Board is committed to actioning any suggestions or recommendations that are made to improve its effectiveness.

Principle 8

Promote a corporate culture that is based on ethical values and behaviours

All Group colleagues are expected to maintain an appropriate standard of conduct in all of their activities, and the directors seek to set the tone for such behaviour through their own actions.

To promote a common culture across the organisation, we have defined a clear purpose and set of values that support the successful delivery of our strategy. Led by the Board and Executive Committee, the Group continues to embed the purpose 'to make a material difference to the lives of our colleagues, customers and communities' to create a workplace where people feel safe, proud and motivated to do their best. The values at the heart of our business: keep it simple; make it happen; show we care; and strive to improve, will drive the performance of the business, motivating and engaging colleagues, building customer loyalty and strengthening our relationship with local communities.

The Group has established a robust compliance framework to regulate its activities in respect of inter alia business conduct, modern slavery, competition law compliance, anti-bribery and corruption, data protection, whistleblowing, non-facilitation of tax evasion and conduct of suppliers and closely monitors compliance with these. The Group has a Diversity & Inclusion Policy which the Sustainability Committee oversees adherence to.

Through our VFL programme, our leaders ensure that there is a culture of safe behaviour, by allowing an exchange of views in an open and honest environment.

Corporate governance statement

Principle 9

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board meets at least six times per year in accordance with its scheduled meeting calendar. The Board receives appropriate and timely information prior to each meeting, a formal agenda is produced, and these papers are distributed in good time before each meeting. At the start of each meeting, the Board considers any Directors' Conflicts of Interest. The Board is responsible for the long-term success of the Group and is accountable for overall Group strategy, approval of annual budgets, annual and interim results, dividend policies and approval of major investments, including long-term contracts, acquisitions or large capital items. However, the Board recognises that governance is not just about compliance. The Board strives for good and effective governance, with informed and transparent decisions contributing to the delivery of the Group strategy. The Chairman is responsible for maintaining strategic focus and direction and the CEO is responsible for implementing the strategy and overseeing the management of the Group through the executive and management teams.

There is a formal schedule of matters reserved to the Board which includes strategy and management, structure and capital, financial reporting and controls, internal controls, contracts, communication, Board membership and other appointments, remuneration, governance, sustainability and corporate policies. The Board is supported by the Audit & Risk, Nomination, Sustainability and Remuneration Committees. Terms of reference of each Board Committee, and the schedule of matters reserved to the Board are set out on the Group's website at www.breedongroup.com/board-committees. The activities of the Audit & Risk, Nomination, Sustainability and Remuneration Committees during 2022 are described on pages 106 to 133.

The executive and management teams, which are overseen by the CEO with input from the individual business managing directors, are responsible for day-to-day management of the Group's business and its overall trading, operational and financial performance.

Build trust

Principle 10

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

We are committed to maintaining good communications with our shareholders, and have put in place appropriate processes and structures to allow that to happen. The Company communicates with our shareholders through the Annual Report and Accounts, trading announcements, the AGM, the Capital Markets Event and in the manner set out in the commentary in relation to Principle 2.

We maintain a dedicated email address which current or potential investors can use in order to communicate with the Group's investor relations team (investors@breedongroup.com). The Company announces the result of the proxy votes cast for each resolution proposed at each general meeting of the Company immediately after such meeting, and a range of corporate information (including all historical annual reports and notices of meetings, announcements, dividend information and presentations) is made available on the Group's website at www.breedongroup.com/investors.

The Board receives regular updates on the views of shareholders through reports from its brokers and from directors following shareholder engagement. Analysts' notes are reviewed and discussions held with the Company's brokers to maintain a broad understanding of varying investor views.

Corporate governance statement

UK Corporate Governance Code

For the year ended 31 December 2022, we applied the principles of good governance and, although the Board has adopted and complies fully with the QCA Corporate Governance Code, we acknowledge the provisions and principles of the 2018 UK Corporate Governance Code. The following provides a summary against which shareholders can evaluate how we have applied the principles.

Board leadership and Company purpose

How we assess opportunities and risks is set out on pages 45 and 46 with our Viability Statement on page 135.

An overview of our purpose, values and strategy is set out on page 7.

How we engage with stakeholders is on pages 88 to 93 together with the report from our designated non-executive director for workforce engagement.

The voting results of our latest AGM may be found on our website at www.breedongroup.com/agm..

The Audit & Risk Committee monitors any confidential or whistleblowing concerns. The report of the Audit & Risk Committee can be found on pages 106 to 111.

Any conflicts of interest are identified together with significant shareholdings and declared at every meeting. Further details on the Board's biographies can be found on pages 96 and 97.

Division of Responsibilities

On appointment I was not independent, however we have identified that each of the remaining non-executive directors are deemed independent and non-executive directors make up over half the Board. The composition of the Board and their independence can be found on pages 96 and 97 together with any FTSE 100 companies of which they may be a director.

I regularly hold sessions without executive directors present and the SID conducts an annual appraisal of my performance without my presence. Attendance and the number of meetings of the Board and its Committees in 2022 can be found on page 95.

The roles of Chairman and CEO are not exercised by the same individual. The responsibilities of the Chairman, CEO and SID can be found on our website at www.breedongroup.com/divison-of-responsibility. The Group General Counsel supports the Board with advice on governance matters.

Composition, succession and evaluation

The Nomination Committee's report can be found on pages 112 and 113 and provides information on its work during 2022 including that of succession planning.

All directors stand for annual re-election and the tenure of all directors, including the Chairman may be found on pages 96 and 97.

We undertake an annual performance of the Board and Committees, which is acted upon by the relevant Chair with an externally facilitated effectiveness review every three years. The next external review will take place during 2023.

Audit, Risk and Internal Controls

The report of the Audit & Risk Committee describing its work in 2022 can be found on pages 106 to 111 including its membership and roles and responsibilities. The review of the effectiveness of internal controls carried out in the year can be found in the report. Its terms of reference can be found in full on the corporate website at www.breedongroup.com/board-committees.

The Board's approach to risk management and internal controls including the principal risks and the identification of emerging risks is detailed on pages 44 and 45.

Responsibility for preparing the Annual Report can be found on page 136 and our statement on Going Concern and our assessment of the prospects of the Company can be found on page 135.

Remuneration

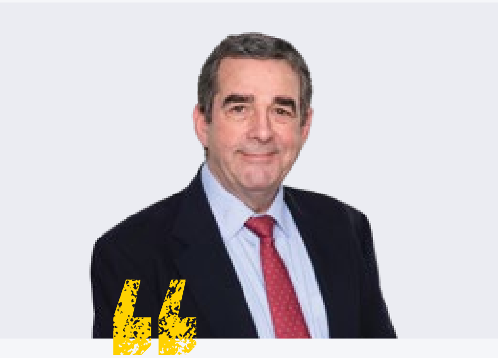
The report of the Remuneration Committee setting out the work of the Committee in 2022, together with the remuneration schemes and policies can be found on pages 116 to 133. Membership of the Committee is provided in the report including details of the directors' contracts.

The terms of reference for the Remuneration Committee can be found on our corporate website at www.breedongroup.com/board-committees and outlines the delegated responsibility for determining the policy for remuneration of the executive and the fee for the Chairman. How these align with the workforce can be found on page 125. The remuneration of the non-executive directors is determined by the Board and is contained in the Directors' Remuneration report on pages 116 to 133.

Amit Bhatia
Chairman

8 March 2023

Audit & Risk Committee report



The Audit & Risk Committee maintained its focus on **ensuring high standards** of financial governance during the year.

Clive Watson
Chair, Audit & Risk Committee

Attendance

	Meetings attended	Eligible to attend
Clive Watson	3	3
Pauline Lafferty	3	3
Helen Miles	3	3
Carol Hui	3	3

The role of the Committee is to monitor the integrity of the Group's financial statements and ensure that the interests of shareholders are properly protected in relation to financial reporting, internal control and risk management.

The Committee monitors and reviews the effectiveness of the internal control and risk management framework, alongside the wider compliance environment operating within the Group which includes the Group's whistleblowing arrangements.

The Committee makes recommendations to the Board in respect of the appointment of the external auditor, reviews and monitors their independence and objectivity, and approves their remuneration. It consults with the external auditor on the scope of their work and reviews all major points arising from the audit.

The Committee oversees the Group's outsourced internal audit function which reports directly to the Committee, and has responsibility for appointing the Head of Internal Audit, approving the annual internal audit plan, reviewing key outputs from internal audit reviews and assessing the performance of the function.

The Committee has relevant financial experience at a senior level as set out in the biographies on pages 96 and 97.

Terms of reference

The Committee's terms of reference reflect the current regulatory requirements and best practice appropriate to the Group's size, nature and stage of development. They were revised and adopted in the previous year and are available on the Group's website at www.breedongroup.com/board-committees. No changes to the terms of reference were recommended this year.

Key activities carried out in the year

During the year, the Committee met three times. Relevant members of management including the CEO, CFO, Group Financial Controller and Group Risk & Controls Manager were in attendance at these meetings, which covered the following topics:

March

- review of the Annual Report, including:
  - significant accounting issues and disclosures;
  - Going Concern and Viability;
  - fair, balanced and understandable reporting;
- discussion of KPMG's findings from the 2021 audit;
- review of auditor independence;
- review of solvency position to support final dividend;
- review of risk management processes and principal and emerging risks;
- update on risk management review processes and financial controls framework implementation;
- review and approval of the Group Risk Management Framework;
- update on tax compliance status;
- update on progress against the internal audit plan and findings of internal control reviews; and
- approval of the internal audit plan for 2022 to 2023.

July

- review of the interim financial statements, including interim risk disclosure;
- review of solvency position to support interim dividend.
- update on risk management review processes and financial controls framework implementation;
- update on findings of internal control reviews; and
- review of whistleblowing reports and actions taken.

Audit & Risk Committee report

November

- approval of KPMG's external audit engagement letter, fees and audit strategy for 2022 audit;
- approval of appointment of Anna Barrell as KPMG's new audit partner, effective for the 2023 financial year;
- update on risk management review processes and financial controls framework implementation;
- annual review of effectiveness of the Group's risk management and internal control framework;
- annual review of effectiveness of internal audit;
- update on progress against the internal audit plan and findings of internal control reviews;
- agreed internal audit plan for the 2022 to 2023 Internal Audit Cycle;
- review of Group tax strategy;
- review of whistleblowing reports and actions taken; and
- review of Committee effectiveness.

Significant accounting matters

The Committee considered key accounting issues, judgements and disclosures in relation to the Group's 2022 financial statements, the most significant of which were goodwill impairment testing and restoration provisions.

These key issues were discussed and reviewed with management and the external auditors. The Committee challenged judgements made and sought clarification where necessary.

The Committee received a report from the external auditor on the work they had performed to arrive at their conclusions and discussed in detail all significant findings contained within that report. The information contained in the table below should be considered together with KPMG's independent external audit report on pages 138 to 145 and the accounting policies disclosed in the notes to the financial statements as referenced in the table.

Area of focus	Audit & Risk Committee review	Conclusions
Impairment of goodwill		
See note 9 to the financial statements	The Group has £469.6m of goodwill arising from acquisitions. This is not amortised but is reviewed for impairment on an annual basis, or more frequently if there are indications that the goodwill may be impaired. The recoverable amounts for each segment to which goodwill has been allocated are calculated by determining the value in use of each segment, based on the net present value of projected cash flows, with the most significant judgements being the forecast financial performance, longer-term growth rates and discount rates. The Committee was presented with a written report from management setting out the basis of the calculation, support for the key assumptions used and consideration of the Group's market capitalisation. This report included detail on the judgements made about the impact of climate change on forecast financial performance in the impairment review, in particular for the Cement operating segment. The Committee discussed these judgements with both management and the external auditor, and considered the appropriateness of the key assumptions and the adequacy of the disclosure provided in note 9 of the financial statements.	The recoverable amounts of each segment showed significant headroom compared to their carrying value when reasonably possible changes are made to key assumptions. The Committee noted that key judgements were reasonable, and that management has obtained an external calculation for discount rates to reflect increasing costs of capital during 2022. The Committee was satisfied that no impairment of goodwill was necessary, and that the disclosures in the financial statements, including those around the impact of climate change, were appropriate.

Audit & Risk Committee report

Area of focus	Audit & Risk Committee review	Conclusions
Provisions		
See notes 16 and 26 to the financial statements	The Group holds a provision of £84.7m for the future costs of restoring and decommissioning its trading assets. These amounts can be especially significant for the Group's quarries and our two cement plants. The Group conducts an annual process to review the ongoing accuracy and adequacy of these provisions, with the aid of external experts, where appropriate. During the year, the level of provision increased to reflect expected future increases in restoration costs, arising primarily from the impact of higher rates of inflation experienced during 2022. The Committee discussed the output from the annual review of provisions with management and the external auditor.	The Committee noted the impact of inflation on the calculation of restoration provisions during the year. They concluded that provisions were appropriately calculated and fairly stated in the accounts.
Accounting impact of climate change		
See notes 9 and 26 to the financial statements	Climate change has been identified by the Group as a principal risk, and both the physical and transitional risks posed by climate change could affect accounting judgements made in preparing the financial statements. The Committee was presented with a paper from management which assessed this potential impact, concluding that the judgements made in the impairment of non-current assets were the only area which was likely to impact the financial statements materially, as a result of the uncertainty surrounding the costs involved to transition to net zero by 2050. The Committee reviewed the disclosure of this as a key accounting judgement in the financial statements.	The Committee was satisfied that the potential impact of climate change had been appropriately considered in preparing the financial statements, and that the disclosure fairly reflected the nature of the risk and judgements made by management.

Area of focus	Audit & Risk Committee review	Conclusions
Identification of non-underlying items		
See note 3 to the financial statements	The identification and presentation of certain items as non-underlying on the face of the consolidated income statement requires management to apply judgement in identifying and appropriately disclosing these items. In 2022, total non-underlying items before tax were £7.0m (2021: £6.2m), being primarily the amortisation of acquired intangible assets. The Committee considered the nature of the items which were presented as non-underlying and the associated disclosures in the notes to the financial statements.	The Committee was satisfied that the non-underlying items identified by management were appropriately disclosed and that this presentation provides stakeholders with useful additional understanding of business performance by reflecting the way in which the business is managed. They noted that the nature of such items was consistent over time and were clearly disclosed in the accounts with reconciliations provided to statutory measures.
Acquisition accounting for intangible assets and goodwill		
See note 25 to the financial statements	During the year, the Group completed the acquisition of the three entities for a combined consideration of £20.5m. Management performed a fair value exercise for each of the acquisitions in which intangible assets were identified, fair valued and assigned a useful economic life, over which the assets will be amortised. The Audit & Risk Committee reviewed and discussed, with both management and the external auditor, a paper prepared by management setting out the process followed to identify the intangible assets, the basis of their fair value and the assigned useful economic lives.	The Committee was satisfied that the intangible assets identified as part of the acquisitions are appropriate and have been accounted for in line with the applicable accounting standards. They noted that the assumptions used in the valuation of the assets were determined on a consistent basis to historical acquisitions.

Audit & Risk Committee report

Area of focus	Audit & Risk Committee review	Conclusions
Alternative performance measures		
See note 27 to the financial statements	The Group utilises a number of Alternative Performance Measures in response to demand from its shareholders. Care is required to ensure that the use of these measures is compatible with the Group's obligation to prepare an Annual Report which is fair, balanced and understandable. In particular, these measures should be calculated on a consistent and transparent basis over time and given no more prominence than related statutory measures. The Committee reviewed the use and presentation of these measures throughout the Annual Report, alongside the full reconciliations back to statutory measures provided in note 27 to the financial statements.	The Committee was satisfied the use of Alternative Performance Measures enhances the reporting of the Group by providing additional information that is useful to users of the accounts. They further concluded that these Alternative Performance Measures were consistently calculated and have been presented fairly together with full reconciliations alongside the relevant statutory measures.
Going Concern and Viability		
See note 1 to the financial statements and the Viability Statement on page 135	At each reporting date the Group assesses whether it remains appropriate to prepare accounts on a Going Concern basis and makes a statement on its longer-term viability as part of its risk reporting. The Committee reviewed and considered a paper setting out why management believe that the Group remains a Going Concern. This included details of available facilities, the profit and cash generation of the Group and a sensitivity analysis in the form of a 'severe but plausible' downside scenario. Going Concern was also discussed with the external auditor. The Viability Statement was reviewed, alongside a supporting paper from management, incorporating both a base case and downside scenario covering the three-year period of the statement.	The Committee recommended to the Board the use of the Going Concern assumption and approved the Viability Statement. They noted that following the strong levels of profit and cash generation, the risks facing the Group have continued to reduce since 2020. The Committee was satisfied that the disclosure in the basis of preparation note to the financial statements included all factors relevant to users of the accounts.

Fair, balanced and understandable assessment

The Committee reviewed the Annual Report and was able to confirm to the Board that the Committee considered the Annual Report and Accounts, taken as a whole, was fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's performance, business model and strategy.

External auditor

The external auditor, KPMG, has an independent reporting line to the Committee and attended all Committee meetings held in 2022. At these meetings, the Committee met KPMG without the executive directors being present to provide a forum to raise any matters of concern in confidence.

The Committee discussed and agreed the scope of the audit plan with KPMG, and subsequently reviewed their findings, covering the control environment in the Group, key accounting matters and mandatory communications.

The Committee considers the effectiveness of KPMG's audit on an annual basis, including consideration of the standard of KPMG's formal communication around audit strategy and findings, ad hoc engagements throughout the year and the feedback which is provided by management following an internal survey of relevant stakeholders. The Committee remains satisfied with the quality of the audit provided by KPMG and that they remain objective and independent.

Following the conclusion of the 2022 audit, the lead audit partner, Craig Parkin, has served the maximum tenure of five years and as such will rotate off in the coming year. During the year, the Committee approved the appointment of Anna Barrell who will act as KPMG's audit partner from 2023 onwards.

KPMG, either directly or via KPMG Channel Islands Limited, has acted as auditor to the Group since its formation in 2008, with the audit last subject to a full competitive tender in 2019.

KPMG provided £0.1m of non-audit services during the year which all related to services expressly permitted by the FRC's 2019 ethical standard. All work was approved in advance by the Committee, is significantly less than the audit fee and in the opinion of the Committee does not lead to an actual or perceived conflict of interest.

Audit & Risk Committee report

Internal audit

RSM continue to provide an outsourced internal audit function to the Group. They are independent of management and the Head of Internal Audit, provided by RSM, reports directly to the Chair of the Committee.

The 2022 internal audit plan was completed in line with the plan approved by the Committee, which received reports from RSM on the outcome of those reviews and regular updates on actions taken in addressing issues previously identified.

RSM attended the Audit & Risk Committee meetings held during the year, At these meetings, the Committee met RSM without the executive directors being present to provide a forum to raise any matters of concern in confidence.

The internal audit plan for 2023 has been approved and includes reviews covering IT controls and mineral resource management, alongside a range of other financial and non-financial processes.

During the year, the Committee undertook the first annual assessment of the performance of the function since its inception at the start of 2021.

An internal survey was sent out to relevant stakeholders who had worked with RSM, with feedback obtained against a balanced scorecard of criteria which included technical ability, business understanding, effective communication, process management and the quality of audit reporting.

The Committee concluded that it was satisfied with the work performed by RSM and that the internal audit function was effective.

Risk management and internal control

The Audit & Risk Committee monitors the effectiveness of the Group's risk management and internal control systems, through the following processes:

- **The Executive team:**
  - Reports to the Board on changes in the business and external environment which present significant risks.
  - Provides the Board with monthly trading and financial information and comparison versus KPIs.
  - Regularly informs the Board on changes to the competitive landscape.
  - Performs a review at least twice a year of the principal risks and mitigations identified by management through the risk management processes.
- **The Audit & Risk Committee:**
  - Receives regular reports on significant legal, ethical, compliance and insurance matters from the Group General Counsel, including summaries of any reports received through the Group's whistleblowing hotline.
  - Approves the Group risk management and internal control framework, which sets out the governance, risk assessment policies and processes, for their review and approval.
  - Receives formal reporting from the Group Risk & Controls manager on the risk review processes followed and the outcome of the formal risk reviews which form the basis of the Principal and emerging risks reporting.
  - Reviews progress updates from the Group Risk & Controls manager covering control remediation actions, progress against the internal audit plan and reviews both the financial controls framework implementation and risk management activities.
  - Receives an update on the outcomes from the annual self-certification process for our key financial controls against the agreed minimum standards, as defined in the Breedon Financial Controls Manual, and is provided a summary of the results of the second line testing performed.
  - Reviews reports from RSM concerning the design, implementation and operating effectiveness of internal controls across the Group's operations, including IT and cyber security controls. This reporting covers both the scope and findings of reviews, actions agreed with management as well as the progress made by management to address any actions.
  - Receives regular updates from KPMG, which includes findings on risk and internal controls arising from their work. Subsequent updates on issues identified by KPMG are reported to the Audit & Risk Committee.
  - Receives significant financial accounting policies for their review and approval.

The Committee also completed its annual review of the effectiveness of the Group's internal control and risk management framework, concluding that this remained effective.

Audit & Risk Committee report

Whistleblowing

The Group has adopted a whistleblowing policy which, together with our confidential whistleblowing helpline, gives colleagues or any other third party the means to raise concerns in confidence and, if they wish, anonymously.

The Committee reviews reports on notifications received and ensures that arrangements are in place for the proportionate and independent investigation of such matters and for follow-up action.

Committee effectiveness

The last triennial external Board evaluation took place during the latter half of 2020, which included a review of the effectiveness of the Committee and confirmed that the Committee was effective. All substantive recommendations arising from the review were implemented by the Committee during 2021.

The Committee undertook a self-assessed review of its own effectiveness in 2022, reviewing a number of indicators against performance and discussed areas they believed we were doing well and where any improvements could be made. This resulted in the Committee declaring that it believed that the Committee had been effective throughout 2022.

Areas of focus for 2023

The following areas will be key areas of focus heading into 2023 including:

- increased focus on our assessment of the effectiveness of non-financial mitigating controls and the development of an Assurance map and Audit and Assurance policy;
- moving to a 'business as usual' assurance process for financial controls following implementation in 2022; and
- enhanced risk reporting to enable the monitoring of key risks across the Group and provide real-time risk information.

Clive Watson
Chair, Audit & Risk Committee

8 March 2023

Nomination Committee report

The Nomination Committee has continued to keep the leadership of the Group under review to **ensure the Board is able to govern effectively and the executive lead a successful organisation**.

Amit Bhatia
Chair, Nomination Committee

Attendance

	Meetings attended	Eligible to attend
Amit Bhatia	2	2
Carol Hui	2	2
Pauline Lafferty	2	2
Helen Miles	1	2
Clive Watson	2	2

It is the responsibility of the Nomination Committee to:

- regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes;
- give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future;
- keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates; and
- be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.

The terms of reference for the Nomination Committee are available on our website at www.breedongroup.com/board-committees.

As required by the Committee's terms of reference, throughout the year the Nomination Committee was chaired by the Chairman of the Company. The Committee comprises at least three directors, the majority of which shall be independent non-executive directors. The quorum for Committee meetings is a minimum of two directors which must comprise a majority of independent directors.

The Committee was quorate for all meetings in 2022 and all members were available to speak to shareholders at the AGM in 2022.

Key activities carried out in the year

During the year, the Nomination Committee met twice and discussed the following:

- recommended the membership of the Sustainability Committee;
- reviewed the succession plan for the Board and Executive Committee;
- reviewed the structure, size and composition of the Board;
- reviewed its own effectiveness; and
- reviewed its terms of reference

Review of 2022

Following a number of appointments to the Board over the last few years, the Nomination Committee made no recommendations regarding the composition of the Board in 2022. However, the Nomination Committee considered the constitution and membership of the newly constituted Sustainability Committee and made recommendations to the Board on the appointment of the Chair and membership of that Committee.

Nomination Committee report

The focus of the Committee during the year has been on the robust succession planning for the executive directors and other senior executives within the Group. The Committee put in place a new succession plan which sits alongside the People Plan for the Group. As part of the succession plan the Nomination Committee oversaw the retirement and appointment of a new member of the Executive Committee and provided its attention to both the shorter-term succession plans, particularly for executive directors, as well as the longer-term succession plans for the Executive Committee. The gender balance of the Executive Committee and its direct reports can be found on page 95 and the Diversity and Inclusion policy was reviewed and approved in the year.

The Nomination Committee undertook a self-assessed review of its own effectiveness in 2022. The Committee looked at a number of indicators against performance and discussed areas in which we believed we were doing well and where any improvements could be made. I am pleased to confirm that this resulted in the Committee declaring that it believed that the Committee had been effective in 2022. As an outcome of the Committee's review of effectiveness, the Committee reviewed its terms of reference and proposed no changes.

The Committee is aware that the Board complies fully with any requirements of the QCA Code as to membership, structure and diversity and is also aware of the provisions of the UK Corporate Governance Code, particularly in relation to composition, succession and evaluation.

The Nomination Committee was pleased that the Board was available to speak to shareholders at the AGM in 2022 and that all directors' reappointments were supported by shareholders.

Focus for 2023

The Nomination Committee will continue to review and explore the succession plan, with an emphasis on ensuring that there is appropriate succession planning in place taking into account the challenges and opportunities facing the Company. The Committee will also oversee and review the skills, knowledge and experience of the Board to ensure those qualities continue to be up to date and appropriate for the Board to discharge its duties fully.

An external review of the effectiveness of the Board will take place in 2023 and the Committee confirms that there remains no unactioned areas for development from the last external review which took place in 2020.

The Nomination Committee firmly believes that an inclusive culture, with a range of perspectives, should continue as a key driver of business success and is committed to ensuring that there is a diverse Board with key skills and experiences, so as to make effective contribution to the sustainable long-term growth of the Company.

Amit Bhatia
Chair, Nomination Committee

8 March 2023

Sustainability Committee report

The Sustainability Committee, on behalf of the Board, has **reviewed the strategies, policies and performance** of the Group in relation to sustainability, so as to drive improvement in this area.

Carol Hui
Chair, Sustainability Committee

Attendance

	Meetings attended	Eligible to attend
Carol Hui	3	3
Amit Bhatia	3	3
Pauline Lafferty	3	3
Helen Miles	3	3
Clive Watson	3	3

It is the responsibility of the Sustainability Committee, on behalf of the Board, to:

- review the environmental impact and sustainability of the Group's operations particularly in relation to those activities where the Company has its most significant environmental impacts in respect of energy management and climate change, water quality, and biodiversity and land use. In doing so, considering the Board's duty to have regard to the impact of the Company's operations on the community and the environment as well as the Company's other stakeholders, when promoting the success of the Company;
- ensure the promotion of socially responsible values and standards that relate to the social and economic communities in which the Group operates, are in accordance with the Company's corporate sustainability strategy. Ensure the Company can demonstrate that it lives through these values and can act responsibly in its engagement with all stakeholders in these communities, locally, nationally and internationally;
- review the Group's policies and procedures in relation to sustainability and associated matters;
- consider the Group's overall approach to sustainability and ensure it is aligned with the Group strategy and, if appropriate, recommend amendments to the above policies to the Board;
- review and evaluate the sustainability performance of the Group including in relation to energy and carbon emissions, materials and waste management and social and community matters;
- develop and recommend to the Board corporate sustainability targets and key performance indicators and receive and review reports on progress towards the achievement of such targets and indicators; and
- consider matters linked to the Group's corporate sustainability strategy.

The terms of reference for the Sustainability Committee are available on our website at www.breedongroup.com/board-committees and are approved by the Board.

Throughout the year the Sustainability Committee was chaired by Carol Hui. The Committee comprises at least three non-executive directors, one of whom is the Chair of the Board. The quorum for Committee meetings is a minimum of two Directors and which must comprise a majority of independent directors.

The Group's People Director, the Head of Sustainability and the Head of Health, Safety & Wellbeing have a standing invitation to attend, and provide updates to the Committee at each meeting.

The Committee was quorate for all meetings in 2022 and all members were available to speak to shareholders at the AGM in 2022.

The Sustainability Committee keeps the Board updated on its delegated responsibilities in relation to sustainability and climate related issues through regular updates, and all non-executive directors are members of the Committee.

Sustainability Committee report

Key activities carried out in the year

During the year, the Sustainability Committee met three times and discussed the following:

- Group-level strategic objectives for sustainability for 2022 and 2023 and progress against these;
- progress against Group-wide sustainability targets and key performance indicators;
- reviewed and approved a suite of nine Group-level policies;
- approved the commitment to develop carbon reduction targets aligned to the Science Based Targets initiatives;
- reviewed sustainability risks and opportunities;
- reviewed the Annual Report disclosures;
- reviewed the social value framework and methodology for measuring positive impact; and
- reviewed its own effectiveness and its terms of reference.

Review of 2022

The Sustainability Committee commenced the year with its inaugural meeting, understanding its role and responsibilities and considered an annual programme of work to ensure the Committee can effectively meet its terms of reference set by the Board.

During the year, the Committee has considered a number of standing items at its meetings including stakeholder engagement and communication. Through the Company's promotion of socially responsible values and standards, the Committee has been encouraged with the work that has been demonstrated by the Company through its engagement with all stakeholders through its regular reporting. The Committee has continued to develop the Board corporate sustainability targets and key performance indicators, which had been put in place before it was established and during the year the Committee received and reviewed reports on progress towards the achievement of such targets and indicators. The Committee supported the formal commitment that the Group would over the next year develop the necessary science-based targets aligned to a 1.5°C or well below 2°C pathway to reach net zero by 2050. The Committee supported engagement with stakeholders to make them aware of our commitment, increased engagement with our colleagues and the sharing of knowledge and best practices through cross-divisional internal Planet, People and Places working groups focused on supporting the businesses in achieving their sustainability objectives.

The Committee had oversight of sustainability management and governance within the operations of the Company and has reviewed the environmental impact and sustainability of the Group's operations particularly in relation to those activities where the Company has its most significant environmental impacts. The Committee reviewed and approved the disclosures in the 2021 Annual Report and will review those for the 2022 Annual Report as part of its responsibilities in 2023. During the year the Committee continued to review the sustainability risks and opportunities as well as the Group's policies and procedures in relation to sustainability and associated matters. These included Sustainability, Biodiversity, Circular Economy, Diversity and Inclusion, Energy and Carbon, Environment, Health, Safety and Wellbeing, Quality, and Social Responsibility policies. These are reviewed on an annual basis by the Committee.

The Sustainability Committee undertook a self-assessed review of its own effectiveness in 2022. The Committee looked at a number of indicators against its performance and discussed areas in which we believed we were doing well and where any improvements could be made. I am pleased to confirm that this resulted in the Committee declaring that it believed that it had been effective in 2022. Following a review of its terms of reference the Committee proposed no changes to the Board for 2023.

Focus for 2023

The Sustainability Committee will continue to have oversight of the strategies, policies and performance of the Group in relation to sustainability, so as to continue to drive improvement in this area across the Group.

With its first year completed, the Committee will be embedding best governance practice to ensure that it continues to carry out its responsibilities effectively.

Carol Hui
Chair, Sustainability Committee

8 March 2023

Directors' Remuneration report

Our policy for senior executives' pay supports our **strategy to deliver long-term sustainable performance** for the benefit of all our stakeholders.

Pauline Lafferty
Chair, Remuneration Committee

Attendance

	Meetings attended	Eligible to attend
Pauline Lafferty	3	3
Carol Hui	3	3
Helen Miles	3	3
Clive Watson	3	3

Remuneration Committee

The Remuneration Committee comprises independent non-executive directors. Its role is to determine the remuneration policy and outcomes for the executive directors and senior management within the framework agreed by the Board. The Committee also determines the Chairman's fee.

The Chairman, Chief Executive Officer and Group People Director were invited to and attended each meeting.

Independent advisers, FIT Remuneration Consultants, were invited to and attended each meeting.

The directors have voluntarily prepared a Directors' Remuneration report which has taken into account the requirements within Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made under the UK Companies Act 2006, as if those requirements applied to the Company.

Terms of reference

The Committee works within agreed terms of reference and makes recommendations to the Board. The terms of reference for the Committee were reviewed during the year and are available on the Group's website at www.breedongroup.com/board-committees.

Key activities carried out in the year

During the year, the Remuneration Committee formally met three times and discussed:

- base salary changes for the executive directors and Executive Committee for 2022 in the context of workforce increases;
- annual bonus outcomes for 2021 and measures and targets for annual bonus in 2022;
- approval of the 2019 PSP award vesting and the grant of the 2022 PSP awards;
- a review of employee pay across the Group;
- a review of remuneration trends and a corporate governance update;
- the effectiveness of the Committee and its independent advisers;
- the Committee's terms of reference; and
- preparation of the Directors' Remuneration report.

Annual statement

Dear shareholder

This was my first full year as Chair of the Remuneration Committee and I am pleased to present the Directors' Remuneration report for the year ended 31 December 2022.

This report comprises three sections:

- Annual statement – outlines the key items considered by the Remuneration Committee during the year, including pay outcomes for 2022.
- Directors' Remuneration policy – this sets out the parameters within which we operate and implement our remuneration arrangements for directors.
- Annual report on remuneration – outlines the pay outcomes for 2022 in more detail and sets out how we propose to implement our pay policy in 2023.

At the 2023 AGM, shareholders will have the opportunity for an advisory vote on the Directors' Remuneration report and we look forward to your continued support.

Directors' Remuneration report

2022 business performance

The Group delivered record performance in 2022 with revenue of £1.4bn and Underlying EBIT of £155m. This was achieved against a backdrop of significant cost input inflation and the impact of a prolonged difficult macroeconomic environment. During the year, we have continued to make significant investment with £102m spent on capital projects and completed three strategically important acquisitions. In addition, we made excellent progress in delivering against our strategic priorities.

2022 remuneration outcomes

Annual bonus

The outcome for the 2022 annual bonus reflects the Group's strong financial performance and progress made against corporate objectives for the year.

Underlying EBIT performance accounted for 75% of the bonus and the 2022 Underlying EBIT was £155m. The rules of the bonus scheme provide that the actual level of Underlying EBIT is subject to a capital employed moderator. The actual capital employed was slightly higher than budgeted, resulting in an Underlying EBIT for bonus purposes of £154.7m. This element of the bonus paid out at 99.8% of maximum.

The remaining 25% was based on sustainability targets (15%) and implementation of our people plan (10%). Excellent progress towards these corporate objectives resulted in a pay out of 92% of maximum.

The overall bonus payout was therefore 122% of base salary.

The Committee considered carefully whether the annual bonus outcome was consistent with the underlying performance of the business. Reflecting the strong financial delivery and accomplishment of important sustainability and people initiatives, no adjustments have been applied to the outcome of the 2022 bonus.

2020 PSP

The 2020 PSP awards were subject to an EPS measure and were set following the onset of the pandemic. Adjusted Underlying diluted EPS for 2022 was 7.05p, significantly above the maximum target of 5.47p.

The Committee considered the vesting outcome of the 2020 PSP and believe it is appropriate when considering the:

- strong recovery from the impact of Covid;
- substantial increase in revenue and profit over the period; and
- significant progress made on strategic priorities over a very challenging period.

Accordingly, these awards will vest in full in August 2023.

Summary of incentive outcomes

2022 Annual bonus	Weighting	% of maximum achieved	% of bonus achieved
Underlying EBIT	75%	99.8%	74.8%
Corporate objectives	25%	92%	23%

Overall, bonuses of 122% of salary became payable to executive directors.

PSP 2020 awards	Weighting	% of PSP award achieved
EPS	100%	100%

Directors' Remuneration report

Shareholders' and colleagues' views

We are very grateful for the views received from major shareholders and seek to engage with shareholders on a continuous basis on remuneration matters. I can be contacted via the Group General Counsel should you have any questions on this report or more generally in relation to the Group's approach to remuneration.

While Breedon applies the QCA Code, the Board takes into account the principles and provisions in the UK Corporate Governance Code. Under the main Code companies are required to establish a mechanism for gathering the views of the workforce on all matters, including pay. I was appointed the non-executive director for workforce engagement in 2021, and during 2022 I made a number of visits to engage with the teams at our sites in Scotland, and also attended a focus group for the Wales & South region comprising colleagues from across the business (see page 93).

Senior management and wider workforce

The Committee sets remuneration for senior executives, and during the year received updates on colleague remuneration, policies and practices across the Group.

During 2022 we actively supported our colleagues through the cost of living crisis with additional one-off payments and through a series of wellbeing initiatives.

As referenced in the 2021 Annual report a thank you bonus of £400 was paid in April 2022 in recognition of 2021 business performance to colleagues not participating in a bonus scheme. A further exceptional £400 payment was made in November 2022 to the same colleague population in recognition for both business performance during 2022 and to recognise the continued cost of living challenges.

Looking forward to 2023

For 2023, the Committee will implement the remuneration policy as follows:

Salary

The Committee considered carefully how to address base salaries for 2023 and considered a number of factors including executive directors' experience, performance in the role and salary increases for the wider workforce. Consistent with latest investor guidance, effective from 1 April 2023, the CEO and CFO salaries will increase by 4.5% to £642,675 and £434,720 respectively. This is lower than the increase that will apply to the general pay review across the Group of 6% in 2023 for other Breedon colleagues, which includes a minimum increase of £1,500 for lower paid colleagues.

Pension

No change to benefits. Pension contribution rates are in line with the general workforce contribution offering.

Annual bonus

The annual bonus opportunity will continue to be 125% of salary for executive directors in 2023 and be based at 75% on adjusted Underlying EBIT with a moderator applied to reflect actual capital employed in the business versus budget and 25% on key strategic objectives including ESG.

PSP

During the year the Remuneration Committee reviewed incentive opportunities and felt it appropriate to increase the PSP policy levels to 175% of base salary, from 150%. The increase reflects the scale of complexity of the Breedon business which now operates over 300 sites, an increase from 29 in 2011, employs 3,700 colleagues and has delivered record results in 2022 including revenue of £1.4bn. While benchmarking has not been the primary driver behind this decision, the Committee takes comfort that the award level is not out of line with listed companies of Breedon's market capitalisation and ensures that there is a greater focus on delivering long-term success. The Committee is, however, aware of the limited visibility in the current trading landscape, the current economic outlook and the prevailing share price. In light of these factors, we have delayed implementation of the increased policy levels until 2024 and therefore the grant level for 2023 will remain at 150% of salary. The performance measures will be related to stretching EPS growth targets and relative Total Shareholder Return (TSR) in equal proportions.

As set out in the Chairman's statement, Breedon intends to seek admission to the Premium Listing segment of the London Stock Exchange. Following admission, the Committee will be undertaking a comprehensive review of executive pay in 2023 to ensure remuneration is appropriate, for a FTSE 250 business, and that we address the provisions and principles of the UK Corporate Governance Code.

Directors' Remuneration report

Remuneration at a glance

The key elements of executive directors' remuneration packages and our approach to implementation in 2023 are summarised below:

		Remuneration 2022	Remuneration 2023
Fixed pay	Salary (annual base)	– CEO £615,000 – CFO £416,000	– CEO £642,675 – CFO £434,720
	Pension	– 5% of salary in line with the workforce	– No change
	Benefits	– Includes private medical insurance, car allowance, and executive medical screening	– No change
Annual bonus	Maximum opportunity	– 125% of salary	– No change
	Performance measures	– 75% Underlying EBIT – 25% corporate objectives – Capital employed moderator – Malus and clawback provisions apply and Committee discretion to adjust the bonus outcome	– No change
Long-term incentives	Award level	– Policy of 150% of salary – CEO grant 150% of salary – CFO grant 150% of salary – Two-year hold period applies	– Policy of 175% of salary – CEO grant 150% of salary – CFO grant 150% of salary – Two-year hold period applies
	Performance measures	– 50% relative TSR (against the FTSE 250 constituents excluding investment trusts) – 50% EPS growth – Malus and clawback provisions apply and Committee discretion to adjust the vesting outcome	– No change
Shareholding guidelines	In employment	– 200% of salary	– 200% of salary – Executive directors are required to retain half of any vested share awards (net of tax) until guideline is achieved

Directors' Remuneration report

Directors' Remuneration policy

		Operation	Maximum opportunity	Performance conditions
Base salary	To provide a competitive base salary reflective of the particular skills, calibre and experience of an individual.	Normally reviewed annually or on a significant change of responsibilities and typically take effect from 1 April. Salaries are determined by reference to the skills and personal performance of the individual. The Committee takes into account external market data and pay and employment conditions elsewhere in the Group when considering increases to base salary levels.	While there is no maximum salary, increases will normally be broadly in line with the range of salary increases awarded (in percentage of salary terms) to the wider workforce. Salary increases above this level may be awarded to take into account individual circumstances, including a change in the scope or responsibilities of the role, a change in market practice, a change in the size or complexity of the business or to reflect development and performance in role. Other factors which will be taken into account will include progression within the role and competitive salary levels in companies of a broadly similar size and complexity.	Although there are no formal performance conditions, any increase in base salary is only implemented after careful consideration of individual contribution and performance and having due regard to the factors set out in the 'Operation' column of this table.
Annual bonus	To incentivise the delivery of annual financial, strategic and safety objectives.	Executive directors may participate in the annual bonus scheme. Performance measures and targets are set by the Committee and, subject to the achievement of performance criteria, bonuses are paid in cash shortly after the completion of the audit of the annual results.	For executive directors, the maximum opportunity is 125% of salary. This level of incentive opportunity reflects the Committee's desire to retain a high proportion of remuneration on variable pay. Bonuses are not pensionable. Malus and clawback provisions will apply and the Committee will have a discretion to moderate the formulaic outcome under the scheme to ensure it is consistent with other stakeholders' experiences.	Performance measures will be determined each year and may be based on financial and non-financial objectives. Financial measures will normally determine the majority of the bonus opportunity and the balance may be based on non-financial, strategic, personal and/or ESG-related objectives. Where possible, a graduated scale of targets is normally set for financial measures, with no payout for performance below a threshold level of performance. Any payment is discretionary and will be subject to the achievement of stretching performance targets. The Committee has discretion to adjust the formulaic outcome arising from the performance conditions in the event that it considers such an outcome is not consistent with the wider stakeholder experience.

Directors' Remuneration report

		Operation	Maximum opportunity	Performance conditions
Performance share plan	To drive superior performance of the Group and delivery of the Group's long-term objectives, aid retention and align directors' interests with those of the Company's shareholders.	Share-based awards of nil cost options or conditional awards are granted annually, typically based on performance measures set over a three-year performance period. A two-year post vesting holding period applies for awards made in 2021 and thereafter. A 10% in ten years' dilution limit governing the issue of new shares to satisfy all share schemes operated by the Company will apply. Dividend equivalents may be paid for awards to the extent they vest.	The maximum award limit in any financial year under the plan rules is 250% of base salary. The normal award level is 175% of salary for executive directors, however award levels will remain at 150% of salary in 2023.	The vesting of awards is subject to the satisfaction of performance conditions, typically measured over a period of at least three years. Performance conditions, and their weightings where there is more than one metric, are reviewed annually to maintain appropriateness and relevance. Awards may be based on measures which could include, but are not limited to, EPS and relative TSR. For awards granted since 2021 onwards, 25% of the award will vest for threshold performance with full vesting for 'maximum' performance. Malus and clawback provisions apply for awards made in 2021 and thereafter.
Pension	To aid recruitment and retention by allowing the directors to make provision for long-term retirement benefits.	A salary supplement equivalent to the contribution that would otherwise be made to a defined contribution pension plan or a contribution into the Group Pension Plan.	The CEO and CFO, and any future director appointments, receive pension contributions aligned with the wider workforce pension contribution, currently set at 5% of base salary per annum.	None.
Other benefits	To provide market-competitive, cost-effective benefits.	Other benefits may include private medical insurance, car allowance, and executive medical screening. The Company operates Sharesave schemes on an annual basis. These schemes are open to all colleagues of the Group, including executive directors who have completed the requisite length of service at the launch of each invitation. For external and internal appointments or relocations, the Company may pay certain relocation and/or incidental expenses as appropriate.	As it is not possible to calculate in advance the cost of all benefits, a maximum is not pre-determined. Sharesave contribution limits and the Sharesave option exercise price are set as permitted by the applicable tax legislation and apply in the same way to all qualifying colleagues.	None.

Directors' Remuneration report

Approach to performance measures

The Committee's approach to the setting of performance measures for the annual bonus and PSP is to select measures that are aligned with the Group's key performance indicators and the interests of shareholders. Targets are set at levels which require stretching performance to be achieved for maximum payout, but without encouraging excessive risk-taking. When setting targets, the Committee considers a number of reference points, including the Company's own plans, external expectations and the economic environment.

Annual bonus

The executives' annual bonus arrangements are focused on the achievement of the Company's short- and medium-term financial objectives, with financial measures selected to closely align the performance of the executive directors with the strategy of the business and with shareholder value creation. Where non-financial objectives are set, these are chosen to support the delivery of the longer-term strategic milestones and linked to those KPIs of most relevance to each director's individual responsibilities.

Details of the measures used for the annual bonus are given in the annual report on remuneration.

PSP

The aim of the PSP is to motivate executive directors and other senior executives to achieve performance superior to the Company's peers and to maintain and increase earnings levels while at the same time ensuring that it is not at the expense of longer-term shareholder returns. This is reflected in the performance conditions of the PSP which are currently based on relative TSR and EPS growth.

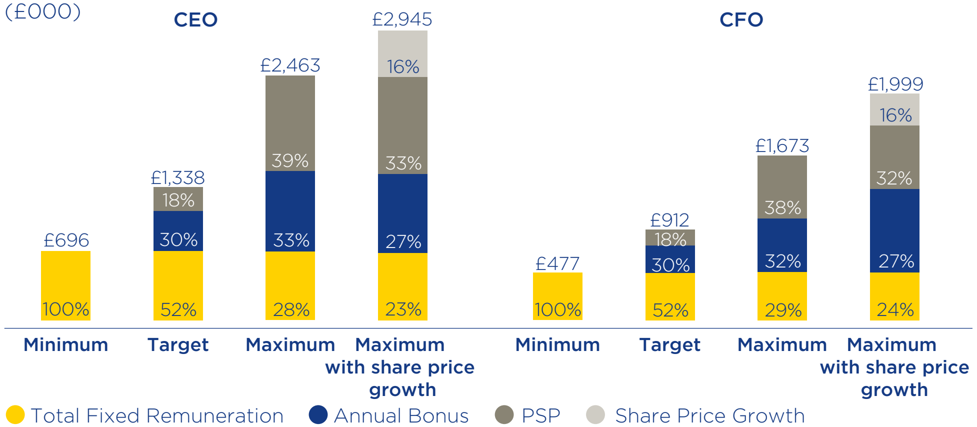
Illustration of the application of the policy

The Committee will review the choice of performance measures and the appropriateness of the performance targets prior to each PSP grant.

The EPS measure is based on growth in adjusted earnings per share over the performance period. The target range is a sliding scale set at the time of award taking account of internal and external forecasts, to encourage continuous improvement and incentivise the delivery of stretch performance.

The TSR condition measures the total return received by the Group's shareholders in terms of share price growth and dividends over a three-year period and compares the TSR with the total returns received by shareholders in companies within a predetermined and appropriate

Illustration of the application of policy
(£000)



comparator group. The Remuneration Committee's intention is to reward only TSR performance which outperforms the comparator group.

The PSP is operated in accordance with its terms, which includes the ability of the Committee to adjust awards in the event of a variation of the Group's share capital and to apply its discretion to ensure that the formulaic outcome under the scheme is consistent with other stakeholders' experiences.

The balance between fixed and variable 'at risk' elements of remuneration changes with performance. Our policy results in a significant proportion of remuneration received by executive directors being dependent on Company performance. The charts above illustrate how the policy would function for minimum, on target and maximum performance for each executive director in 2023.

Assumptions for the chart above:

- Minimum: Comprises fixed pay made up of base salary levels (applying from 1 April 2023), the value of pension at 5% of annual basic salary and other benefits estimated at the value shown in the single total figure of remuneration table for 2022.
- On-target: bonus achieved at 50% of the maximum opportunity, i.e. 62.5% of salary and the on-target level of vesting under the PSP taken to be 25% of the face value of the award at grant.
- Maximum: full bonus achieved and PSP vesting in full i.e. 125% of salary bonus payout and PSP awards to the value of 150% of salary vesting for the CEO and CFO.
- Share price appreciation of 50% has been assumed for the PSP awards under the final 'maximum with growth' scenario (but no share price appreciation has been assumed for the first three sections).
- Amounts relating to all-employee share schemes have, for simplicity, been excluded from the charts.

Directors' Remuneration report

Flexibility, discretion and judgement

The Committee operates the annual bonus and PSP according to the rules of each respective plan which, consistent with market practice, include discretion in a number of respects in relation to the operation of each plan. Discretions include:

- who participates in the plan, the quantum of an award and/or payment and the timing of awards and/or payments;
- determining the extent of vesting;
- treatment of awards and/or payments on a change of control or restructuring of the Group;
- whether an executive director or a senior manager is a good/bad leaver for incentive plan purposes and whether the proportion of awards that vest do so at the time of leaving or at the normal vesting date(s);
- how and whether an award may be adjusted in certain circumstances (for example, for a rights issue, a corporate restructuring or for special dividends);
- what the weighting, measures and targets should be for the annual bonus plan and PSP awards from year to year;
- the ability within the policy, if events occur that cause the Committee to determine that the conditions set in relation to an annual bonus plan or a granted PSP award are no longer appropriate or unable to fulfil their original intended purpose, to adjust targets and/or set different measures or weightings for the applicable annual bonus plan or PSP awards. Any adjusted performance conditions for PSP awards held by executive directors will not be materially less difficult to satisfy than the original conditions would have been but for the relevant event(s); and
- the ability to override formulaic outcomes in line with policy.

All assessments of performance are ultimately subject to the Committee's judgement and discretion is retained to adjust payments in appropriate circumstances as outlined in this policy. Any discretion exercised (and the rationale) will be disclosed.

Non-executive directors' fees

To provide market-competitive fee levels that reflect the time undertaken in performing the role and the director's experience.

Non-executive directors each receive a basic fee for holding the office of non-executive director and may receive an additional fee for further responsibilities (such as holding the office of Senior Independent Director, chairing a Board committee or being designated as having Board responsibility for a particular area of the Group's activities). Fees are set by the Board as a whole, taking into account market rates and the likely required time commitment.

Non-executive directors do not participate in any incentive scheme, share scheme or pension arrangement, but may be eligible to receive benefits such as the use of secretarial support, travel costs or other benefits that may be appropriate.

Service agreements/letters of appointment and loss of office

Each director has a service agreement or letter of appointment with the Company as follows:

		Notice period	
Director	Date of contract/letter of appointment	From the director	From the Company
Executive directors			
Rob Wood	27 February 2014	12 months	12 months
James Brotherton	17 November 2020	12 months	12 months
Non-executive directors			
Amit Bhatia	1 August 2016	–	–
Carol Hui	3 March 2020	–	–
Pauline Lafferty	17 June 2021	–	–
Helen Miles	18 November 2020	–	–
Clive Watson	24 July 2019	–	–

Directors' Remuneration report

The Board's overriding approach to payments for loss of office is to act in shareholders' interests. The principles on which payments for loss of office will be approached are set out below.

Notice periods and payments in lieu of notice	The maximum notice period for executive directors is 12 months. The Committee retains the right to terminate an executive director's service agreement by making a payment in lieu of notice, consisting of salary, cost of benefits and loss of pension provision for the notice period (or the unexpired portion of it). It is the Company's policy to have regard to the executive director's duty to mitigate their loss in respect of those contractual rights that they would otherwise be entitled to receive.
Annual bonus	The payment of bonus for the year in which the executive director leaves is determined by the Committee, taking into consideration their contribution up to the leaving date and normal pro-rating for time in service during the year.
PSP	PSP awards will usually lapse on cessation of employment. However, if a participant leaves due to death, ill health, injury, retirement with the agreement of the Committee, or any other reason at the discretion of the Committee, their award shall either vest on the normal vesting date or at the date of cessation of employment. In either case, the extent of vesting will be determined by reference to the extent the performance conditions are satisfied and, unless the Committee determines otherwise, the proportion of the vesting period that has elapsed.
Other payments	Payments may be made in the event of a loss of office under the Sharesave scheme, which is governed by its rules and the applicable legislation and which does not provide discretion in the case of leavers. In appropriate circumstances, other payments may be made, such as in respect of accrued holiday and outplacement and legal fees and the Company may pay any statutory entitlements or settle compromise claims in connection with a termination of employment, where considered in the best interests of the Company.

Recruitment policy

When appointing a new executive director, the Committee will seek to ensure that their remuneration arrangements are in the best interests of the Company, and not more than is appropriate. The Committee will typically determine a new executive director's remuneration package in line with the policy set out above. However, the Committee retains discretion to award different elements of remuneration in appropriate circumstances, such as:

- if an interim appointment is being made to fill a role on a short-term basis;
- if, in exceptional circumstances, a non-executive director is required to take on an executive function;
- if the circumstances of the recruitment make it appropriate to provide relocation, travel and subsistence payments;
- where it is considered appropriate to reflect remuneration arrangements provided by a previous employer, including that the Committee may grant 'buy-out' awards to reflect remuneration forfeited on leaving a previous employer. Any such buy-out award would be determined taking into account relevant factors of the forfeited award – including the period over which it would have vested and any applicable performance conditions; and
- where it is considered appropriate to reimburse the new director for any costs they may have incurred as a consequence of resigning from their previous employment.

The Committee would not use this discretion to make a non-performance-based incentive payment, such as a guaranteed bonus.

External appointments for executive directors

The Company recognises that its executive directors may be invited to become non-executive directors of other companies. Such non-executive duties can broaden a director's experience and knowledge which can benefit Breedon. Subject to approval by the Board, executive directors are allowed to accept non-executive appointments, provided that these appointments are not likely to lead to conflicts of interest, and the Committee will consider its approach to the treatment of any fees received by executive directors in respect of non-executive roles as they arise.

Directors' Remuneration report

Consideration of shareholders' views

The Committee is committed to an ongoing dialogue with shareholders and welcomes feedback on directors' remuneration. The Committee seeks to engage directly with major shareholders and their representative bodies on changes to the policy. The Committee also considers shareholder feedback received in relation to the remuneration-related resolutions each year following the AGM. This, together with any additional feedback received from time to time (including any updates to shareholders' remuneration guidelines), is then considered as part of the Committee's annual review of remuneration policy and its implementation.

In its 2020 review of executive remuneration the Committee conducted a comprehensive consultation exercise which elicited feedback from the Company's largest shareholders. The Committee was very grateful for the views received. The feedback, which was largely positive, was used constructively to shape our remuneration arrangements.

Consideration of employment conditions across the Group

The Committee closely monitors the pay and conditions of the wider workforce and the design of the Directors' Remuneration policy is informed by the policy for employees across the Group.

While employees are not formally consulted on the design of the Directors' Remuneration policy, the Board will receive views through our designated non-executive director for workforce engagement on a variety of areas including pay.

Differences in pay policy for executive directors compared to wider workforce

As for the executive directors, general practice across the Group is to recruit employees at competitive market levels of remuneration, incentives and benefits to attract and retain employees, accounting for national and regional talent pools. When considering salary increases for directors, the Committee will take into account salary increases and pay and employment conditions across the wider workforce. The pension contribution for executive directors is consistent with that for the general workforce. Senior employees are able to earn annual bonuses for delivering exceptional performance, with corporate performance measures aligned to those set for the executive directors. All employees, including the executive directors, have the opportunity to participate in the tax-approved share incentive plans.

There are some differences in the structure of the remuneration policy for the executive directors compared to that for other employees within the organisation, which the Committee believes are necessary to reflect the differing levels of seniority and responsibility. At senior levels, remuneration is increasingly long-term, and 'at risk' with an increased emphasis on performance-related pay and share-based remuneration. This ensures the remuneration of the executives is aligned with both the long-term performance of the Company and the interests of shareholders.

Directors' Remuneration report

Annual report on remuneration

Single total figure of remuneration

The remuneration of the directors for the year ended 31 December 2022 is shown in the table below:

Director	Salary/fees £'000	Benefits[1] £'000	Pension[2] £'000	Fixed pay Sub-total £'000	Annual bonus[3] £'000	PSP awards vesting[4] £'000	Variable pay Sub-total £'000	Total £'000
Executive directors								
Rob Wood	605	21	26	652	752	374	1,126	**1,778**
James Brotherton	412	21	18	451	509	–	509	**960**
Non-executive directors								
Amit Bhatia	175	–	–	175	–	–	–	**175**
Carol Hui	61	–	–	61	–	–	–	**61**
Pauline Lafferty	67	–	–	67	–	–	–	**67**
Helen Miles	52	–	–	52	–	–	–	**52**
Clive Watson	71	–	–	71	–	–	–	**71**
Total	**1,443**	**42**	**44**	**1,529**	**1,261**	**374**	**1,635**	**3,164**

Notes:
1 Benefits paid to Rob Wood and James Brotherton comprise the provision of private medical insurance and a car allowance.
2 Rob Wood and James Brotherton received a salary supplement in lieu of a contribution to a pension arrangement.
3 Further information in relation to the bonuses payable to Rob Wood and James Brotherton is given on pages 128 to 129 and these bonuses were earned pursuant to the rules of the Group's executive bonus scheme.
4 Further information in relation to the PSP awards granted to Rob Wood in 2020 is given on page 129. While these PSP awards are not due to vest until August 2023, they were based on performance measured to 31 December 2022. Accordingly, the value of these awards is estimated using the three-month average share price to 31 December 2022 (56.9p). The actual value of these awards at the point of vesting will be set out in next year's remuneration report.

Directors' Remuneration report

The remuneration of the directors for the year ended 31 December 2021 was as shown in the table below:

Director	Salary/fees £'000	Benefits[1] £'000	Pension[2] £'000	Fixed pay Sub-total £'000	Annual bonus[3] £'000	PSP awards vesting[4] £'000	Variable pay Sub-total £'000	Total £'000
Executive directors								
Pat Ward*	154	5	23	182	192	677	869	1,051
Rob Wood**	534	19	35	588	719	415	1,134	1,722
James Brotherton***	300	15	13	328	375	–	375	703
Non-executive directors								
Amit Bhatia	170	–	–	170	–	–	–	170
Carol Hui	55	–	–	55	–	–	–	55
Pauline Lafferty****^	27	–	–	27	–	–	–	27
Moni Mannings*****	38	–	–	38	–	–	–	38
Helen Miles******	37	–	–	37	–	–	–	37
Clive Watson	70	–	–	70	–	–	–	70
Total	1,385	39	71	1,495	1,286	1,092	2,378	3,873

* Retired from the Board on 31 March 2021 and remained an employee of the Group for the remainder of the 2021 financial year.
** Appointed to the role of CEO on 1 April 2021. Pay comprises remuneration for undertaking the role of Group Finance Director and CEO.
*** Appointed CFO and joined the Board on 1 April 2021.
**** Appointed to the Board and appointed Chair of the Remuneration Committee on 1 August 2021.
***** Resigned from the Board and Remuneration Committee on 31 July 2021.
****** Appointed to the Board on 1 April 2021.
^ Appointed as Designated Non-executive Director for Workforce Engagement on 1 August 2021.

Notes:

1 Benefits paid to Pat Ward, Rob Wood and James Brotherton comprised the provision of private medical insurance and a car allowance.

2 Pat Ward, Rob Wood and James Brotherton received a salary supplement in lieu of a contribution to a pension arrangement.

3 The bonuses payable to Pat Ward, Rob Wood and James Brotherton were earned pursuant to the rules of the Group's executive bonus scheme.

4 The 2021 report stated the PSP figure was estimated using the three-month average share price to 31 December 2021 (96.5p). The middle market closing price on the dealing day prior to award (14 April 2022) was 77.8p and the PSP figure for Pat Ward and Rob Wood has been updated to reflect this.

Directors' Remuneration report

Annual bonus for the year ended 31 December 2022

The difference was calculated by applying the Group's estimated weighted average cost of capital (8%) to the difference between actual and budgeted capital employed.

The annual bonus opportunity for each executive director was 125% of base salary. The 2022 annual bonus was based on the achievement of stretching Underlying EBIT targets for 75% with the remaining 25% based on corporate objectives.

Underlying EBIT (75% of the total bonus)

Threshold level of Underlying EBIT £m	Maximum level of Underlying EBIT £m	Actual level of Underlying EBIT £m	Bonus earned (percentage of maximum) %
135.0	155.0	155.0	99.8

The rules of the bonus scheme provide that the actual level of Underlying EBIT is subject to a capital employed moderator. In 2022, as actual capital employed was slightly higher than budget capital employed, this reduced the actual level of Underlying EBIT achieved from £155m to £154.7m.

The difference was calculated by applying the Group's estimated weighted average cost of capital (8%) to the difference between actual and budgeted capital employed.

Corporate objectives (25% of the total bonus)

The corporate objectives for 2022 were based 15% on sustainability and 10% on people goals. The table below provides full disclosure of the objectives against each area and actual performance.

	Objectives	Assessment
Sustainability	People	During the year a framework to measure the Group's social impact was developed. Alongside this a new volunteering scheme was launched and charity partnerships put in place.
	Planet	Emissions intensity by revenue reduced by 19% in 2022 and the Group exceeded its biodiversity targets.
	Places	Sales of sustainable products increased to 37% and the new Breedon Balance range was launched.
People	Employee engagement	A new 'always listening' approach to employee engagement was launched in 2022 with an engagement score of 77%.
	Developing talent	A new performance and talent management framework was introduced in 2022. Sixty new apprentices joined during the year, and silver membership of The 5% Club was attained.

The above objectives made up 25% of the total bonus for the CEO and CFO. The Committee determined that very strong progress had been made against each of the objectives and targets and this resulted in a pay out of 23%.

Overall the bonus outcome for the year, taking into account financial performance and the delivery of corporate objectives, was 97.8% of maximum. The overall bonus for the period in service as a director was as follows:

Rob Wood – 122% of salary
James Brotherton – 122% of salary

The Remuneration Committee believes these outcomes fairly reflect the performance of the business over the 2022 financial year.

Directors' Remuneration report

PSP

Awards due to vest in respect of performance to 31 December 2022

Awards were granted under the PSP in August 2020, with vesting subject to a performance condition based on Underlying Diluted EPS growth over a performance period running from 2020 to 2022, using 2019 EPS as the base figure (5.07p).

Threshold EPS growth (20% vesting)	Maximum EPS growth (100% vesting)	Actual EPS growth	PSP vesting earned (percentage of maximum)
1.2% p.a.	2.6% p.a.	11.3% p.a.	100.0%

As a result of the pandemic influencing the business in 2020, the Remuneration Committee delayed the grant of the 2020 PSP awards until August 2020. The extra few months enabled the Committee to consider better the impact of the pandemic on Breedon's outlook at the time. The business has performed resiliently since then. As a result, actual EPS delivered in 2022 was significantly higher than the maximum target and therefore these awards will vest in full in August 2023.

The value of these awards as set out in the single figure take on board the average three-month share price to 31 December 2022 (56.9p).

Awards granted in 2022

The table below provides details of PSP awards made to executive directors on 11 April 2022.

Director	Type of award	Basis of award	Number of shares under award '000	Face value of award £'000[1]	% vesting at threshold	End of performance period
Rob Wood	Conditional shares	150% of salary	1,147	922	25%	31 December 2024
James Brotherton	Conditional shares	150% of salary	776	624	25%	31 December 2024

1 The number of awards was based on a share price of 80.4p being the middle market closing price on the dealing day prior to grant.

The vesting of the above awards is subject to the achievement of two performance conditions, measured independently.

The first performance condition for 50% of the award measures the Group's compound annual growth rate in the Group's adjusted EPS over the performance period. No portion of the EPS element may vest unless the Group's fully Underlying Diluted EPS for 2024 is at least 6.65p, for which 25% of the EPS element may vest, rising on a straight-line basis to full vesting of the EPS element for EPS 7.40p or better.

The second performance condition for the other 50% of the award compares the Group's TSR performance over the performance period relative to the constituents of the FTSE 250 Index (excluding investment trusts) as at the start of the performance period. No portion of the TSR element may vest unless the Group's TSR performance over the performance period at least equals the median TSR performance within the comparator group, for which 25% of the TSR element may vest, rising on a straight-line basis to full vesting of the TSR element for an upper quartile ranking or better.

Adjusted Underlying EPS (based on EPS for the year ending 31 December 2024)	**Relative TSR** (against the FTSE 250 excluding investment trusts)	**Percentage of award relating to that part of the performance condition that vests**
Less than 6.65p	Below median	0%
Equal to 6.65p	Median TSR	25%
Between 6.65p and 7.40p	Between median and upper quartile	Between 25% and 100% on a straight-line basis
7.40p or more	Upper quartile TSR or better	100%

Directors' Remuneration report

Directors' shareholdings and share interests

PSP

	Year of award	Options held as at 31 December 2021 '000	Movements in the year: Granted '000	Movements in the year: Vested[1] '000	Movements in the year: Lapsed[1] '000	Options held as at 31 December 2022 '000	Vesting date
Rob Wood	2019	751	–	534	221	–	April 2022
	2020	657	–	–	–	657	August 2023
	2021	859	–	–	–	859	April 2024
	2022	–	1,147	–	–	1,147	April 2025
Total		**2,268**	**1,147**	**534**	**221**	**2,664**	
James Brotherton	2021	498	–	–	–	498	April 2024
	2022	–	776	–	–	776	April 2025
Total		**498**	**776**	**–**	**–**	**1,274**	

1 Includes dividend equivalent on vested shares.

SAYE

	Shares under option '000	Option date	Maturity date	Term (months)	Options matured during the year
Rob Wood	55	1 April 2019	1 May 2024	60	Nil
James Brotherton	42	1 April 2021	1 May 2026	60	Nil

Directors' Remuneration report

Beneficial interests

Beneficial interests of directors, their families and trusts in ordinary shares of the Company at 31 December 2022 were:

	No. of shares owned outright (including connected persons) '000	Unvested shares subject to performance conditions '000	SAYE Options held '000	Shareholding as a % of salary as at 31 December 2022	Shareholding guidelines (200% of salary) met?
Executive directors					
Rob Wood	1,354	2,664	55	134%	No
James Brotherton	75	1,274	42	11%	No
Non-executive directors					
Amit Bhatia	500	–	–	–	–
Carol Hui	–	–	–	–	–
Pauline Lafferty	–	–	–	–	–
Helen Miles	–	–	–	–	–
Clive Watson	125	–	–	–	–

Executive directors are expected to build and maintain a shareholding equivalent to 200% of their base salary. There was no change in the interests set out above between 31 December 2022 and 8 March 2023 except for Carol Hui who bought 20,000 shares on 3 February 2023.

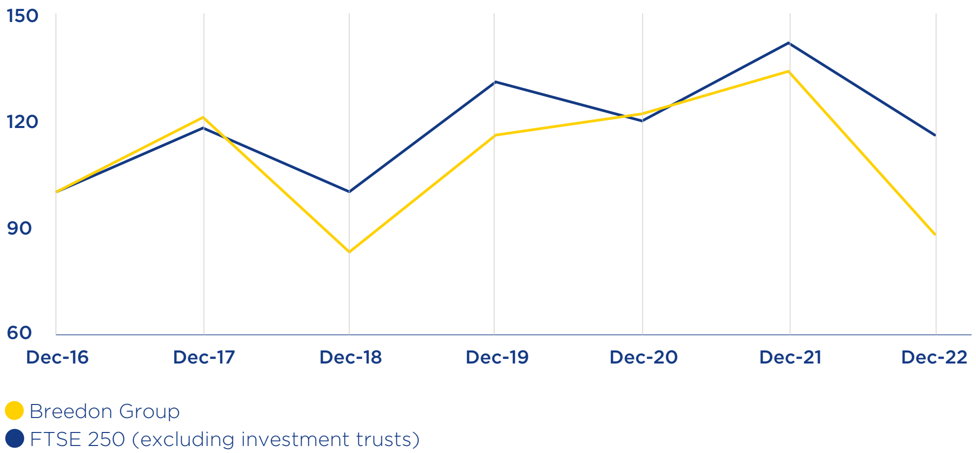
Payments to past directors

As set out in last year's report, Pat Ward was treated as a good leaver and retains an interest in outstanding PSP awards. His 2019 PSP awards vested in 2022 after Pat ceased to be director and an employee. As set out in last year's report these awards met the EPS performance hurdle that was set and vested in full. Pat's awards were pro rated for time served as an employee of Breedon Group.

Total shareholder return performance graph and CEO total pay

The following graph illustrates the total return, in terms of share price growth and dividends on a notional investment of £100 in the Company over the last five years relative to the FTSE 250 Index (excluding investment trusts). This index was chosen by the Committee as a competitive indicator of general UK market performance for companies of a broadly similar size.

TSR Chart



Source: Datastream (a Refinitiv product).

Directors' Remuneration report

CEO total remuneration

The total remuneration figures, including annual bonus and vested PSP awards (shown as a percentage of the maximum that could have been achieved) for the CEO for each of the last five financial years are shown in the table below.

Year	CEO	CEO single figure of total remuneration £'000	Annual bonus payout against maximum opportunity %	PSP vesting rates %
2022	Rob Wood	1,778	97.8	100.0
2021	Rob Wood[1]	1,722	100.0	70.8
2021	Pat Ward[2]	1,210	100.0	70.8
2020	Pat Ward	1,444	100.0	0
2019	Pat Ward	2,076	82.6	61.9
2018	Pat Ward	1,334	60.5	83.5

1 Total remuneration for Rob Wood including the period 1 January 2021 to 31 March 2021 when he served as GFD.
2 Pat Ward's remuneration above is for the period ended 31 March 2021 when he retired from the Board.

Implementation of policy in 2023

Base salaries

The Committee considered carefully how to address base salaries for 2023 and considered a number of factors including executive directors' experience, performance in the role and salary increases for the wider workforce. Consistent with latest investor guidance, effective from 1 April 2023, the CEO and CFO salaries will increase by 4.5% to £642,675 and £434,720 respectively. This is lower than the increase that will apply to the general pay review across the Group of 6% in 2023 for other Breedon colleagues, which includes a minimum increase of £1,500 for lower paid colleagues.

Non-executive director' fees

The fees for the Chairman and non-executive directors have been increased by 4.5%.

The fee for the non-executive chairman for 2023 is £184,965 (2022: £177,000).

The fees payable to the non-executive directors for 2023 are:

- Basic fee of £54,340 (2022: £52,000);
- An additional fee for holding the office of Senior Independent Director, or for chairing the Audit & Risk, Remuneration or Sustainability Committee of £10,000; and
- An additional fee of £5,000 to non-executive directors designated with responsibility for workforce engagement.

Annual bonus

For 2023, the executive directors will have the opportunity to earn a bonus of up to 125% of salary. The bonus will be subject to stretching performance conditions based on Underlying EBIT (75%) and corporate objectives (25%). The performance targets contain confidential information and so are not disclosed on a prospective basis. The Committee proposes to disclose the targets, and performance against them, in next year's report.

Directors' Remuneration report

PSP awards

During the year the Remuneration Committee reviewed incentive opportunities and felt it appropriate to increase the PSP policy levels to 175% of base salary, from 150%. The increase reflects the scale of complexity of the Breedon business which now operates over 300 sites, an increase from 29 in 2011, employs 3,700 colleagues and has delivered record results in 2022 including revenue of £1.4bn. While benchmarking has not been the primary driver behind this decision, the Committee takes comfort that the award level is not out of line with listed companies of Breedon's market capitalisation and ensures that there is a greater focus on delivering long-term success. The Committee is, however, aware of the limited visibility in the current trading landscape, the current economic outlook and the prevailing share price. In light of this, we have delayed implementation of the increased policy levels until 2024 and therefore the grant level for 2023 will remain at 150% of salary.

The awards will vest subject to the satisfactory performance conditions assessed over 2023, 2024 and 2025. These awards will be subject to performance conditions based on measures of EPS and TSR each with a 50% weighting.

The EPS measure will be assessed on the basis of growth in EPS between the base year ended 31 December 2022 and the year ending 31 December 2025. 25% of this part of the award will vest for Underlying diluted EPS of 6.65p in financial year 2025 with full vesting requiring EPS of 7.40p or higher. The EPS targets have been set in the context of a challenging macroeconomic environment, a demanding internal plan and current market consensus. Full vesting will require significant outperformance of current expectations.

The TSR measure will compare Breedon's relative TSR against the constituents of the FTSE 250 excluding investment trusts over the three-year performance period commencing on 1 January 2023. At a median ranking of 25% this part of the award will vest with full vesting for upper quartile ranking or better.

Directors' remuneration report voting

Breedon submitted the Directors' Remuneration report for a shareholder vote at the AGM held on 28 April 2022. The vote was advisory and received the following support.

	Directors' Remuneration report (2022)	
	Total number of votes	% of votes cast
For	1,297,295,877	97.66
Against	31,074,208	2.34
Total votes cast (for and against)	1,328,370,085	
Votes withheld	76,226	

Pauline Lafferty
Chair, Remuneration Committee

8 March 2023

Directors' report

The directors present their report, together with the audited financial statements, for the year ended 31 December 2022.

Principal activities and business review

The principal activities of the Company are the quarrying of aggregates and manufacture and sale of construction materials and building products in GB and Ireland, including cement, asphalt and ready-mixed concrete, and specialist building products and delivery of surfacing solutions as a further route to market for our construction materials. Further details of the Group's activities and future developments are included in the Statement from the Chairman, the CEO's review on pages 22 to 29, the Operating reviews on pages 30 to 35 and the CFO's review on pages 38 to 43.

Risk management

The Board is responsible for the Group's system of risk management and continues to develop policies and procedures that reflect the nature and scale of the Group's business. Further details of the key areas of risk to the business identified by the Group are included on pages 44 to 57 and the report of the Board's Audit & Risk Committee can be found on pages 106 to 111. Details of the Group's operational key performance indicators are shown on pages 36 and 37.

Results and dividends

For the year to 31 December 2022, the Group's profit before tax was £135.8m (2021: £114.3m) and after tax was a profit of £112.6m (2021: £78.6m). The Company paid an interim dividend on 30 September 2022 of 0.7p per share to holders of ordinary shares of no par value who were on the register on 26 August 2022. A final dividend of 1.4p per share will be proposed for shareholder approval at the AGM on 26 April 2023. If approved the final dividend will be paid on 5 May 2023 to shareholders on the Register of Members on 11 April 2023.

Stated capital

Details of the Company's shares in issue are set out in note 18 to the financial statements.

Directors

The following directors served during the year:

Amit Bhatia	Non-executive Chairman
Rob Wood	Chief Executive Officer
James Brotherton	Chief Financial Officer
Carol Hui	Independent Non-executive Director
Pauline Lafferty	Independent Non-executive Director
Helen Miles	Independent Non-executive Director
Clive Watson	Independent Non-executive Director

Biographical details of the directors serving at 31 December 2022 can be found on pages 96 and 97 and details of their service contracts and interests in the issued share capital of the Company are given in the Directors' Remuneration report on pages 116 to 133.

Substantial shareholdings

The Company is aware that, as at 20 February 2023, other than the directors, the interests of shareholders holding 3% or more of the issued share capital of the Company were as shown in the table below:

	Number	%
Lansdowne Partners	167,629,044	9.9
Abicad Holding Limited*	164,959,102	9.7
Octopus Investments	91,735,361	5.4
Blackrock Investment Management	84,731,901	5.0
MFS Investment Management	77,457,189	4.6
Columbia Threadneedle Investments	75,415,127	4.5
Man GLG	75,041,843	4.4
Baillie Gifford & Co	70,498,939	4.2
Aviva Investors	58,499,094	3.5
Soros Fund Management	56,539,857	3.3

* Amit Bhatia has been appointed as Abicad Holding Limited's Representative Director on the Board of the Company pursuant to a relationship deed dated 17 November 2015.

Directors' report

Colleagues

The Group recognises the importance of colleague involvement in the operation and development of its business units, which are given autonomy, within a Group policy and structure, to enable management to be fully accountable for their own actions and gain maximum benefit from local knowledge. Colleagues are informed by regular consultation, intranet, and internal newsletters of the progress of both their own business units and the Group as a whole.

The Group is committed to providing equal opportunities for individuals in all aspects of employment. It considers the skills and aptitudes of disabled persons in recruitment, career development, training and promotion. If existing colleagues become disabled, every effort is made to retain them, and retraining is arranged wherever possible.

Political contributions

The Group did not make any contributions to political parties during either the current or the previous year.

Annual General Meeting

The Annual General Meeting of the Company will be held at Pinnacle House, Breedon Quarry, Breedon on the Hill, DE73 8AP on 26 April 2023 at 2.00pm. The formal notice convening the AGM, together with explanatory notes on the resolutions contained therein, is included in the separate circular accompanying this document and which is available on the Company's website at www.breedongroup.com/agm.

Going Concern

The financial statements are prepared on a Going Concern basis which the directors consider to be appropriate for the following reasons.

The Group meets its day-to-day working capital and other funding requirements through its banking facilities, which include an overdraft facility. Longer-term debt financing is accessed through the Group's USPP loan note programme. The facilities comprise a £350m multi-currency RCF, which runs to at least June 2025 and £250m of USPP loan notes with maturities between six and 14 years. Further details of these facilities are provided in note 15 to the financial statements.

The Group comfortably met all covenants and other terms of its borrowing agreements in the period, and maintained its track record of profitability and cash generation, with an overall profit before taxation of £135.8m and net cash from operating activities of £202.9m.

The Group has prepared cash flow forecasts for a period of more than 12 months from the date of signing these financial statements, which show a sustained trend of profitability and cash generation.

At 31 December 2022, the Group had cash of £101.7m and undrawn banking facilities of £350.0m, and at the date of this report retains similar levels of liquidity which it is expected will provide sufficient liquidity for the Group to discharge its liabilities as they fall due and retain covenant headroom, even under a 'severe but plausible' downside scenario of forecast cash flows.

Based on the above, the directors believe that it remains appropriate to prepare the financial statements on a Going Concern basis.

Viability Statement

The directors have assessed the viability of the Group over a period to December 2025. This is the same period over which financial projections were prepared for the Group's strategic financial plan.

In making their assessment the directors have taken into account the Group's current position and the potential impact of the principal risks and uncertainties set out on pages 44 to 57 on its business model, future performance, solvency or liquidity. They stress-tested their analysis by running a number of credible scenarios and considered the availability of mitigating actions. Based on this assessment, the directors confirm 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 period to December 2025.

In making this statement, the directors have assumed that financing remains available and that mitigating actions are effective.

Disclosure of information to auditor

The directors who hold office at the date of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all steps that he or she ought to have taken to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

KPMG LLP has expressed willingness to continue in office and, in accordance with Article 113 of the Companies (Jersey) Law 1991, a resolution to reappoint KPMG LLP will be proposed at the forthcoming AGM.

By order of the Board

Amit Bhatia
Non-executive Chairman
8 March 2023

Rob Wood
Chief Executive Officer

Statement of directors' responsibilities

In respect of the Annual report and the financial statements

The directors are responsible for preparing the Annual report and the Group financial statements in accordance with applicable law and regulations.

Jersey company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Group Financial Statements in accordance with UK-adopted international accounting standards and applicable law.

Under Jersey company law the directors must prepare financial statements that give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to Going Concern; and
- use the Going Concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with Companies (Jersey) Law, 1991. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The directors shall remain responsible for establishing and controlling the process for doing so, and for ensuring that the financial statements are complete and unaltered in any way.

Financial statements

Independent Auditor's report

Independent auditor's report to the members of Breedon Group plc

1. Our opinion is unmodified

We have audited the consolidated financial statements of Breedon Group plc ("the Company" and "the Group") for the year ended 31 December 2022 which comprise the consolidated Income Statement, the consolidated Statement of Comprehensive Income, the consolidated Statement of Financial Position, the consolidated Statement of Changes in Equity, the consolidated Statement of Cashflows and the related notes, including the accounting policies in note 1.

In our opinion, the consolidated financial statements:

- give a true and fair view, in accordance with UK adopted international accounting standards, of the state of the Group's affairs as at 31 December 2022 and of its profit for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other listed entities and other entities of public interest . We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview

Materiality: Group financial statements as a whole		£6.5m (2021: £5.0m) 4.7% of Group profit before tax (2021: 4.4% Group profit before tax)
Coverage		87% (2021: 94%) of Group profit before tax
Key audit matters		**vs 2021**
Recurring risks	Recoverability of goodwill allocated to Cement.	◀▶
	Provision for restoration and decommissioning obligations.	▲

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including 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 consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's report

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows (unchanged from 2021):

	The risk	Our response
Recoverability of goodwill allocated to Cement (£163.3 million; 2021: £160.0 million (note 9)) Refer to page 107 (Audit & Risk Committee report), page 153 (Accounting policies) and page 162 (Notes to the financial statements).	**Forecast-based assessment** Goodwill is significant and at risk of impairment due to the impact of climate change on the Cement business. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cashflows. In addition, the Group is not able to quantify the longer-term gross cost of the transition to Net Zero, as the technology to achieve this is not yet proven at scale. Demand for cement could be impacted by the price increases needed to recover these costs, substitute products becoming available or longer-term changes in consumer behaviour. The future cash flows are also dependent on the continued availability of limestone resources over the remaining life of the asset base. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the value in use of goodwill had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. In conducting our final audit work we concluded that reasonably possible changes in the assumptions would not be expected to result in a material change to the carrying value of goodwill.	Our procedures included: — **Our sector experience:** We assessed whether the assumptions used, in particular those relating to the levels of capital expenditure required to meet the Group's climate change commitments and the assessment of the continued availability of limestone resources, reflect our knowledge of the business and industry, including known or probable changes in the business environment and the impact of climate change. We used our climate change professionals to assist with the identification of the risks of substitute products becoming available; — **Historical comparisons:** We considered the historical forecasting accuracy, by comparing previously forecast cash flows to actual results achieved; — **Benchmarking assumptions:** We challenged, using observable market data including available sources for comparable companies, the key inputs used in the Group's calculation of the discount rate and growth rate; — **Sensitivity analysis:** We performed our own sensitivity analysis over the reasonably possible combination of changes in the forecasts on the assumptions noted above; — **Comparing valuations:** We compared the sum of the discounted cash flows of all CGUs to the Group's market capitalisation, thus assessing the reasonableness of these cash flows; and — **Assessing transparency:** We assessed whether the Group's disclosures regarding the sensitivity of the outcome of the impairment assessment to changes in key assumptions, specifically those relating to climate change, reflected the risks inherent in the recoverable amount of goodwill. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Independent Auditor's report

	The risk	Our response
Restoration and decommissioning provisions (£84.7 million; 2021: £70.7 million) Refer to page 108 Audit & Risk Committee report), page 154 (Accounting policies) and page 167 (Notes to the financial statements).	**Subjective estimation:** The calculation of restoration and decommissioning provisions requires the Group to estimate the quantum and timing of future costs to restore and decommission sites. These calculations also require the Group to determine an appropriate rate to discount future costs to their net present value. We assess that the risk associated with provisions has increased, as a result of the volatility in markets, meaning that inflation and discount rates are both more difficult to assess and will impact more on the calculation. There is limited restoration and decommissioning activity and historical precedent against which to benchmark estimates of future costs. The effect of these matters is that, as part of our risk assessment, we determined that restoration and decommissioning provisions have a high degree of estimation uncertainty, with a potential range of outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 26) disclose the sensitivities estimated by the Group.	Our procedures included: – **Challenging assumptions and inputs:** We challenged the consistency of the assumptions used by the Group in generating the estimated costs of restoration and decommissioning and agreed a sample of costs back to quotes received; – **Assessing experience of external experts:** We evaluated the competence and independence of external experts appointed by the Group to determine an estimate of restoration and decommissioning costs; – **Benchmarking assumptions:** We challenged the inflation and discount rates by comparing them to externally derived data, including available sources for comparable companies; – **Historical comparisons:** We considered historical forecasting accuracy, by comparing previously forecast costs to actual costs incurred; – **Test of details:** We evaluated a sample of underlying planning consents to assess the possible timing of the obligations with respect to restoration and decommissioning costs; and – **Assessing transparency:** We assessed the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the provision. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £6.5m (2021: £5.0m), determined with reference to a benchmark of total profits and losses that made up profit before tax (of which it represents 4.7% (2021: 4.4% of total profits and losses that made up profit before tax)).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality for the Group was set at 75% (2021: 75%) of materiality for the consolidated financial statements as a whole, which equates to £4.9m (2021: £3.8m). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit & Risk Committee any corrected or uncorrected identified misstatements exceeding £0.3m (2021: £0.3m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 27 (2021: 25) reporting components, we subjected 6 (2021: 7) to full scope audits for Group purposes.

Independent Auditor's report

The components within the scope of our work accounted for the percentages illustrated opposite.

For the remaining components we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these components.

These remaining components represent 8% (2021: 1%) of total Group revenue, 13% (2021: 7%) of total profits and losses that made up Group profit before tax and 9% (2021: 7%) of total Group assets, none of which individually represented more than 10% (2021: 10%) of any of total Group revenue, total profits and losses that made up Group profit before tax or total Group assets.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £2m to £5m (2021: £1.5 to £4m), having regard to the mix of size and risk profile of the Group across the components. The work on 3 of the 6 components (2021: 4 of the 7 components) was performed by Irish component auditors and the rest, including the audit of the parent company, was performed by the Group team.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

The Group team held video and telephone conference meetings with the component audit team in Ireland to assess the audit risk and strategy. The findings reported to the Group team were discussed in detail, and any further work required by the Group team was then performed by the component auditor.

Group revenue

92%
(2021: 99%)

Group total assets

91%
(2021: 93%)

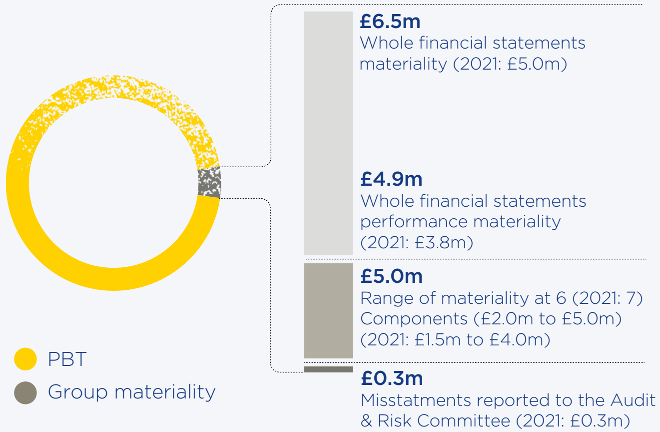
Group profit before tax

87%
(2021: 93%)

- Full scope for group audit purposes 2022
- Full scope for group audit purposes 2021
- Residual components

Group profit before tax
£135.8m (2021: £114.3m)

Group materiality
£6.5m (2021: £5.0m)



Independent Auditor's report

4. The impact of climate change in our audit

In planning our audit, we considered the potential impacts of climate change on the Group's business and its financial statements.

The Group has set out its targets to reduce gross carbon intensity in the Cement division by 30% by 2030, and committed to net zero by 2050 for Scope 1 and Scope 2 emissions.

However, whilst the Group has set targets to be carbon neutral by 2050, the gross cost of this transition, how the demand for cement might be impacted by the price increases needed to recover these costs, the possibility of substitute products becoming available and the longer term changes in customer behaviour are not yet known.

To the extent there are known implications, these have been reflected in the financial statements in accordance with IFRS requirements and have been considered in our audit as set out in our key audit matter. It is therefore possible that the future carrying amounts of assets will be impacted due to the outcome of these judgments and estimates as the Group responds to its climate change targets.

Our key audit matter on the recoverability of goodwill allocated to the Cement cash generating unit explains how we have assessed the Group's climate related assumptions and relevant disclosures in arriving at our audit conclusions. This included holding discussions with our own climate change professionals to challenge our risk assessment.

We have also read the Group's disclosure of climate related information in the front half of the annual report and compared this to our knowledge gained from our financial statement audit work. The Group has given more disclosure in the financial statements of the potential impacts of climate change and the assumptions used in setting key estimates and judgments this year, and has also included disclosures as recommended by the Task Force on Climate-Related Financial Disclosure ("TCFD") on page 50 to 87 of the Annual report.

5. Going concern

The directors have prepared the consolidated financial statements on the going concern basis as they do not intend to liquidate the Group or to cease their operations, and they have concluded that the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to affect the Group's financial resources or ability to continue operations over this period was:

- The ability of the Group to comply with debt covenants

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group's financial forecasts.

We considered whether the going concern disclosure in note 1 to the consolidated financial statements gives a full and accurate description of the assessment of going concern.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group will continue in operation.

Independent Auditor's report

6. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and other management as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board, Audit & Risk Committee and Remuneration Committee minutes;
- Considering remuneration incentive schemes and performance targets for management and the directors; and
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group to full scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group level.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the estimation of restoration and decommission provisions. On this audit we do not believe there is a fraud risk related to revenue recognition because product revenue recognition is straightforward and contract revenue contains limited management judgement, therefore limiting the opportunity to commit a material fraud.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included journals that move costs from above EBITDA to below EBITDA;
- Incorporating an element of unpredictability in our audit procedures; and
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards) and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to full-scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full scope component auditors to report to the Group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the consolidated financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation.

We assessed the extent of compliance with these laws and regulations as part of our procedures on the related consolidated financial statement items.

Independent Auditor's report

Secondly , the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the consolidated financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law and certain aspects of company legislation recognising the nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the consolidated financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Group financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatements. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

7. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the consolidated financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

8. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies (Jersey) Law 1991, we are required to report to you if, in our opinion:

- proper accounting records have not been kept by the Company, or
- proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Independent Auditor's report

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 136, the directors are responsible for: the preparation of the consolidated financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group'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 they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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.

Craig Parkin
for and on behalf of KPMG LLP,
Chartered Accountants

One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

8 March 2023

Consolidated income statement

For the year ended 31 December 2022

	Note	2022 Underlying £m	2022 Non-underlying* (note 3) £m	2022 Total £m	2021 Underlying £m	2021 Non-underlying* (note 3) £m	2021 Total £m
Revenue	1,2	**1,396.3**	**–**	**1,396.3**	1,232.5	–	1,232.5
Cost of sales		**(910.1)**	**–**	**(910.1)**	(804.1)	–	(804.1)
Gross profit		**486.2**	**–**	**486.2**	428.4	–	428.4
Distribution expenses		**(231.0)**	**–**	**(231.0)**	(210.6)	–	(210.6)
Administrative expenses		**(103.7)**	**(7.0)**	**(110.7)**	(87.1)	(6.2)	(93.3)
Group operating profit		**151.5**	**(7.0)**	**144.5**	130.7	(6.2)	124.5
Share of profit of associate and joint ventures	10	**3.5**	**–**	**3.5**	2.9	–	2.9
Profit from operations	2	**155.0**	**(7.0)**	**148.0**	133.6	(6.2)	127.4
Financial income	6	**0.2**	**–**	**0.2**	–	–	–
Financial expense	6	**(12.4)**	**–**	**(12.4)**	(13.1)	–	(13.1)
Profit before taxation		**142.8**	**(7.0)**	**135.8**	120.5	(6.2)	114.3
Tax at effective rate	7	**(22.9)**	**0.8**	**(22.1)**	(19.4)	1.0	(18.4)
Changes in deferred tax rate	7	**(1.1)**	**–**	**(1.1)**	(17.3)	–	(17.3)
Taxation		**(24.0)**	**0.8**	**(23.2)**	(36.7)	1.0	(35.7)
Profit for the year		**118.8**	**(6.2)**	**112.6**	83.8	(5.2)	78.6
Attributable to:							
Breedon Group shareholders		**118.7**	**(6.2)**	**112.5**	83.7	(5.2)	78.5
Non-controlling interests		**0.1**	**–**	**0.1**	0.1	–	0.1
Profit for the year		**118.8**	**(6.2)**	**112.6**	83.8	(5.2)	78.6

* Non-underlying items represent acquisition-related expenses, redundancy and reorganisation costs, property losses, amortisation of acquisition intangibles and related tax items.

Earnings per share

	Note	2022	2021
Basic	23	**6.65p**	4.65p
Diluted	23	**6.63p**	4.62p

Underlying earnings per share are shown in note 23.

Dividends in respect of the year

	Note	2022	2021
Dividend per share	17	**2.10p**	1.60p

Consolidated statement of comprehensive income

For the year ended 31 December 2022

	Note	2022 £m	2021 £m
Profit for the year		**112.6**	78.6
Other comprehensive income/(expense)			
Items which may be reclassified subsequently to profit and loss:			
Foreign exchange differences on translation of foreign operations, net of hedging		**10.2**	(14.7)
Effective portion of changes in fair value of cash flow hedges		**(1.3)**	1.2
Taxation on items taken directly to other comprehensive income	7	**0.2**	(0.2)
Other comprehensive income/(expense) for the year		**9.1**	(13.7)
Total comprehensive income for the year		**121.7**	64.9
Total comprehensive income for the year is attributable to:			
Breedon Group shareholders		**121.6**	64.8
Non-controlling interests		**0.1**	0.1
		121.7	64.9

Consolidated statement of financial position

At 31 December 2022

	Note	2022 £m	2021 £m
Non-current assets			
Property, plant and equipment	8	**787.9**	749.9
Right-of-use assets	20	**47.1**	49.6
Intangible assets	9	**518.2**	501.5
Investment in associate and joint ventures	10	**13.7**	12.2
Trade and other receivables	13	**3.8**	4.5
Total non-current assets		**1,370.7**	1,317.7
Current assets			
Inventories	12	**94.8**	62.0
Trade and other receivables	13	**218.6**	205.9
Cash and cash equivalents	14	**101.7**	83.9
Total current assets		**415.1**	351.8
Total assets		**1,785.8**	1,669.5
Current liabilities			
Interest-bearing loans and borrowings	14	**(7.9)**	(7.2)
Trade and other payables	15	**(263.8)**	(257.7)
Current tax payable		**(3.8)**	(4.7)
Provisions	16	**(9.2)**	(9.5)
Total current liabilities		**(284.7)**	(279.1)
Non-current liabilities			
Interest-bearing loans and borrowings	14	**(291.5)**	(289.2)
Provisions	16	**(76.8)**	(63.9)
Deferred tax liabilities	11	**(89.0)**	(87.5)
Total non-current liabilities		**(457.3)**	(440.6)
Total liabilities		**(742.0)**	(719.7)
Net assets		**1,043.8**	949.8

	Note	2022 £m	2021 £m
Equity attributable to Breedon Group shareholders			
Stated capital	17	**555.0**	553.0
Hedging reserve	17	**0.1**	1.2
Translation reserve	17	**0.4**	(9.8)
Retained earnings		**488.0**	405.2
Total equity attributable to Breedon Group shareholders		**1,043.5**	949.6
Non-controlling interests		**0.3**	0.2
Total equity		**1,043.8**	949.8

These financial statements were approved by the Board of Directors on 8 March 2023 and were signed on its behalf by:

Rob Wood
Chief Executive Officer

James Brotherton
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December 2022

	Note	Stated capital £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Attributable to Breedon Group shareholders £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2021		551.6	0.2	4.9	331.6	888.3	0.1	888.4
Shares issued	17	1.4	–	–	–	1.4	–	1.4
Dividends paid	17	–	–	–	(8.4)	(8.4)	–	(8.4)
Total comprehensive income for the year		–	1.0	(14.7)	78.5	64.8	0.1	64.9
Share-based payments (inclusive of deferred tax recognised in equity)	18	–	–	–	3.5	3.5	–	3.5
Balance at 31 December 2021		**553.0**	**1.2**	**(9.8)**	**405.2**	**949.6**	**0.2**	**949.8**
Shares issued	17	2.0	–	–	–	**2.0**	–	**2.0**
Dividends paid	17	–	–	–	(30.5)	**(30.5)**	–	**(30.5)**
Total comprehensive income for the year		–	(1.1)	10.2	112.5	**121.6**	0.1	**121.7**
Share-based payments (inclusive of deferred tax recognised in equity)	18	–	–	–	0.8	**0.8**	–	**0.8**
Balance at 31 December 2022		**555.0**	**0.1**	**0.4**	**488.0**	**1,043.5**	**0.3**	**1,043.8**

Consolidated statement of cashflows

For the year ended 31 December 2022

	Note	2022 £m	2021 £m
Cash flows from operating activities			
Profit for the year		**112.6**	78.6
Adjustments for:			
Depreciation and mineral depletion	4	**83.5**	83.3
Amortisation	4	**4.8**	3.6
Financial income	6	**(0.2)**	–
Financial expense	6	**12.4**	13.1
Share of profit of associate and joint ventures	10	**(3.5)**	(2.9)
Loss on sale of property, plant and equipment	4	**2.4**	–
Gain on stepped acquisition	25	**(0.3)**	–
Share-based payments		**1.2**	2.9
Taxation	7	**23.2**	35.7
Operating cash flows before changes in working capital and provisions		**236.1**	214.3
Increase in trade and other receivables		**(0.2)**	(17.6)
Increase in inventories		**(31.7)**	(3.5)
(Decrease)/increase in trade and other payables		**(9.1)**	17.2
Increase in provisions		**7.7**	6.7
Cash generated from operating activities		**202.8**	217.1
Interest paid		**(6.7)**	(6.8)
Interest element of lease payments		**(2.5)**	(2.6)
Interest received		**0.2**	–
Income taxes paid		**(25.8)**	(13.6)
Net cash from operating activities		**168.0**	194.1
Cash flows used in investing activities			
Acquisition of businesses	25	**(12.6)**	(6.1)
Dividends from associate and joint ventures	10	**1.7**	1.9
Purchase of property, plant and equipment	8	**(106.8)**	(76.9)
Proceeds from sale of property, plant and equipment		**4.8**	5.6
Net cash used in investing activities		**(112.9)**	(75.5)

	Note	2022 £m	2021 £m
Cash flows used in financing activities			
Dividends paid		**(30.5)**	(8.4)
Proceeds from the issue of shares (net of costs)	17	**2.0**	1.4
Proceeds from new interest-bearing loans (net of costs)		**–**	513.9
Repayment of interest-bearing loans		**–**	(563.1)
Revolving Credit Facility extension costs	14	**(0.7)**	–
Repayment of lease obligations		**(8.8)**	(9.7)
Net cash used in financing activities		**(38.0)**	(65.9)
Net increase in cash and cash equivalents		**17.1**	52.7
Cash and cash equivalents at 1 January		**83.9**	31.7
Foreign exchange differences		**0.7**	(0.5)
Cash and cash equivalents at 31 December		**101.7**	83.9

Notes to the financial statements

1 Accounting policies

The principal activities of the Group are the quarrying of aggregates together with manufacture and sale of construction materials and building products, including cement, asphalt and ready-mixed concrete, together with related activities in GB and Ireland.

Breedon Group plc is a company domiciled in Jersey. The address of the Company's registered office is 28 Esplanade, St Helier, Jersey, JE2 3QA.

Basis of preparation

These financial statements consolidate the results of the Company and subsidiary undertakings, and equity accounts for the Group's interests in its associate and joint ventures (collectively 'the Group').

Applicable laws and accounting standards

These financial statements have been prepared in accordance with UK-adopted international accounting standards. The consolidated financial statements have been prepared under the historical cost convention except for the revaluation to fair value of certain financial instruments. Parent company information has not been provided in accordance with Article 105 (11) of the Companies (Jersey) Law 1991.

The accounting policies set out below have, unless otherwise stated, been applied consistently throughout the year.

Going Concern

These financial statements are prepared on a going concern basis which the directors consider to be appropriate for the following reasons:

The Group meets day-to-day working capital and other funding requirements through banking facilities, which include an overdraft facility. Longer term debt financing is accessed through the Group's USPP loan note programme. The facilities comprise a £350m multi-currency RCF, which runs to at least June 2025 and £250m of USPP loan notes with maturities between 2028 and 2036. Further details of these facilities are provided in note 14 to the financial statements.

The Group comfortably met all covenants in 2022 and other terms of its borrowing agreements in the period, and maintained a track record of profitability and cash generation, with an overall profit before taxation of £135.8m and net cash from operating activities of £168.0m.

The Group has prepared cash flow forecasts for a period of 12 months from the date of signing these financial statements, which show a sustained trend of profitability and cash generation and retained covenant headroom, even under a 'severe but plausible' downside scenario of forecast cash flows.

The base case assumes a trading performance delivered in line with market consensus over the forecast period, whilst the downside scenario models a 30% reduction in revenues, which the Group believes is an extremely severe sensitivity relative to likely outcomes and historic experience.

As at 31 December 2022, the Group had cash of £101.7m and undrawn banking facilities of £350.0m. At the date of this report, the Group retains a similar level of liquidity, which is expected to provide sufficient available funds for the Group to discharge its liabilities as they fall due.

Consequently, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements and therefore have prepared the financial statements on a going concern basis.

Presentation

These financial statements are presented in sterling. All financial information presented has been rounded to the nearest £0.1m.

Basis of consolidation

Subsidiary undertakings are entities controlled by the Group. Control exists when the Group is exposed to or has rights to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

The Group considers an entity to be a subsidiary undertaking when the Group has control over the entity. Ordinarily this is when the Group holds more than 50% of the shares and voting rights. Financial statements of subsidiary undertakings are included in the Group's financial statements from the date that control commences until the date that control ceases.

Associates are those entities in which the Group holds more than 20% of the shares and voting rights and has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, requiring unanimous consent of the owners for strategic financial and operating decisions.

The Group's financial statements includes the Group's share of the total comprehensive income of its associate and joint ventures on an equity accounted basis, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an associate or joint venture, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate or joint venture.

Notes to the financial statements

1 Accounting policies continued

Accounting estimates and judgements

The preparation of the financial statements requires the use of certain critical accounting estimates, and for management to exercise judgement in the process of applying the Group's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 26.

New IFRS Standards and Interpretations adopted in the year

The Group adopted amendments to IFRS 3, IAS 16, IAS 37 and the Annual Improvements to IFRS 2018-2020 from 1 January 2022. The adoption of these standards has not had a material impact on the financial statements.

New IFRS Standards and Interpretations not adopted

At the date on which these financial statements were authorised, there were no Standards, Interpretations and Amendments which had been issued but were not effective for the year ended 31 December 2022 that are expected to materially impact the Group's financial statements.

Foreign exchange

Foreign exchange transactions

Transactions in foreign currencies are recorded at the spot rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the balance sheet date, with all currency translation differences recognised within the consolidated income statement, except for those monetary items that provide an effective hedge for a net investment in a foreign operation.

Foreign exchange translation

The consolidated financial statements are presented in sterling, which is the presentational currency of the Group. The individual financial statements of the Group's subsidiaries and joint ventures with a functional currency other than sterling are translated into sterling according to IAS 21 – *The Effects of Changes in Foreign Exchange Rates*.

Results and cash flows are translated monthly using average monthly exchange rates and then accumulated, assets and liabilities are translated using the closing rates at the reporting date and equity at historic exchange rates.

The resulting translation differences are recognised in the consolidated statement of comprehensive income until the subsidiary is disposed of. Goodwill and fair value adjustments arising on acquisition of a foreign operation are regarded as assets and liabilities of the foreign operation and are translated accordingly.

Financial instruments

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. The principal financial assets and liabilities of the Group are as follows:

Trade receivables and trade payables

Trade receivables and trade payables are initially recognised at fair value and are then stated at amortised cost.

Contract assets and liabilities

The contract assets, presented within trade and other receivables, primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on surfacing contracts. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities, presented within trade and other payables, primarily relate to the advance consideration received from customers on these contracts.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, including bank deposits with original maturities of three months or less. For the purposes of the consolidated statement of cash flows, bank overdrafts are included in cash and cash equivalents as they are an integral part of the Group's cash management.

Bank and other borrowings

Interest-bearing bank loans, overdrafts and other loans including USPP loan notes are recognised initially at fair value less attributable transaction costs. All borrowings are subsequently stated at amortised cost with the difference between initial net proceeds and redemption value recognised in the consolidated income statement over the period to redemption on an effective interest basis.

Derivative financial instruments

The majority of the Group's strategic hedging programme is delivered using executory contracts to forward purchase commodities for our own use. The cost is recognised in the consolidated income statement at the agreed forward rates on receipt of the underlying items.

The Group uses financial instruments to manage financial risks associated with the Group's underlying business activities and the financing of those activities. The Group does not undertake any trading in financial instruments.

Derivatives are initially recognised at fair value and subsequently remeasured in future periods at fair value. The gain or loss on remeasurement is recognised immediately in profit or loss, unless a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability.

Notes to the financial statements

1 Accounting policies continued

In this instance the effective part of any gain or loss is recognised in the consolidated statement of comprehensive income and in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the consolidated income statement.

Amounts recorded in the hedging reserve are subsequently reclassified to the consolidated income statement when the expense for the hedged transaction is actually recognised.

To qualify for hedge accounting, the hedging relationship must meet several conditions with respect to documentation, probability of occurrence, hedge effectiveness and reliability of measurement.

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking the hedge transaction. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions.

The Group documents an assessment, at hedge inception and on an annual basis, as to whether the derivatives that are used in hedging transactions have been, and are likely to continue to be, effective in offsetting changes in fair value or cash flows of hedged items.

Mineral reserves and resources

Mineral reserves and resources are stated at cost, including both the purchase price and costs incurred to gain access to the reserves. Where access is gained to new mineral reserves and resources, this cost includes a provision to restore the land disturbed. The value of mineral reserves and resources recognised as a result of business combinations is based on the fair value at the point of acquisition. These assets are depreciated using a physical unit-of-production method, over the commercial life of the quarry.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of assets, in order to write off the cost or deemed cost of assets.

The estimated useful lives are as follows:

– Freehold buildings	50 years
– Fixtures and fittings	up to 10 years
– Office equipment	up to 5 years
– Fixed plant	up to 35 years
– Loose plant and machinery	up to 10 years
– Motor vehicles	up to 10 years

No depreciation is provided on freehold land.

Business combinations, intangible assets and goodwill

The Group measures goodwill as the fair value of the purchase consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Fair value adjustments are always considered to be provisional at the first reporting date after the acquisition.

Goodwill arising on the acquisition of subsidiary undertakings is recognised as an asset in the consolidated statement of financial position and is subject to an annual impairment review.

Other intangible assets that are acquired by the Group as part of a business combination are stated at cost less accumulated amortisation and impairment losses.

Cost reflects management's judgement of the fair value of the individual intangible asset calculated by reference to the net present value of future economic benefits accruing to the Group from the utilisation of the asset, discounted at an appropriate rate. Other intangibles arising on the acquisition of associated undertakings are included within the carrying value of the investment.

Amortisation is based on the estimated useful economic lives of the assets concerned, which is considered by the directors to be a period of up to 20 years.

The Group measures non-controlling interests at a proportionate share of the recognised amount of the identifiable net assets at the acquisition date.

Where the Group has entered into put options relating to a minority shareholding as part of a transaction, the Group applies the 'anticipated acquisition' method to account for the put liability and does not recognise a separate non-controlling interest within reserves. Subsequently changes in the value of the put liability are recognised within equity.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than goodwill, inventories and deferred tax assets (see separate accounting policies), are reviewed at each reporting date to determine whether there is any indication of impairment; including an assessment of any indication of impairment arising as a result of climate change.

Impairment reviews are undertaken at the level of each significant cash-generating unit, which is no larger than an operating segment as defined by IFRS 8 – Operating Segments. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of the value in use and the fair value less costs to sell.

Notes to the financial statements

1 Accounting policies continued

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment of financial assets

The Group recognises loss allowances for expected credit losses (ECLs) on financial and contract assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECL, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECL.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads, including mineral depletion where relevant. The level of overhead included in the cost of inventory is based on normal operating capacity.

Net realisable value is determined with reference to sales prices less cost to sell and, in the case of obsolete stock on an excess stock model of sales relative to inventories held.

Emissions rights

Emissions rights where an annual allowance is received for nil cost, typically EU or UK ETS credits, are accounted for such that an emissions liability is recognised only in circumstances where emissions have exceeded the allowance for a scheme from the perspective of the Group as a whole and will require the purchase of additional allowances to settle an emissions liability.

Assets and liabilities arising in respect of emission allowances are accordingly presented on a net basis in the consolidated financial statements.

Retirement benefits

The Group do not operate any defined benefit plans. Obligations for contributions to defined contribution pension plans are recognised as an expense in the consolidated income statement as incurred.

Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a present legal or constructive obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The Group provides for the costs of restoring sites and of decommissioning associated property, plant and equipment.

The initial cost of creating provisions on the commencement of operations is included in property, plant and equipment and depreciated over the life of the site.

Changes in the measurement of a previously capitalised provision that result from changes in the estimated timing or amount of cash outflows are added to, or deducted from, the cost of the related asset. All other changes are recognised in the consolidated income statement.

All provisions are discounted to their present value at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Revenue

Group revenue arises from the sale of goods and surfacing. IFRS 15 requires revenue to be recognised in line with a principles-based five-step model. This requires the Group to identify its performance obligations, determine the transaction price applicable to each of these performance obligations and then to select an appropriate method for the timing of revenue recognition, reflecting the substance of the performance obligation, being either recognition at a point in time or over time.

Notes to the financial statements

1 Accounting policies continued

Revenue from sale of goods

The majority of the Group's revenue is derived from the sale of physical goods to customers. Depending on whether the goods are delivered to or collected by the customer, the contract contains either one performance obligation which is satisfied at the point of collection, or two performance obligations which are satisfied simultaneously at the point of delivery.

The transaction price for this revenue is the amount which can be invoiced to the customer once the performance obligations are fulfilled, reduced to reflect provisions recognised for returns, trade discounts and rebates. Where the Group offers discounts or volume rebates, the variable element of revenue is based on the most likely amount of consideration that the Group believes will be received. This value excludes items collected on behalf of third parties, such as sales taxes.

For all sales of goods, revenue is recognised at a point in time, being the point that the goods are transferred to the customer.

Revenue from surfacing

The majority of surfacing revenue comprises short-term performance obligations to supply and lay materials. Other surfacing revenue can contain more than one performance obligation dependent on the nature of the contract.

The transaction price is calculated as consideration specified by the contract, adjusted to reflect provisions recognised for returns, likely remedial work arising in the normal course of business, trade discounts and rebates.

Where the agreement with a customer provides for elements of variable consideration, these values are included in the calculation of the transaction price only to the extent that it is 'highly probable' that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved.

Where the transaction price is allocated between multiple performance obligations, this typically reflects the allocation of value to each performance obligation agreed with the end customer, unless this does not reflect the economic substance.

Surfacing performance obligations are satisfied over time so revenue is typically recognised on an output basis, being volume of product laid for most surfacing revenue.

Warranties and customer claims

The Group provides assurance type warranties over the specification of products, but does not provide extended warranties or maintenance services in contracts with customers. Claims with customers may arise in the usual course of business. Both customer claims and warranties are accounted for under IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*.

Financial income and expense

Financial income and expense comprises interest payable, finance charges, lease interest, interest receivable on funds invested, and gains and losses on related hedging instruments that are recognised in the consolidated income statement.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that income tax relates to items recognised directly in equity.

Current tax is the expected tax payable on the taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because taxable profit excludes items of income or expense that are not taxable or deductible.

The Group's liability for current tax is calculated using tax rates enacted or substantively enacted at the reporting date and includes any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is provided in full using the Statement of Financial Position liability method and represents the tax expected to be payable or recoverable on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for:

- goodwill not deductible for tax purposes;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

Notes to the financial statements

1 Accounting policies continued

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Leases

Right-of-use assets and liabilities are recognised for any arrangements meeting the definition of a lease set out in IFRS 16 – *Leases*.

Right-of-use assets are measured at cost, comprising the initial amount of the lease liability adjusted for any lease prepayments, plus any initial direct costs incurred, less any lease incentives received. Right-of-use assets are then depreciated using the straight-line method from the start of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease liabilities are presented within interest-bearing loans and borrowings. They are measured at the present value of future lease payments, discounted at a rate which reflects both the Group's incremental borrowing rate, adjusted for the time value of money, and the nature of the leased asset.

The Group has elected to take advantage of the practical expedients, permitted by IFRS 16, not to recognise lease assets and liabilities in respect of short-term and low-value leases. Charges recognised in the consolidated income statement in respect of these leases are not significant to the Group.

Share-based transactions

Equity-settled share-based payments to directors, key employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value is expensed, with a corresponding increase in equity, on a straight-line basis over the period that the employees become unconditionally entitled to the awards.

At each reporting date, the Group revises the amount recognised as an expense to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with market-based performance conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where a share-based payment is net-settled by withholding a specified portion of the shares to meet statutory obligations, the arrangement is accounted for as an equity-settled share-based payment in its entirety.

Dividends

Dividends are recognised as a liability in the financial statements in the period in which they are declared by the Company and, in respect of final dividends, approved by shareholders.

Alternative performance measures

The following non-GAAP performance measures have been used in the financial statements:

i. Underlying Earnings Before Interest and Tax (EBIT)
ii. Underlying EBIT margin
iii. Underlying EBITDA
iv. Like-for-like Underlying EBIT
v. Like-for-like revenue
vi. Underlying Basic Earnings per Share (EPS)
vii. Free Cash Flow
viii. Free Cash Flow conversion
ix. Return on invested capital
x. Covenant Leverage
xi. Net Debt
xii. Net Debt (excluding IFRS 16)

Management uses these terms as they believe these measures allow a better understanding of the Group's underlying business performance. These alternative performance measures are well understood by investors and analysts, are consistent with the Group's historic communication with investors and reflects the way in which the business is managed.

A reconciliation between these alternative performance measures to the most directly related statutory measures is included within note 27.

Notes to the financial statements

2 Segmental analysis

The Group's activities comprise the following reportable segments:

- **Great Britain:** our construction materials and surfacing businesses in Great Britain.
- **Ireland:** our construction materials and surfacing businesses on the Island of Ireland.
- **Cement:** our cementitious operations in Great Britain and Ireland.

A description of the activities of each segment is included on pages 30 to 35.

Income statement

	2022		2021	
	Revenue £m	**Underlying EBITDA* £m**	Revenue £m	Underlying EBITDA* £m
Great Britain	**972.4**	**136.1**	845.2	124.2
Ireland	**226.2**	**34.4**	225.4	35.4
Cement	**300.7**	**79.6**	245.6	67.7
Central administration	**–**	**(15.1)**	–	(13.3)
Eliminations	**(103.0)**	**–**	(83.7)	–
Group	**1,396.3**	**235.0**	1,232.5	214.0
Reconciliation to statutory profit				
Group Underlying EBITDA as above		**235.0**		214.0
Depreciation and mineral depletion		**(83.5)**		(83.3)
Great Britain		**86.4**		74.3
Ireland		**28.3**		28.2
Cement		**52.1**		41.6
Central administration		**(15.3)**		(13.4)
Underlying Group operating profit		**151.5**		130.7
Share of profit of associate and joint ventures		**3.5**		2.9
Underlying profit from operations (EBIT)		**155.0**		133.6
Non-underlying items (note 3)		**(7.0)**		(6.2)
Profit from operations		**148.0**		127.4

* Underlying EBITDA is earnings before interest, tax, depreciation and mineral depletion, amortisation, non-underlying items (note 3) and before our share of profit of associate and joint ventures.

Disaggregation of revenue from contracts with the customers

Analysis of revenue by geographic location of end-market

The primary geographic market for all Group revenues for the purpose of IFRS 15 is the UK and RoI. In line with the requirements of IFRS 8, this is analysed by individual countries as follows:

	2022 £m	2021 £m
United Kingdom	**1,217.3**	1,088.2
Republic of Ireland	**176.5**	141.1
Other	**2.5**	3.2
	1,396.3	1,232.5

Analysis of revenue by major products and service lines by segment

	2022 £m	2021 £m
Sale of goods		
Great Britain	**829.0**	740.2
Ireland	**82.0**	66.4
Cement	**300.7**	245.6
Eliminations	**(103.0)**	(83.7)
	1,108.7	968.5
Surfacing		
Great Britain	**143.4**	105.0
Ireland	**144.2**	159.0
	287.6	264.0
	1,396.3	1,232.5

Timing of revenue recognition

Sale of goods revenue relates to products for which revenue is recognised at a point in time as the product is transferred to the customer. Surfacing revenues are accounted for as products and services for which revenue is recognised over time.

Notes to the financial statements

2 Segmental analysis continued

Statement of financial position

	2022 Total assets £m	2022 Total liabilities £m	2021 Total assets £m	2021 Total liabilities £m
Great Britain	**900.9**	**(228.0)**	841.8	(203.0)
Ireland	**260.6**	**(40.5)**	254.4	(45.8)
Cement	**519.7**	**(62.0)**	487.2	(65.0)
Central administration	**2.9**	**(19.3)**	2.2	(17.3)
Total operations	**1,684.1**	**(349.8)**	1,585.6	(331.1)
Current tax	**–**	**(3.8)**	–	(4.7)
Deferred tax	**–**	**(89.0)**	–	(87.5)
Net Debt	**101.7**	**(299.4)**	83.9	(296.4)
Total Group	**1,785.8**	**(742.0)**	1,669.5	(719.7)
Net assets		**1,043.8**		949.8

GB total assets include £12.4m (2021: £11.3m) and Cement total assets include £1.3m (2021: £0.9m) in respect of investments in associate and joint ventures.

Geographic location of property, plant and equipment and right-of-use assets

	2022 £m	2021 £m
United Kingdom	**705.7**	681.9
Republic of Ireland	**129.3**	117.6
	835.0	799.5

Analysis of depreciation and mineral depletion, amortisation and capital expenditure

	Depreciation and mineral depletion £m	Amortisation of intangible assets £m	Additions to property, plant and equipment £m
2022			
Great Britain	**49.7**	**2.7**	**71.1**
Ireland	**6.1**	**2.1**	**10.5**
Cement	**27.5**	**–**	**24.9**
Central administration	**0.2**	**–**	**0.3**
	83.5	**4.8**	**106.8**
2021			
Great Britain	49.9	1.6	44.9
Ireland	7.2	2.0	14.4
Cement	26.1	–	17.1
Central administration	0.1	–	0.5
	83.3	3.6	76.9

Additions to owned property, plant and equipment exclude additions in respect of business combinations.

Notes to the financial statements

3 Non-underlying items

Non-underlying items are those which are either unlikely to recur in future periods or which distort the underlying trading performance of the business, including non-cash items. The directors monitor the performance of the Group using alternative performance measures which are on an underlying basis. In the opinion of the directors, this presentation aids understanding of the underlying business performance and any references to underlying earnings measures throughout this report are made on this basis. Underlying measures are presented on a consistent basis over time to assist in the comparison of performance.

	2022 £m	2021 £m
Included in administrative expenses:		
Redundancy and reorganisation costs	**–**	1.2
Acquisition costs (note 25)	**0.7**	0.7
Property (gains) and losses	**1.5**	0.7
Amortisation of acquired intangible assets	**4.8**	3.6
Total non-underlying items (before tax)	**7.0**	6.2
Non-underlying taxation	**(0.8)**	(1.0)
Total non-underlying items (after tax)	**6.2**	5.2

Acquisition costs are presented net of a £0.3m gain on stepped acquisition. See note 25.

4 Expenses and auditor's remuneration

	2022 £m	2021 £m
Group operating profit has been arrived at after charging/(crediting)		
Depreciation and mineral depletion:		
Owned assets	**74.8**	73.0
Leased assets	**8.7**	10.3
Amortisation of intangible assets	**4.8**	3.6
Property losses (note 3)	**1.5**	0.7
Loss/(gain) on sale of plant and equipment	**0.9**	(0.7)
Auditor's remuneration		
Audit of the Company's subsidiary undertakings	**0.9**	0.9
Non-audit services	**0.1**	–
	1.0	0.9

5 Employees and directors

Remuneration received by the directors (the Group's key management personnel) is summarised below. Disclosure by individual director, including information on all outstanding share options, is provided in the Directors' Remuneration report from page 126.

Directors' remuneration

	2022 £m	2021 £m
Salaries and short-term employee benefits	**2.4**	2.4
Directors' fees	**0.4**	0.4
Share awards received in current period	**0.4**	1.3
Total disclosed in Directors' Remuneration report	**3.2**	4.1

While the share awards received were based on performance measured to 31 December 2022, they will not vest until August 2023. Accordingly, the value of these awards is estimated using the three-month average share price to 31 December 2022 (56.9p).

During 2022, £0.4m of share awards, received in respect of 2021 performance, vested. During 2021, share awards in respect of 2020 performance did not vest.

No pension contributions were paid by the Group directly to any pension schemes on behalf of the directors in either the current or prior years.

Staff numbers and costs

The average number of persons employed by the Group during the year was as follows:

	Number of employees	
	2022	2021
Great Britain	**2,637**	2,466
Ireland	**334**	372
Cement	**517**	487
Central administration	**161**	132
	3,649	3,457

Notes to the financial statements

5 Employees and directors continued

The aggregate payroll costs of these persons were as follows:

	2022 £m	2021 £m
Wages and salaries	**162.3**	142.6
Social security costs	**19.2**	15.6
Pension costs	**8.3**	6.6
Share-based payments (note 18)	**2.4**	2.9
	192.2	167.7

Pension costs relate to various defined contribution pension schemes operated within the Group. These are accounted for on a contribution payable basis.

Contributions outstanding at 31 December 2022 amounted to £1.1m (2021: £1.0m) and are included in other payables.

6 Financial income and expense

	2022 £m	2021 £m
Interest received on cash deposits	**0.2**	–
Total financial income	**0.2**	–
Interest charged on bank loans, private placement notes and overdrafts	**(6.7)**	(6.8)
Amortisation of loan arrangement fees	**(1.1)**	(2.3)
Lease liabilities	**(2.5)**	(2.6)
Unwinding of discount on provisions	**(2.1)**	(1.4)
Total financial expense	**(12.4)**	(13.1)

Amortisation of loan arrangement fees during 2021 included a charge of £1.2m to expense fees previously capitalised in respect of the Group's old facilities which were refinanced that year.

7 Taxation

Recognised in the consolidated income statement

	2022 £m	2021 £m
Current tax		
Current year	**23.6**	19.1
Prior year	**1.0**	(0.1)
Total current tax	**24.6**	19.0
Deferred tax		
Current year	**(1.8)**	(1.1)
Change in deferred tax rate	**1.1**	17.3
Prior year	**(0.7)**	0.5
Total deferred tax	**(1.4)**	16.7
Total tax charge in the consolidated income statement	**23.2**	35.7

Recognised in equity

	2022 £m	2021 £m
Deferred tax		
Cash flow hedges	**(0.2)**	0.2
Share-based payments	**0.4**	(0.6)
Total tax charge/(credit) in equity	**0.2**	(0.4)

Notes to the financial statements

7 Taxation continued

Reconciliation of effective tax rate

	2022 £m	2021 £m
Profit before taxation	**135.8**	114.3
Tax at the Company's domestic rate of 19%	**25.8**	21.7
Difference between Company and subsidiary statutory tax rates	**(2.6)**	(2.0)
Expenses not deductible for tax purposes	**0.6**	0.7
Enhanced capital allowances	**(1.4)**	(1.5)
Share-based payments	**0.8**	–
Unrecognised deferred tax assets (note 11)	**(0.7)**	(0.4)
Income from associate and joint ventures already taxed	**(0.7)**	(0.5)
Change in deferred tax rate	**1.1**	17.3
Adjustment in respect of prior years	**0.3**	0.4
Total tax charge	**23.2**	35.7

The Company is tax resident in the UK, with a 19% tax rate. The Group's subsidiary operations pay tax at a rate of 19% (2021: 19%) in the UK and 12.5% (2021: 12.5%) in RoI.

Excluding the impact of non-underlying items and the change in deferred tax rate, the Group's Underlying effective tax rate is 16.0% (2021: 16.1%). Including these items, the Group's reported tax rate for the year is 17.1% (2021: 31.2%).

On 24 May 2021, legislation was passed which substantively enacted an increase in UK corporation tax rate from 19% to 25% from April 2023. This will result in higher tax charges in future years and a deferred tax charge of £17.3m was recognised in the prior year to remeasure the Group's UK deferred tax liabilities held at 31 December 2021 to this higher rate.

The Group may be impacted in the future by BEPS Pillar 2, the OECD initiative for a global minimum 15% rate, as a result of our trading operations in RoI where the statutory rate of corporation tax is 12.5%. The Group's corporation tax charge in RoI was £6.0m in 2022, and so while exposure is not expected to be material we continue to closely monitor developments.

8 Property, plant and equipment

	Mineral reserves and resources £m	Land and buildings £m	Plant, equipment and vehicles £m	Total £m
Cost				
Balance at 1 January 2022	340.0	130.6	616.9	1,087.5
Translation adjustment	1.3	2.3	4.3	7.9
Business combinations (note 25)	–	0.3	3.3	3.6
Additions	1.8	0.5	104.5	106.8
Disposals and impairment	(1.0)	(0.3)	(18.4)	(19.7)
Change to capitalised provisions	–	(0.9)	3.2	2.3
Reclassification	(1.8)	2.3	(0.5)	–
Balance at 31 December 2022	**340.3**	**134.8**	**713.3**	**1,188.4**
Depreciation and mineral depletion				
Balance at 1 January 2022	71.3	27.4	238.9	337.6
Translation adjustment	0.2	0.3	0.7	1.2
Charge for the year	15.0	5.2	54.6	74.8
Disposals and impairment	(0.1)	(0.1)	(12.9)	(13.1)
Balance at 31 December 2022	**86.4**	**32.8**	**281.3**	**400.5**
Net book value				
Balance at 31 December 2022	**253.9**	**102.0**	**432.0**	**787.9**

Notes to the financial statements

8 Property, plant and equipment continued

	Mineral reserves and resources £m	Land and buildings £m	Plant, equipment and vehicles £m	Total £m
Cost				
Balance at 1 January 2021	334.0	129.3	569.0	1,032.3
Transferred from leased assets (note 20)	–	(0.2)	3.7	3.5
Translation adjustment	(1.7)	(2.9)	(4.1)	(8.7)
Business combinations	–	–	0.4	0.4
Additions	7.9	3.5	65.5	76.9
Disposals and impairment	(1.0)	(0.7)	(15.5)	(17.2)
Change to capitalised provisions	–	0.7	(0.4)	0.3
Reclassification	0.8	0.9	(1.7)	–
Balance at 31 December 2021	**340.0**	**130.6**	**616.9**	**1,087.5**
Depreciation and mineral depletion				
Balance at 1 January 2021	55.2	22.4	198.6	276.2
Transferred from leased assets (note 20)	–	(0.1)	1.9	1.8
Translation adjustment	(0.2)	(0.3)	(0.5)	(1.0)
Charge for the year	16.9	5.8	50.3	73.0
Disposals and impairment	(0.6)	(0.4)	(11.4)	(12.4)
Balance at 31 December 2021	**71.3**	**27.4**	**238.9**	**337.6**
Net book value				
Balance at 31 December 2021	**268.7**	**103.2**	**378.0**	**749.9**

Assets under construction

Presented within plant, equipment and vehicles are assets in the course of construction totalling £34.2m (2021: £40.7m) which are not being depreciated.

Depreciation and mineral depletion

Depreciation and mineral depletion, on both owned and leased assets, is recognised in the following line items in the consolidated income statement:

	2022 £m	2021 £m
Cost of sales	**81.4**	80.9
Administration expenses	**2.1**	2.4
	83.5	83.3

9 Intangible assets

	Goodwill £m	Customer related £m	Other £m	Total £m
Cost				
At 1 January 2022	454.8	44.3	16.6	515.7
Translation adjustment	6.1	1.4	–	7.5
Business combinations (note 25)	8.7	4.7	1.1	14.5
At 31 December 2022	**469.6**	**50.4**	**17.7**	**537.7**
Amortisation				
At 1 January 2022	–	10.7	3.5	14.2
Translation adjustment	–	0.5	–	0.5
Charge for the year	–	3.5	1.3	4.8
At 31 December 2022	**–**	**14.7**	**4.8**	**19.5**
Net book value				
At 31 December 2022	**469.6**	**35.7**	**12.9**	**518.2**
Cost				
At 1 January 2021	461.1	46.4	16.7	524.2
Translation adjustment	(8.2)	(1.4)	(0.1)	(9.7)
Business combinations	1.9	–	–	1.9
Disposal	–	(0.7)	–	(0.7)
At 31 December 2021	**454.8**	**44.3**	**16.6**	**515.7**
Amortisation				
At 1 January 2021	–	9.1	2.5	11.6
Translation adjustment	–	(0.3)	–	(0.3)
Disposal	–	(0.7)	–	(0.7)
Charge for the year	–	2.6	1.0	3.6
At 31 December 2021	**–**	**10.7**	**3.5**	**14.2**
Net book value				
At 31 December 2021	**454.8**	**33.6**	**13.1**	**501.5**

Notes to the financial statements

9 Intangible assets continued

Other intangible assets primarily comprise brand and permit assets arising from acquisitions. The amortisation charge on these assets is recognised in non-underlying administrative expenses in the consolidated income statement.

Carrying value of goodwill by operating segment

	2022 £m	2021 £m
Great Britain	**196.7**	188.0
Ireland	**109.6**	106.8
Cement	**163.3**	160.0
	469.6	454.8

Impairment tests for cash-generating units containing goodwill

Goodwill arising on business combinations is not amortised but is reviewed for impairment on an annual basis, or more frequently if there are indications that the goodwill may be impaired. Goodwill is allocated to groups of CGUs according to the level at which management monitor that goodwill, being the Group's operating segments.

The key assumptions used in performing the impairment review are those used in calculating the value-in-use of each CGU, as set out below:

Cash flow projections

Cash flow projections for each operating segment are derived from the annual budget approved by the Board for 2023 and the three-year plan for 2024 and 2025. The key assumptions on which budgets and forecasts are based include sales growth, product mix and operating costs. These cash flows are then extrapolated forward for a further period up to 50 years reflecting the long-term nature of the underlying assets. Budgeted cash flows are based on past experience and forecast future trading conditions.

Long-term growth rates

Cash flow projections assume a growth rate of 3.4% (2021: 2.0%) from the fourth year of the value-in-use model. The increase in rate during the year reflects the impact of longer term inflation projections on future earnings derived from published market data. Using rates in line with previous years would not have resulted in an impairment.

Discount rate

Forecast pre-tax cash flows for each segment have been discounted at pre-tax rates of between 11.9% and 12.6% (2021: between 10.1% and 10.6%). These rates were determined by an external expert based on market participants' cost of capital and adjusted to reflect factors specific to each segment, which for 2022 included the impact of rising risk-free rates as a result of central bank monetary policy decisions.

Sensitivity

The Group has assessed the impact of possible changes in the key assumptions to the impairment review. Having performed a sensitivity analysis over the key assumptions, the directors have concluded that there are no reasonably possible changes to assumptions which would result in an impairment charge being recognised.

Impact of climate change on impairment testing

Impacts related to climate change and the transition to a lower carbon economy may include:

- Physical impacts resulting from increased severity and frequency of extreme weather events, together with impacts arising from longer-term shifts in climate patterns.
- Transitional impacts, including changing demand for the Group's products due to shifts in policy, regulation (including carbon pricing mechanisms), legal, technological, market, customer or societal responses to climate change.

The Group's risk analysis indicates that the physical impacts of climate change are unlikely to have a significant impact on our impairment testing, with our operations typically located in the UK and RoI in regions that face relatively low direct challenges from climate change.

The impact of the transition to a lower carbon economy could be more significant. Breedon is committed to net zero by 2050 as well as to the manufacture of cement at our two well-invested cement plants; however to achieve net zero will require a significant reduction in our carbon emissions.

As set out in more detail in our Sustainability report on pages 114 to 115, we have committed to a 30% reduction from a 2005 baseline in gross carbon intensity per tonne of cementitious product by 2030, and we are taking near-term actions based on existing technologies to move towards this objective. In addition, the Group is working with governments, industry, academia and the GCCA to explore potential routes to further decarbonisation, including carbon capture. However these are not yet proven at scale.

Notes to the financial statements

9 Intangible assets continued

While the cash flows associated with our near-term plans are incorporated into our impairment testing, it is not possible to quantify the gross cost of the transition to net zero accurately over the longer term, nor how demand for cement might be impacted by the price increases needed to recover these costs or longer-term changes in consumer behaviour.

In preparing our impairment testing, we have assumed that volumes remain broadly in line with current levels and that increased costs, including carbon costs and increased capital investment, will be recovered through pricing, consistent with our historic experience and that no scaleable substitute for concrete emerges in the near term. As the cost of transition to net zero and the consequent impact on end-market demand becomes clearer, these judgements will need to be refined and it is possible that this may result in future impairment charges.

The directors continue to view future impairment charges as unlikely at the date of this report.

10 Investment in associate and joint ventures

The entities contributing to the Group's financial results are listed on pages 180 to 181.

The Group equity accounts for investments in its associate and joint ventures.

	Associate £m	Joint ventures £m	Total £m
Carrying value			
At 1 January 2021	3.5	7.7	11.2
Share of profit of associate and joint ventures	2.1	0.8	2.9
Dividends received	(0.6)	(1.3)	(1.9)
At 31 December 2021	**5.0**	**7.2**	**12.2**
Share of profit of associate and joint ventures	1.3	2.2	3.5
Disposal as part of stepped acquisition (note 25)	–	(0.3)	(0.3)
Dividends received	(0.6)	(1.1)	(1.7)
At 31 December 2022	**5.7**	**8.0**	**13.7**

Summary financial information of associate and joint ventures

	2022		2021	
	Associate £m	**Joint ventures £m**	Associate £m	Joint ventures £m
Non-current assets	**14.9**	**12.3**	12.5	12.3
Current assets	**34.9**	**21.7**	42.1	24.6
Current liabilities	**(26.7)**	**(19.7)**	(34.6)	(20.0)
Non-current liabilities	**(6.6)**	**(7.8)**	(5.7)	(11.7)
Net assets	**16.5**	**6.5**	14.3	5.2
Revenue	**225.4**	**118.6**	207.8	96.8
Profit for the year	**3.7**	**5.3**	5.4	1.7

The table above shows the results and balances of the associate and joint ventures. Included within the consolidated results of the Group is the share of profit of the associate and joint ventures, as disclosed in the consolidated income statement.

Notes to the financial statements

11 Deferred tax

2022	1 January 2022 £m	Acquisitions (note 25) £m	Recognised in income £m	Recognised in equity £m	Translation adjustments £m	31 December 2022 £m
Property, plant and equipment	**(93.6)**	**(0.8)**	**(0.8)**	**–**	**(0.5)**	**(95.7)**
Intangible assets	**(9.9)**	**(1.3)**	**0.8**	**–**	**(0.1)**	**(10.5)**
Derivatives	**(0.2)**	**–**	**–**	**0.2**	**–**	**–**
Historic losses	**0.3**	**–**	**0.6**	**–**	**–**	**0.9**
Share-based payments	**2.0**	**–**	**(0.9)**	**(0.4)**	**–**	**0.7**
Working capital and provisions	**13.9**	**–**	**1.7**	**–**	**–**	**15.6**
	(87.5)	**(2.1)**	**1.4**	**(0.2)**	**(0.6)**	**(89.0)**

2021	1 January 2021 £m	Acquisitions £m	Recognised in income £m	Recognised in equity £m	Translation adjustments £m	31 December 2021 £m
Property, plant and equipment	(73.0)	(0.1)	(20.9)	–	0.4	(93.6)
Intangible assets	(9.1)	–	(1.0)	–	0.2	(9.9)
Derivatives	–	–	–	(0.2)	–	(0.2)
Historic losses	–	–	0.3	–	–	0.3
Share-based payments	–	–	1.4	0.6	–	2.0
Working capital and provisions	10.4	–	3.5	–	–	13.9
	(71.7)	(0.1)	(16.7)	0.4	0.6	(87.5)

There are no identified unrecognised deferred tax assets or liabilities.

12 Inventories

	2022 £m	2021 £m
Raw materials and consumables	**56.6**	34.4
Work in progress	**6.3**	3.0
Finished goods and goods for resale	**31.9**	24.6
	94.8	62.0

Inventories (being directly attributable costs of production) of £853.7m (2021: £742.5m) have been expensed in the year.

13 Trade and other receivables

	2022 £m	2021 £m
Trade receivables	**175.3**	160.0
Amounts due from associate and joint ventures (note 22)	**5.8**	10.4
Derivative assets	**0.1**	1.5
Contract assets	**14.5**	17.8
Other receivables and prepayments	**26.7**	20.7
	222.4	210.4

	2022 £m	2021 £m
Analysed as		
Current	**218.6**	205.9
Non-current	**3.8**	4.5
	222.4	210.4

The nature of contract assets has not changed materially during the reporting period.

Notes to the financial statements

14 Interest-bearing loans and borrowings

Net Debt

	2022 £m	2021 £m
Cash and cash equivalents	**101.7**	83.9
Current borrowings	**(7.9)**	(7.2)
Non-current borrowings	**(291.5)**	(289.2)
Net Debt (including IFRS 16)	**(197.7)**	(212.5)
IFRS 16 lease liabilities	**49.3**	51.0
Net Debt (excluding IFRS 16)	**(148.4)**	(161.5)

Analysis of borrowings between current and non-current

	2022 £m	2021 £m
Lease liabilities	**7.9**	7.2
Current borrowings	**7.9**	7.2
Bank and USPP debt	**250.1**	245.4
Lease liabilities	**41.4**	43.8
Non-current borrowings	**291.5**	289.2

The Group's borrowing facilities comprise a £350m multi-currency RCF and a £250m USPP.

The RCF is available to the Group until June 2025 with an option to extend for up to a further one year period. Interest on the RCF is calculated as a margin referenced to the Group's Covenant Leverage plus SONIA or EURIBOR according to the currency of borrowing. Interest margin on the RCF was charged in the period at rates of between 1.7% and 1.8%.

The USPP was issued in 2021 with an average fixed coupon of approximately 2% and comprises £170m sterling and £80m drawn in euro, with a maturity profile between 2028 and 2036.

During the year, the Group exercised an option to extend the RCF for a one year period. Arrangement fees of £0.7m were capitalised in the year and will be amortised over the period of the additional borrowing.

Borrowing facilities are subject to leverage and interest cover covenants which are tested half-yearly. The Group remained fully compliant with all covenants during the year.

Reconciliation of cash flow movement to movement in Net Debt

	2022 £m	2021 £m
For the year ended 31 December		
Net increase in cash and cash equivalents	**17.1**	52.7
Foreign exchange differences – cash and cash equivalents	**0.7**	(0.5)
Net movement in cash and cash equivalents	**17.8**	52.2
Net cash flow movements in debt financing	**9.5**	58.9
Non-cash movements		
Net of lease (additions) and disposals	**(4.7)**	(6.3)
Amortisation of prepaid bank arrangement fee	**(1.1)**	(2.3)
Debt acquired via acquisitions (note 25)	**(2.5)**	–
Foreign exchange differences – interest bearing loans and borrowings	**(4.2)**	3.3
Decrease in Net Debt (including IFRS 16) in the year	**14.8**	105.8
Net Debt (including IFRS 16) as at 1 January	**(212.5)**	(318.3)
Net Debt (including IFRS 16) as at 31 December	**(197.7)**	(212.5)

15 Trade and other payables

	2022 £m	2021 £m
Trade payables	**161.4**	142.4
Amounts owed to associate and joint ventures (note 22)	**0.1**	–
Contract liabilities	**4.0**	11.1
Deferred consideration (note 25)	**0.9**	1.1
Other payables and accrued expenses	**79.4**	78.6
Other taxation and social security	**18.0**	24.5
	263.8	257.7

The nature of contract liabilities has not changed significantly during the reporting period. Brought forward contract liabilities of £11.1m have all been recognised in revenue during the year.

Notes to the financial statements

16 Provisions

	Restoration £m	Other £m	Total £m
At 1 January 2021	62.7	2.6	65.3
Translation adjustment	(0.4)	–	(0.4)
Utilised during the year	(1.1)	–	(1.1)
Charged to income statement	7.9	0.9	8.8
Unused amounts reversed	–	(0.9)	(0.9)
Change to capitalised provisions (note 8)	0.3	–	0.3
Unwinding of discount	1.3	0.1	1.4
At 31 December 2021	**70.7**	**2.7**	**73.4**
Translation adjustment	0.2	–	0.2
Utilised during the year	(2.3)	–	(2.3)
Charged to income statement	11.5	–	11.5
Unused amounts reversed	–	(1.4)	(1.4)
Amounts arising from business combinations (note 25)	0.2	–	0.2
Change to capitalised provisions (note 8)	2.3	–	2.3
Unwinding of discount	2.1	–	2.1
At 31 December 2022	**84.7**	**1.3**	**86.0**

	2022 £m	2021 £m
Analysed as		
Current	**9.2**	9.5
Non-current	**76.8**	63.9
	86.0	73.4

Restoration provisions principally comprise provisions for the cost of restoring and decommissioning sites where an obligation arises to comply with contractual, environmental, planning and other legislation. The obligation is calculated on a site-by-site basis and is subject to regular reviews. Each obligation is discounted to reflect the period over which it will be settled which, on average, is 10 years.

The discount rates used have been derived from long term central bank rates and have been adjusted, where appropriate, for cash flow risk.

17 Capital, reserves and dividends

Stated capital

All shares issued by Breedon are ordinary shares which have no par value and are fully paid. The Company has no limit to the number of shares which may be issued.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

	Number of ordinary shares (m)	
	2022	2021
Issued ordinary shares at beginning of year	**1,689.7**	1,687.6
Issued in connection with:		
Exercise of savings-related share options	**3.1**	2.1
Vesting of Performance Share Plan awards	**1.6**	–
	1,694.4	1,689.7

Movements during 2022:

The Company issued 3.1m shares for cash raising £2.0m in connection with the exercise of certain savings-related share options and issued 1.6m shares for nil consideration in connection with the vesting of awards under the Performance Share Plans (note 18).

Movements during 2021:

The Company issued 2.1m shares for cash raising £1.4m in connection with the exercise of certain savings-related share options (note 18).

Other reserves

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedged instruments related to hedged transactions which have not yet occurred.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of the liabilities that hedge the Group's net investment in foreign operations.

Notes to the financial statements

17 Capital, reserves and dividends continued

Dividends

Amounts recognised as dividends paid to equity shareholders in the year comprised £30.5m; £18.6m in respect of the final dividend of the financial year ended 31 December 2021 of 1.1p per share and £11.9m in respect of an interim dividend of 0.7p per share for the financial year ended 31 December 2022.

The directors have proposed a final dividend in respect of the financial year ended 31 December 2022 of 1.4p per share which will absorb an estimated £23.7m of shareholders' funds. This has not been provided for in these accounts because the dividend was proposed after the year end. If the final dividend is approved by shareholders at the Annual General Meeting of the Company to be held on 26 April 2023 at 2.00pm, it will be paid on 5 May 2023 to shareholders who are on the register at the close of business on 11 April 2023.

Subject to trading conditions and continued sustained cash generation, the Group intends to adopt a progressive dividend policy that targets a payout ratio of 40% of underlying earnings per share over time. However future dividend payments by the Group are not guaranteed and will be determined by the directors in light of the facts and circumstances at the time.

18 Share-based payments

Share-based payments to employees include PSP awards made to senior executives and voluntary participation in savings-related share option schemes ('Sharesave') for the wider workforce.

Under the PSP, awards may be granted to key senior employees as either a conditional award or as a nil paid (or nominal) cost award. Awards will normally vest three years after grant subject to satisfaction of the relevant performance conditions; for certain employees these may be subject to an additional two-year holding period.

The Group operates Sharesave schemes open to all employees both in the UK and RoI. These schemes have a term of either three or five years.

More details of these options and awards, as well as the interests of the directors in both the PSP and the Breedon Sharesave scheme, can be found in the Directors' Remuneration report from page 126.

Movements in outstanding options and awards

Share options (millions)	Outstanding at 1 Jan 2022	Granted	Vested	Lapsed	Outstanding at 31 Dec 2022
PSP – non-market based performance conditions	8.9	2.4	(3.0)	(1.6)	6.7
PSP – market based performance conditions	1.6	2.4	–	(0.3)	3.7
Sharesave	19.3	7.4	(3.1)	(4.6)	19.0
	29.8	12.2	(6.1)	(6.5)	29.4

All PSP share awards have an exercise price of nil. The exercise price for outstanding Sharesave options at 31 December 2022 is between 55p and 78p.

Options granted during the year

The fair value of options and awards granted during the year, and the key inputs used to derive the fair value, were as follows:

	PSP – non-market based performance conditions	PSP – market based performance conditions	Sharesave
Fair value at grant date	76–80p	42–44p	15–18p
Valuation model	Black – Scholes	Stochastic	Black – Scholes
Exercise price	–	–	66–72p
Share price at grant date	80p	80p	78p
Holding period	0–2 years	0–2 years	–
Expected volatility	27–29%	27–29%	24–28%
Risk-free rate	1.66%	1.66%	1.54–1.56%
Vesting period	3 years	3 years	3 - 5 years
Expected dividend yield	n/a	n/a	2.0%

Where share awards contain mechanisms to compensate for the dilutive impact of dividends paid during the vesting period, no dividend yield has been incorporated into the calculation of the fair value of those awards.

Notes to the financial statements

19 Financial instruments

The Group has the following financial assets and liabilities:

	2022		
	Book value £m	Non-financial instruments £m	Financial instruments £m
Financial assets			
Trade and other receivables	**222.4**	**16.3**	**206.1**
Cash and cash equivalents	**101.7**	**–**	**101.7**
Total financial assets	**324.1**	**16.3**	**307.8**
Financial liabilities			
Borrowings	**(250.1)**	**3.1**	**(253.2)**
Lease liabilities	**(49.3)**	**–**	**(49.3)**
Trade and other payables	**(263.8)**	**(22.0)**	**(241.8)**
Total financial liabilities	**(563.2)**	**(18.9)**	**(544.3)**

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Foreign exchange risk
- Liquidity risk
- Interest rate risk

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet their contractual obligations. Credit risk arises principally from the Group's cash and cash equivalents held with financial counterparties and the Group's receivables due from customers.

Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. The Group has credit insurance covering the majority of private sector customers. At the reporting date, there were no significant concentrations of customer credit risk.

Credit risk associated with cash balances is managed and limited by transacting with financial institutions with high-quality credit ratings.

Exposure to credit risk

The carrying amount of financial assets at the reporting date represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2022 £m	2021 £m
Trade and other receivables	**206.1**	210.4
Cash and cash equivalents	**101.7**	83.9
	307.8	294.3

The maximum exposure to credit risk for trade and other receivables by reportable segment was:

	Carrying amount	
	2022 £m	2021 £m
Great Britain	**138.9**	137.0
Ireland	**35.5**	42.3
Cement	**31.0**	29.8
Central administration	**0.7**	1.3
	206.1	210.4

Notes to the financial statements

19 Financial instruments continued

Management considers that the credit quality of the various receivables is good in respect of the amounts outstanding. The Group has no individually significant customers and the majority of the Group's customers are end-user customers. Credit insurance is in place to cover the majority of the Group's private sector UK and Ireland trade receivables, subject to an aggregate first loss. The Group has fully provided for all its doubtful debt exposure. The remaining credit risk is therefore considered to be low.

The ageing of trade and other receivables at the reporting date was:

	2022			2021		
	Gross £m	Impairment £m	Net £m	Gross £m	Impairment £m	Net £m
Not past due	**187.3**	**(2.1)**	**185.2**	195.5	(2.5)	193.0
Past due 0-30 days	**14.0**	**(1.1)**	**12.9**	11.8	(1.4)	10.4
Past due 31-60 days	**4.7**	**(0.7)**	**4.0**	2.9	(0.7)	2.2
Past due more than 60 days	**8.1**	**(4.1)**	**4.0**	8.7	(3.9)	4.8
	214.1	**(8.0)**	**206.1**	218.9	(8.5)	210.4

Provisions for impairment of trade and other receivables are calculated on a lifetime expected loss model in line with IFRS 9. The key inputs in determining the level of provision are the historical level of bad debts experienced by the Group and ageing of outstanding amounts. Movements during the year were as follows:

	2022 £m	2021 £m
At 1 January	**8.5**	7.5
Charged to the consolidated income statement during the year	**2.2**	2.0
Utilised during the year	**(1.3)**	(0.6)
Unused amounts released	**(1.4)**	(0.4)
At 31 December	**8.0**	8.5

Foreign exchange risk

Transactional

The Group has limited transactional currency exposures arising on sales and purchases made in currencies other than the functional currency of the entity making the sale or purchase. Significant exposures which are deemed at least highly probable are matched where possible.

Translation

The Group has significant net assets denominated in euro. The translation of these balances into sterling for reporting purposes exposes the Group to foreign exchange movements in the consolidated statement of financial position and consolidated income statement, along with a corresponding impact on certain key performance indicators. The Group's strategy is to mitigate this risk through utilising euro borrowings as a hedge against movements in the sterling value of euro investments. The level of this hedge is currently managed with the objective of mitigating the impact of foreign exchange movements on Covenant Leverage.

Notes to the financial statements

19 Financial instruments continued

Currency analysis and exchange rate sensitivity

Foreign currency financial assets and liabilities, translated into sterling at the closing rate, are as follows:

	2022			2021		
	Sterling £m	Euro £m	Total £m	Sterling £m	Euro £m	Total £m
Financial assets						
Trade and other receivables	179.2	26.9	206.1	184.7	25.7	210.4
Cash and cash equivalents	80.9	20.8	101.7	69.9	14.0	83.9
Total financial assets	260.1	47.7	307.8	254.6	39.7	294.3
Financial liabilities						
Borrowings	(170.0)	(83.2)	(253.2)	(170.0)	(78.9)	(248.9)
Lease liabilities	(49.2)	(0.1)	(49.3)	(50.8)	(0.2)	(51.0)
Trade and other payables	(206.4)	(35.4)	(241.8)	(223.6)	(38.8)	(262.4)
Total financial liabilities	(425.6)	(118.7)	(544.3)	(444.4)	(117.9)	(562.3)
Potential impact on profit before taxation – gain/(loss)						
10% increase in functional currency	–	1.0	1.0	–	2.1	2.1
10% decrease in functional currency	–	(1.2)	(1.2)	–	(2.6)	(2.6)
Potential impact on other comprehensive income – gain/(loss)						
10% increase in functional currency	–	5.5	5.5	–	7.1	7.1
10% decrease in functional currency	–	(6.7)	(6.7)	–	(8.7)	(8.7)

Significant exchange rates

The following significant exchange rates applied during the year:

	2022		2021	
	Average rate	Year-end rate	Average rate	Year-end rate
Sterling/Euro	1.17	1.13	1.17	1.19

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet obligations as they fall due. The Group manages liquidity risk by monitoring forecasts and cash flows and negotiating appropriate bank facilities. The Group uses term and revolving bank facilities and sufficient headroom is maintained above peak requirements to meet unforeseen events.

The following are the contractual maturities of financial liabilities, including estimated interest payments based on current utilisation:

31 December 2022	Carrying amount £m	Contractual cash flows £m	Within one year £m	Between one and five years £m	More than five years £m
Non-derivative financial liabilities					
Multi-currency revolving credit facility	–	5.3	2.1	3.2	–
USPP loan notes					
– Sterling	170.0	211.5	4.0	15.8	191.7
– Euro	83.2	90.8	1.0	4.0	85.8
Lease liabilities	49.3	73.3	9.1	24.2	40.0
Trade and other payables	241.8	241.8	241.8	–	–
	544.3	622.7	258.0	47.2	317.5

Notes to the financial statements

19 Financial instruments continued

31 December 2021	Carrying amount £m	Contractual cash flows £m	Within one year £m	Between one and five years £m	More than five years £m
Non-derivative financial liabilities					
Multi-currency revolving credit facility	–	4.0	2.2	1.8	–
USPP loan notes					
– Sterling	170.0	219.4	4.0	15.8	199.6
– Euro	78.9	88.0	0.9	3.8	83.3
Lease liabilities	51.0	80.2	10.5	26.7	43.0
Other financial liabilities	262.4	262.4	262.4	–	–
	562.3	654.0	280.0	48.1	325.9

Interest rate risk

The Group borrows at floating and fixed interest rates. At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2022 £m	2021 £m
Fixed rate instruments		
Financial liabilities	**(299.4)**	(296.4)
Variable rate instruments		
Financial assets	**101.7**	83.9
	(197.7)	(212.5)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

As at 31 December 2022, all our drawn borrowings are fixed rate instruments. An increase of 100 basis points in interest rates in respect of variable rate instruments at the reporting date values would increase profit for the year by £0.4m (2021: increase of £0.8m). A decrease of 100 basis points would decrease profit for the year by £0.2m (2021: no impact). These analyses assume that all other variables remain constant.

Fair values versus carrying amounts

The directors consider that the carrying amounts recorded in the financial information in respect of financial assets and liabilities, which are carried at amortised cost, approximates to their fair values.

Derivative financial assets and liabilities are carried at fair value. The different levels have been defined as follows:

- 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 as a direct price or indirectly derived from prices; and
- Level 3 – inputs for the asset or liability that are not based on observable market data.

The fair value of the derivative financial assets and liabilities are based on bank valuations.

Capital management

The Board's capital management policy is to maintain a strong balance sheet, providing flexibility to pursue growth opportunities. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position.

In maintaining the Group's capital structure in line with these principles, the Board may choose to adjust amounts paid as dividends to shareholders, issue new equity or dispose of assets as required.

The financial covenants associated with the Group's borrowings are a maximum leverage ratio and a minimum interest cover. The Group complied with these financial covenants throughout the financial year.

Notes to the financial statements

20 Leases

Right-of-use assets

	Mineral reserves and resources £m	Plant, equipment and vehicles £m	Total £m
Cost			
Balance at 1 January 2022	42.0	34.1	76.1
Acquired on business combinations (note 25)	0.9	1.6	2.5
Additions	3.8	0.5	4.3
Disposals and impairments	(0.8)	(2.5)	(3.3)
Balance at 31 December 2022	**45.9**	**33.7**	**79.6**
Depreciation			
Balance at 1 January 2022	9.0	17.5	26.5
Charge for the year	3.0	5.7	8.7
Disposals and impairments	(0.4)	(2.3)	(2.7)
Balance at 31 December 2022	**11.6**	**20.9**	**32.5**
Net book value			
At 31 December 2022	**34.3**	**12.8**	**47.1**
Cost			
Balance at 1 January 2021	36.8	38.3	75.1
Translation adjustment	–	(0.1)	(0.1)
Additions	5.7	0.6	6.3
Disposals and impairments	(0.5)	(1.2)	(1.7)
Transferred to owned assets (note 8)	–	(3.5)	(3.5)
Balance at 31 December 2021	**42.0**	**34.1**	**76.1**
Depreciation			
Balance at 1 January 2021	5.7	13.3	19.0
Translation adjustment	–	(0.1)	(0.1)
Charge for the year	3.4	6.9	10.3
Disposals and impairments	(0.1)	(0.8)	(0.9)
Transferred to owned assets (note 8)	–	(1.8)	(1.8)
Balance at 31 December 2021	**9.0**	**17.5**	**26.5**
Net book value			
At 31 December 2021	**33.0**	**16.6**	**49.6**

Lease liabilities are secured on the assets to which they relate and are payable as follows:

	2022 Minimum lease payments £m	2021 Minimum lease payments £m
Less than one year	**9.1**	10.5
Between one and five years	**24.2**	26.3
More than five years	**40.0**	43.4
	73.3	80.2

The value of lease payments made during the year was £11.3m (2021: £12.3m).

Movements between owned and leased assets

Items transferred to owned assets represent leases where the liability has been fully repaid in the normal course of business and legal ownership of the asset has transferred to the Group. Where an underlying physical asset is purchased by the Group and this causes an existing lease to end, this is presented as an addition to owned assets within note 8 and as a disposal of a leased asset within this note.

21 Capital commitments

At 31 December 2022 the Group had commitments to purchase property, plant and equipment for £29.5m (2021: £26.4m). These commitments are expected to be settled during the course of 2023.

Notes to the financial statements

22 Related parties

During the year the Group supplied services and materials to, and purchased services and materials from, its associate and joint ventures on an arm's length basis. The Group had the following transactions with these related parties during the year:

	Sales £m	Purchases £m	Receivables £m	Payables £m
2022				
BEAR Scotland	**40.5**	**–**	**0.8**	**–**
Other	**10.8**	**2.1**	**5.0**	**0.1**
	51.3	**2.1**	**5.8**	**0.1**
2021				
BEAR Scotland	48.1	–	2.2	–
Other	10.1	1.8	8.2	–
	58.2	1.8	10.4	–

Parent and ultimate controlling party

The Company's shares are traded on the AIM of the London Stock Exchange. The Company's shareholder base is monitored on a regular basis. There is no controlling party and the Company does not have a parent.

Transactions with directors and directors' shareholdings

Details of transactions with directors, directors' shareholdings and outstanding share options and awards are given in the Directors' Remuneration report on pages 116 to 133.

23 Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to equity holders of the parent company (Breedon Group shareholders) by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit for the year attributable to Breedon Group shareholders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the potential dilutive ordinary shares into ordinary shares.

Calculations of these measures and reconciliations to related alternative performance measures are as follows:

Basic EPS to adjusted Underlying Basic EPS

	2022			2021		
	Earnings £m	Shares millions	EPS pence	Earnings £m	Shares millions	EPS pence
Basic EPS	**112.5**	**1,692.767**	**6.65**	78.5	1,688.243	4.65
Adjustments to earnings						
Earnings impact of change in deferred tax rate (note 7)	**1.1**	**–**	**0.06**	17.3	–	1.02
Non-underlying items (note 3)	**6.2**	**–**	**0.37**	5.2	–	0.31
Adjusted Underlying Basic EPS	**119.8**	**1,692.767**	**7.08**	101.0	1,688.243	5.98

Basic EPS to Underlying Basic EPS

	2022			2021		
	Earnings £m	Shares millions	EPS pence	Earnings £m	Shares millions	EPS pence
Basic EPS	**112.5**	**1,692.767**	**6.65**	78.5	1,688.243	4.65
Adjustments to earnings						
Non-underlying items (note 3)	**6.2**	**–**	**0.37**	5.2	–	0.31
Underlying Basic EPS	**118.7**	**1,692.767**	**7.02**	83.7	1,688.243	4.96

Notes to the financial statements

23 Earnings per share continued

Diluted EPS to Underlying Diluted EPS

	2022			2021		
	Earnings £m	Shares millions	EPS pence	Earnings £m	Shares millions	EPS pence
Diluted EPS	**112.5**	**1,696.994**	**6.63**	78.5	1,698.462	4.62
Adjustments to earnings						
Non-underlying items (note 3)	**6.2**	**–**	**0.37**	5.2	–	0.31
Underlying Diluted EPS	**118.7**	**1,696.994**	**7.00**	83.7	1,698.462	4.93

Dilutive items in both the current and prior year related to share-based payments. Details of the Group's share schemes, which may become dilutive in the future, are set out in note 18.

24 Contingent liabilities

The Group has guaranteed its share of the banking facilities of BEAR Scotland. The maximum liability at 31 December 2022 amounted to £2.9m (2021: £2.9m).

The Group has guaranteed the performance of BEAR Scotland's contracts in respect of the maintenance of certain trunk roads in the North West and South East of Scotland and in respect of the M80 operating and maintenance contract.

25 Acquisitions

Current year acquisitions

The Group completed three acquisitions in the year, acquiring 80% of the ordinary share capital of Thomas Bow Limited (1 July 2022), and 100% of the ordinary share capitals of R T Mycock & Sons Limited (1 July 2022) and Severn Sands Limited (1 August 2022). The fair values of the assets and liabilities acquired are set out as follows:

	Book value £m	Fair value adjustments £m	Provisional fair value on acquisition £m
Intangible assets	–	5.8	5.8
Property, plant and equipment	3.6	–	3.6
Right-of-use assets	1.6	0.9	2.5
Inventories	0.3	–	0.3
Trade and other receivables	11.1	–	11.1
Cash and cash equivalents	6.3	–	6.3
Trade and other payables	(12.7)	–	(12.7)
Provisions	–	(0.2)	(0.2)
Lease liabilities	(1.6)	(0.9)	(2.5)
Current tax payable	(0.3)	–	(0.3)
Deferred tax liabilities	(0.8)	(1.3)	(2.1)
Total	**7.5**	**4.3**	**11.8**
Consideration – cash			18.9
Consideration – deemed proceeds from stepped acquisition of Breedon Bow Highways Limited			0.7
Deferred consideration			0.9
Goodwill arising			**8.7**

Notes to the financial statements

25 Acquisitions continued

Consideration

Prior to the acquisition of Thomas Bow Limited, the Group and Thomas Bow Limited were parties in a joint venture, Breedon Bow Highways Limited, which from the date of acquisition became a wholly owned subsidiary. The effective acquisition of Thomas Bow Limited's interest in Breedon Bow Highways has been accounted for as a stepped acquisition in line with IFRS 3, with a disposal for assumed proceeds equal to the fair value of £0.7m. A £0.3m gain on stepped acquisition has been recognised within non-underlying items (note 3).

The deferred consideration of £0.9m relates to a put liability over the remaining 20% of the ordinary shares of Thomas Bow Limited which are held by the management of Thomas Bow Limited. This put liability has been accounted for using the assumed acquisition method as set out in note 1.

Fair value adjustments

The fair value adjustments primarily comprised:

- Intangible assets, including the value of acquired customer lists and permits;
- Lease liabilities and associated right-of-use assets for leased properties;
- Dilapidation provisions to comply with contractual agreements for leased properties; and
- Deferred tax balances.

The goodwill arising represents expected synergies, the potential for future growth, access to new markets and the skills of the existing workforce. Goodwill is not deductible for tax purposes.

Impact of current year acquisition

Income statement

During the year, the combined acquisitions contributed revenues of £35.6m, Underlying EBIT of £1.0m and profit before tax of £1.0m to the Group. If these acquisitions had occurred on 1 January 2022, the results of the Group for the year ended 31 December 2022 would have shown revenue of £1,423.3m, Underlying EBIT of £155.6m and Profit before tax of £136.4m.

Cash flow

The cash flow impact of acquisitions in the year can be summarised as follows:

	£m
Consideration – Cash	18.9
Cash and cash equivalents acquired	(6.3)
Net cash consideration shown in the consolidated statement of cash flows	**12.6**

Acquisition costs

The Group incurred acquisition related costs of £1.0m (2021: £0.7m) which included external professional fees in relation to these acquisitions. These are presented net of the £0.3m gain on stepped acquisition, as non-underlying administrative costs (note 3).

Prior year acquisition

On 1 June 2021, the Group acquired the entire share capital of Micromix (Northern) Limited (trading as Express Minimix) for consideration of £2.6m. No adjustments have been made in respect of the acquisition within the measurement period and the provisional values reported in the prior year are now considered final.

26 Accounting estimates and judgements

Preparation of financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and their associated underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial information are described below.

Notes to the financial statements

26 Accounting estimates and judgements continued

Accounting estimates

Restoration provisions

Restoration provisions principally comprise provisions for the cost of restoring and decommissioning sites where an obligation arises to comply with contractual, environmental, planning and other legislation. This is an inherently subjective calculation and there is significant estimation required to determine the exact cost of the restoration work. Estimated future cash flows have been determined on a site by site basis based on the present day cost of restoration. An increase in these gross cash flow assumptions of 10% would result in an increase of the restoration liability of £7.8m. The estimated cost of restoration is subject to external expert evaluation in order to mitigate the risk of material error.

These cash flows are inflated to the point that the cash flow is expected to occur and discounted (at a rate which reflects both the time value of money and the risk specific to the restoration liability) in order to derive the net present value of the obligation as at the balance sheet date. The discount and inflation rates used in this calculation are between 3.00-3.65% and 3.43 - 5.02% respectively. A 100 bps increase in discount rate or decrease in the inflation rate would result in a decrease in the value of restoration provisions by £7.3m or £7.4m respectively. A 100 bps decrease in discount rate or increase in the inflation rate would result in an increase in the value of restoration provisions by £8.5m.

Restoration dates have been determined as the earlier of the date at which reserves are expected to be exhausted or planning permission on reserves is expected to expire. Reasonably possible changes in restoration dates would not have a material impact on the financial statements, and management do not consider restoration dates to be significant estimates.

Accounting judgements

Impact of climate change on impairment review

The Group is committed to achieving net zero by 2050, as well as to the manufacture of cement at its two well-invested cement plants; however to achieve net zero will require a significant reduction in carbon emissions.

The cash flows used in our impairment review are underpinned by a judgement that future cement volumes remain broadly in line with current levels and that increased costs to achieve net zero will be recovered through market acceptance of increased pricing.

See note 9 for additional detail and further information on how the impact of climate change has been considered through the impairment testing.

27 Reconciliation to non-GAAP measures

Non-GAAP performance measures are used throughout this Annual Report and these financial statements. This note provides a reconciliation between these alternative performance measures to the most directly related statutory measures.

Reconciliation of earnings based alternative performance measures

2022	Great Britain £m	Ireland £m	Cement £m	Central administration and eliminations £m	Share of profit of associate and joint ventures £m	Total £m
Revenue	972.4	226.2	300.7	(103.0)	–	1,396.3
Profit from operations						148.0
Non-underlying items (note 3)						7.0
Underlying EBIT	86.4	28.3	52.1	(15.3)	3.5	155.0
Underlying EBIT margin	8.9%	12.5%	17.3%			11.1%
Underlying EBIT	86.4	28.3	52.1	(15.3)	3.5	155.0
Share of profit of associate and joint ventures	–	–	–	–	(3.5)	(3.5)
Depreciation and mineral depletion	49.7	6.1	27.5	0.2	–	83.5
Underlying EBITDA	136.1	34.4	79.6	(15.1)	–	235.0

Notes to the financial statements

27 Reconciliation to non-GAAP measures continued

2021	Great Britain £m	Ireland £m	Cement £m	Central administration and eliminations £m	Share of profit of associate and joint ventures £m	Total £m
Revenue	845.2	225.4	245.6	(83.7)	–	1,232.5
Profit from operations						127.4
Non-underlying items (note 3)						6.2
Underlying EBIT	74.3	28.2	41.6	(13.4)	2.9	133.6
Underlying EBIT margin	8.8%	12.5%	16.9%			10.8%
Underlying EBIT	74.3	28.2	41.6	(13.4)	2.9	133.6
Share of profit of associate and joint ventures	–	–	–	–	(2.9)	(2.9)
Depreciation and mineral depletion	49.9	7.2	26.1	0.1	–	83.3
Underlying EBITDA	124.2	35.4	67.7	(13.3)	–	214.0

Like-for-like alternative performance measures

There are a number of references throughout this report to like-for-like revenue, earnings and volumes. Like-for-like numbers exclude the impact of acquisitions and disposals, and have been used alongside non-like-for-like measures to help the Group better communicate performance in the year when compared to previous reporting periods.

Covenant Leverage

Covenant Leverage is defined as the ratio of Underlying EBITDA to Net Debt, with both Underlying EBITDA and Net Debt adjusted to reflect the material items which are adjusted by the Group and its lenders in determining leverage for the purpose of assessing covenant compliance and, in the case of our bank facilities, the margin payable on overdrawn borrowings. In both the current and prior year, the only material adjusting item was the impact of IFRS 16.

	2022 £m	2021 £m
Underlying EBITDA	**235.0**	214.0
Impact of IFRS 16	**(11.3)**	(10.7)
Underlying EBITDA for covenants	**223.7**	203.3
Net Debt excluding the impact of IFRS 16 (note 14)	**148.4**	161.5
Covenant Leverage	**0.7x**	0.8x

Impact of IFRS 16

The impact of IFRS 16 on the consolidated income statement for the year is to increase Underlying EBITDA by £11.3m (2021: £10.7m), increase Underlying EBIT by £2.7m (2021: £1.8m), increase financial expense by £2.5m (2021: £2.2m) and increase profit before taxation by £0.2m (2021: decrease £0.4m).

Notes to the financial statements

27 Reconciliation to non-GAAP measures continued

Free Cash Flow conversion

Free Cash Flow has been reconciled to net cash from operating activities, which is the most relevant GAAP measure.

	2022 £m	2021 £m
Net cash from operating activities	**168.0**	194.1
Net cash used in investing activities	**(112.9)**	(75.5)
Acquisition of businesses	**12.6**	6.1
Cash impact of non-underlying items	**1.0**	2.6
Free Cash Flow	**68.7**	127.3
Underlying EBITDA	**235.0**	214.0
Free Cash Flow conversion	**29%**	59%

Return on invested capital

	2022 £m	2021 £m
Underlying EBIT	**155.0**	133.6
Underlying effective tax rate (note 7)	**16.0%**	16.1%
Taxation at the Group's underlying effective rate	**(24.8)**	(21.5)
Underlying earnings before interest	**130.2**	112.1
Net assets	**1,043.8**	949.8
Net Debt (note 14)	**197.7**	212.5
Invested capital at 31 December	**1,241.5**	1,162.3
Average invested capital*	**1,201.9**	1,184.5
Return on invested capital**	**10.8%**	9.5%

* Average invested capital is calculated by taking the average of the opening invested capital at 1 January and the closing invested capital at 31 December. Opening invested capital at 1 January 2021 was £1,206.7m.

** Return on invested capital is calculated as Underlying earnings before interest, divided by average invested capital for the year.

Subsidiaries

As at 31 December 2022, the companies listed below and on the following pages are indirectly held by Breedon Group plc except Breedon Holdings (Jersey) Limited which is 100% directly owned.

Company name	Registered address	Proportion of ordinary shares held directly by the parent	Proportion of ordinary shares held by the Group
ALBA Traffic Management Limited	3	75	75
Alfred McAlpine Slate Penrhyn Limited	1	100	100
Alpha Resource Management Ltd	2	100	100
Barney Precast Limited	1	100	99.4
Berwyn Granite Quarries Limited	1	100	100
Blinkbonny Quarry (Borders) Limited	3	100	100
Boyne Bay Lime Company Ltd, The	3	100	100
Breedon Aggregates SW Limited	3	100	100
Breedon Bow Highways Limited	1	100	100
Breedon Brick Limited	5	100	100
Breedon Cement Ireland Limited	5	100	100
Breedon Cement Limited	1	100	100
Breedon Employee Services Ireland Limited	4	100	100
Breedon Facilities Management Limited	3	100	100
Breedon Group Limited	1	100	100
Breedon Group Services Limited	1	100	100
Breedon Holdings (Jersey) Limited	6	100	100
Breedon Holdings Limited	1	100	100
Breedon Investments USA Inc	9	100	100
Breedon Northern Limited	3	100	100
Breedon Properties Limited	1	100	100
Breedon Scotland Limited	3	100	100
Breedon Southern Limited	1	100	100
Breedon Surfacing Solutions Limited	1	100	100
Breedon Trading Limited	1	100	100
Breedon Whitemountain Ltd	3	100	100
City Asphalt Limited	8	100	80
City Mini Mix (Notts) Limited	1	100	100
Clearwell Quarries Limited	1	100	99.4

Company name	Registered address	Proportion of ordinary shares held directly by the parent	Proportion of ordinary shares held by the Group
Cocklebank Conservations Limited	1	100	100
Cwmorthin Slate Quarry 1994 Company Limited	1	100	100
Deckal Limited	7	100	100
EJCC Limited	1	100	100
Enneurope Limited	1	100	100
Flemings' Coal Mines Limited	4	100	100
Flemings' Fireclays Limited	4	100	100
Flemings' Fireclays Manufacturing Limited	4	100	100
Glencarne Bricks Limited	4	100	100
Glenfarne Clayware Limited	4	100	100
Greenshine	7	100	100
Hart Aggregates Limited	1	100	100
Hope Construction Products Limited	1	100	100
Hope Dormant 1 Limited	1	100	100
Hope Ready Mixed Concrete Limited	1	100	100
Humberside Aggregates Limited	1	100	100
Huntsman's Quarries Limited	1	100	100
Kilcarn Limited	2	100	100
Kingscourt Bricks Limited	2	100	100
Kingscourt Clay Products Limited	2	100	100
Lagan Airports Limited	2	100	100
Lagan Asphalt (UK) Ltd	2	100	100
Lagan Asphalt Group Limited	2	100	100
Lagan Asphalt Limited	4	100	100
Lagan Bitumen Limited	1	100	100
Lagan Cement Limited	2	100	100
Lagan Cement Products Limited	2	100	100
Lagan Group (Holdings) Limited	7	100	100
Lagan Group Limited	7	100	100

Subsidiaries

Company name	Registered address	Proportion of ordinary shares held directly by the parent	Proportion of ordinary shares held by the Group
Lagan Hibernian Limited	4	100	100
Lagan Materials Limited	4	100	100
Lagan Whitemountain Limited	2	100	100
Marwyn Materials (UK) Limited	1	100	100
Micromix (Northern) Ltd	1	100	100
Midwest Aggregates Limited	5	100	100
Mulholland Bros (Brick and Sand) Limited	2	99.9	99.9
Natural Building Materials Limited	1	99.4	99.4
Nith Aggregates Limited	1	100	100
Nottingham Ready Mix Limited	1	100	100
Pinnacle Construction Materials Limited	1	100	100
Pro Mini Mix Concrete, Mortars and Screeds Limited	1	100	100
Roadmix Limited	2	100	100
Roadway Civil Engineering & Surfacing Ltd	1	100	100
RT Mycock & Sons Limited	1	100	100
Severn Sands (Holdings) Limited	1	100	100
Severn Sands Limited	1	100	100
Sherburn Cement Limited	1	100	100
Sherburn Minerals Limited	1	100	100
Sherburn Sand Company Limited	1	100	100
Sherburn Stone Company Limited	1	100	100
Staffs Concrete Limited	1	100	100
The Cwt-Y-Bugail Slate Quarries Limited	1	100	100
The Waveney Asphalt Company Limited	1	100	100
Thomas Bow Limited	8	80	80
UK Stone Direct Limited	1	100	100
Welsh Slate Limited	1	100	100
Whitemountain Quarries Ltd	2	100	100

Joint Ventures and associates

Company name	Registered address	Proportion of ordinary shares held directly by the parent	Proportion of ordinary shares held by the Group
BEAR Scotland Limited	14	37.5	37.5
Breedon Bowen Limited	1	50	50
Breedon Colas Limited	1	50	50
Capital Concrete Limited	10	43	43
H.V. Bowen & Sons (Quarry) Ltd	1	100	50
H.V. Bowen & Sons (Transport) Limited	1	100	50
Kingscourt Country Manor Brick Company Limited	11	50	50
Northern Quarry Products Limited	12	50	50
PSV (UK) Ltd	1	100	50
Welsh Slate Europe B.V.	13	50	50

Registered office addresses

1	Pinnacle House, Breedon Quarry, Breedon On The Hill, Derby, England, DE73 8AP
2	5 Blackwater Road, Newtownabbey, Northern Ireland, BT36 4TZ
3	Ethiebeaton Quarry, Kingennie, Monifieth, Angus, DD5 3RB
4	Rosemount Business Park, Ballycoolin Road, Dublin 11, Dublin
5	Killaskillen, Kinnegad, Westmeath, Ireland
6	28 Esplanade, St Helier, Jersey, JE2 3QA
7	Bank Chambers, 15-19 Athol Street, Douglas, IM1 1LB
8	Ashbow Court 4-12 Middleton Street, Lenton, Nottingham, England, NG7 2AL
9	1209 Orange Street, City of Wilmington, New Castle County, Delaware 19801, United States
10	Robert Brett House, Ashford Road, Canterbury, Kent, England, CT4 7PP
11	Unit 26 Airways Industrial Estate, Dublin 17, Santry, Dublin, D17 TH93
12	Rigifa, Cove, Aberdeen, United Kingdom, AB12 3LR
13	Battenweg 10, 6051AD Maasbracht, NL
14	Bear House, Inveralmond Road, Inveralmond Industrial Estate, Perth, PH1 3TW

Shareholder information

Registrar

All administrative enquiries relating to shareholdings, such as lost certificates, changes of address, change of ownership or dividend payments and requests to receive corporate documents by email should, in the first instance, be directed to the Company's Registrar, Link Group, and clearly state the shareholder's registered address and, if available, your investor code, which can be found on your share certificate:

By post: Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL.

By telephone: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. If you are outside the UK call +44 371 664 0300. Calls outside the UK will be charged at the applicable international rate. The helpline is open between 9.00am and 5.30pm, Monday to Friday excluding public holidays in England and Wales.

By email: shareholderenquiries@linkgroup.co.uk

Online: www.linkgroup.eu

Registering on the Registrar's share portal, Signal Shares, enables you to view your shareholding, including an indicative share price and valuation, check your holding balance and transactions, change your address or bank details and view dividend payments. To register for Signal Shares just visit www.breedonshares.com. All you need is your investor code, which can be found on your share certificate.

Group website and electronic communications

The 2022 Annual Report and other information about the Company are available on its website. The Company operates a service whereby you can register to receive notice by email of all announcements released by the Company.

The Company's share price (15-minute delay) is displayed on the Company's website.

Shareholder documents are now, following changes in company law and shareholder approval, primarily made available via the Company's website, unless a shareholder has requested to continue to receive hard copies of such documents. If a shareholder has registered their up-to-date email address, an email will be sent to that address when such documents are available on the website.

If shareholders have not provided an up-to-date email address and have not elected to receive documents in hard copy, a letter will be posted to their address that is recorded on the Register of Members notifying them that the documents are available on the website. Shareholders can continue to receive hard copies of shareholder documents by contacting the Registrar.

If you have not already registered your current email address, you can do so at www.breedonshares.com.

Investors who hold their shares via an intermediary should contact the intermediary regarding the receipt of shareholder documents from the Company.

The Group has a wide range of information that is available on our website including:

- financial information – annual reports and half year results, financial news and events;
- share price information;
- shareholder services information;
- dividend information; and
- press releases – both current and historical.

Multiple accounts

Shareholders who receive more than one copy of communications from the Company may have more than one account in their name on the Company's Register of Members. Any shareholder wishing to amalgamate such holdings should write to the Registrar giving details of the accounts concerned and instructions on how they should be amalgamated.

Dividend information

The Company pays its dividend to shareholders by electronic transfer. You will need to have a dividend mandate registered against your Breedon shareholder account by the record date which enables payment of the dividend straight to your bank account. By paying dividends by direct credit it helps to reduce the Company's impact on the environment and provides greater benefits in terms of efficiency, cost, and safeguards the security of the payment.

Please register your bank details at www.breedonshares.com or contact our Registrar, Link Group, on 0371 664 0300 or +44 371 664 0300 if outside the UK.

Investors who hold their shares via an intermediary should contact the intermediary regarding the receipt of dividend payments from the Company.

Shareholder information

Dividend reinvestment plan (UK and Channel islands only)

Link Group provide a Dividend Reinvestment Plan (DRIP) which provides shareholders in the UK and Channel Islands with the opportunity to reinvest their dividend payments to purchase additional ordinary shares in the Company. If you choose to join the DRIP, Link Group will use the cash dividend payment to which you are entitled to acquire further ordinary shares in the Company on your behalf as soon as practicable after the dividend payment date. Terms and conditions and a brochure may be found online at www.breedonshares.com, where you can also join the DRIP or contact Link Group on 0371 664 0381 (see below for call charges) or email shares@linkgroup.co.uk to request a DRIP application form.

In order to be effective for a particular dividend, any application must reach Link by no later than the DRIP election date specified in the financial calendar, set out at www.breedongroup.com/dividends. Applications to join the DRIP received after that date will take effect from the next dividend payment date.

Please note that due to the minimum charge, the service may not be cost effective for all participants, and the value of shares, and any income from them, can fall as well as rise. This is not a recommendation to purchase shares and if you are in any doubt as to what action you should take you should consult an appropriately qualified professional advisor.

Unsolicited mail, investment advice and fraud

The Company is obliged by law to make its share register publicly available and, as a consequence, some shareholders may receive unsolicited mail. In addition, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence, typically from overseas 'brokers', concerning investment matters.

These callers can be very persistent and extremely persuasive and their activities have resulted in considerable losses for some investors. It is not just the novice investor that has been deceived in this way; many victims have been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Please keep in mind that firms authorised by the Financial Conduct Authority (FCA) are unlikely to contact you out of the blue with an offer to buy or sell shares.

If you receive any unsolicited mail or investment advice:

- Make sure you get the correct name of the person and organisation.
- Check the Financial Services Register at www.fca.org.uk.
- Use the details on the Financial Services Register to contact the firm.
- Call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the Register or you are told they are out of date.
- Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
- Use the firm's contact details listed on the Register if you want to call them back.
- Search the list of unauthorised firms and individuals to avoid doing business with at www.fca.org.uk/scams.
- Report a share scam by telling the FCA using the share fraud reporting form in the Consumers section of the FCA website.
- If the unsolicited phone calls persist, hang up.
- If you wish to limit the number of unsolicited calls you receive, contact the Telephone Preference Service (TPS) at www.tpsonline.org.uk and follow the link, or from your mobile phone register your mobile number, free of charge, by texting 'TPS' together with your email address to 85095.
- If you wish to limit the amount of unsolicited mail you receive, contact the Mailing Preference Service on 020 7291 3310 or visit the website at www.mpsonline.org.uk.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040 or report online at www.actionfraud.police.uk/reporting-fraud-and-cyber-crime.

Shareholder information

Share dealing services

You can buy shares through any authorised stockbroker or bank that offers a share dealing service in the UK, or in your country of residence if outside the UK.

Link Group also provides a share dealing service to private shareholders in the UK or Channel Islands.

For further information on the share dealing service provided by Link Group, or to buy and sell shares via Link Group visit www.linksharedeal.com or call 0371 664 0445. Calls are charged at the standard geographic rate and will vary by provider. Lines are open between 8.00am and 4.30pm, Monday to Friday excluding public holidays in England and Wales.

This is not a recommendation to buy and sell shares and this service may not be suitable for all shareholders. The price of shares can go down as well as up and you are not guaranteed to get back the amount you originally invested. Terms and conditions apply. Link Group is a trading name of Link Market Services Trustees Limited which is authorised and regulated by the Financial Conduct Authority. This service is only available to private shareholders resident in the United Kingdom, the Channel Islands or the Isle of Man.

Link Group is a trading name of Link Market Services Limited and Link Market Services Trustees Limited. Share registration and associated services are provided by Link Market Services Limited (registered in England and Wales, No. 2605568). Regulated services are provided by Link Market Services Trustees Limited (registered in England and Wales No. 2729260), which is authorised and regulated by the Financial Conduct Authority.

The registered office of each of these companies is Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL.

Electronic voting

Shareholders can submit proxies for the 2023 AGM electronically by logging on to www.breedonshares.com. Electronic proxy appointments must be received by the Company's Registrar no later than 2.00pm on 24 April 2023 (or not less than 48 hours before the time fixed for any adjourned meeting).

Analysis of shareholdings at 31 December 2022

Number of Shares Held	Number of accounts	Percentage of total accounts	Number of shares '000	Percentage of total shares
Up to 500	882	42.5	274,463	0.0
Up to 5,000	442	21.3	773,328	0.0
Up to 10,000	140	6.7	1,029,636	0.1
Up to 50,000	272	13.1	6,143,102	0.4
Up to 100,000	51	2.5	3,567,949	0.2
Up to 500,000	105	5.1	26,625,307	1.6
Up to 1,000,000	51	2.5	37,019,834	2.2
Up to 10,000,000	97	4.7	391,576,687	23.1
Up to 50,000,000	31	1.4	679,145,629	40.1
Up to 99,999,999,999	6	0.2	548,243,645	32.3
	2,077	**100.0**	**1,694,399,580**	**100.0**

Shareholder communication

Email: shareholderenquiries@linkgroup.co.uk

Telephone: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. If you are outside the UK call +44 371 664 0300. Calls outside the UK will be charged at the applicable international rate. The helpline is open between 9.00am and 5.30pm, Monday to Friday excluding public holidays in England and Wales.

Advisers and Company information

Company information

Registered in Jersey
Company number 98465

Registered office

28 Esplanade
St Helier
Jersey
JE2 3QA

Company secretary

JTC (Jersey) Limited
28 Esplanade
St Helier
Jersey
JE2 3QA

Legal adviser

Carey Olsen
47 Esplanade
St Helier
Jersey
JE1 0BD

Registrars

Link Market Services (Jersey) Limited
12 Castle Street
St Helier
Jersey
JE2 3QA

Independent auditor

KPMG LLP
One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

Nominated adviser and joint broker

Numis Securities Limited
45 Gresham Street
London
EC4M 7LT

Joint broker

HSBC Bank plc
8 Canada Square
London
E14 5HQ

Solicitors to the Company (UK)

Travers Smith LLP
10 Snow Hill
London
EC1A 2AL

Contact

If you require information regarding Breedon Group, please contact:

Breedon Group
Pinnacle House
Breedon on the Hill
Derby
DE73 8AP

Tel: 01332 694010

Email: info@breedongroup.com

Website: www.breedongroup.com

Glossary

The following definitions apply throughout this Annual Report, unless the context requires otherwise.

AGM	Annual General Meeting of the Company
AIM	Alternative Investment Market of the London Stock Exchange
ARM	Alternative raw material
BAP	Biodiversity Action Plan
BEAR Scotland	BEAR Scotland Limited
bps	basis points
Breedon	Breedon Group plc
CCUS	Carbon capture and use or storage
CEM I	Portland cement; comprising Portland cement and up to 5% of minor additional constituents
CEM II	Portland composite cement; comprising Portland cement and up to 35% of certain other single constituents
Cemex	Cemex UK Operations Limited
CEO	Chief Executive Officer
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash-Generating Unit
CO_2e	Carbon dioxide equivalent
CPA	Construction Products Association
DNED	Designated Non-executive Director
Division	One of the Group's three operating segments: GB, Ireland and Cement
DRIP	Dividend Reinvestment Plan
EBIT	Earnings before interest and tax
EPD	Environmental Product Declaration
EPS	Earnings per share
ESG	Environment, Social and Governance
ETS	Emissions Trading Scheme
EU	European Union
EURIBOR	Euro Inter-bank Offered Rate
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
GAAP	Generally Accepted Accounting Principles
GB	Great Britain

GCCA	Global Cement and Concrete Association
GHG	Greenhouse gas (emissions)
GNI	Gross National Income
GNP	Good Neighbourhood Plan
Group	Breedon and its subsidiary companies
GW/GWh	Gigawatt/Gigawatt hour
IAS	International Accounting Standards
IFRS	International Financial Reporting Standard
Invested Capital	Net assets plus Net Debt
Ireland	The Island of Ireland
ISO	International Organization for Standardisation
IT	Information Technology
KPI	Key Performance Indicator
Lagan	Lagan Group (Holdings) Limited
Leverage	Net Debt expressed as a multiple of Underlying EBITDA
LGV	Light goods vehicle
Like-for-like	Like-for-like reflects reported values adjusted for the impact of acquisitions and disposals
LTI	Lost time injury
LTIFR	Lost time injury frequency rate
LTISR	Lost time injury severity rate
M&A	Mergers & acquisitions
MPA	Mineral Products Association
MW/MWh	Megawatt/Megawatt hour
NI	Northern Ireland
ppt	percentage points
PSP	Performance Share Plan
QCA	Quoted Companies Alliance
RAP	Recycled asphalt planings
RCF	Revolving Credit Facility
RoI	Republic of Ireland
ROIC	Post-tax Return on Invested Capital
SBTi	Science Based Targets initiative
SECR	Streamlined Energy and Carbon Reporting
SDG	Sustainability Development Goal

Glossary

SONIA	Sterling Overnight Index Average
Sterling	Pounds sterling
TCFD	Task Force on Climate-Related Financial Disclosures
TIFR	Total Injury Frequency Rate
TSR	Total shareholder return
UK	United Kingdom (GB and NI)
Underlying	Stated before acquisition-related expenses, redundancy and reorganisation costs, property items, amortisation of acquisition intangibles and related tax items
Underlying EBITDA	Earnings before interest, tax, depreciation and amortisation, non-underlying items and before our share of profit from associate and joint ventures
USPP	US Private Placement
VFL	Visible Felt Leadership

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Paper from responsible sources
FSC® C022913

Printed on Magno Satin, an FSC® Mixed Sources paper manufactured using pulp from well-managed forests and other controlled sources at a mill accredited with EMAS and ISO 14001 environmental standards

Printed by Pureprint Group.

Pureprint are ISO 14001 certified, CarbonNeutral® and FSC® chain of custody certified.

Designed and produced by **Friend**.
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