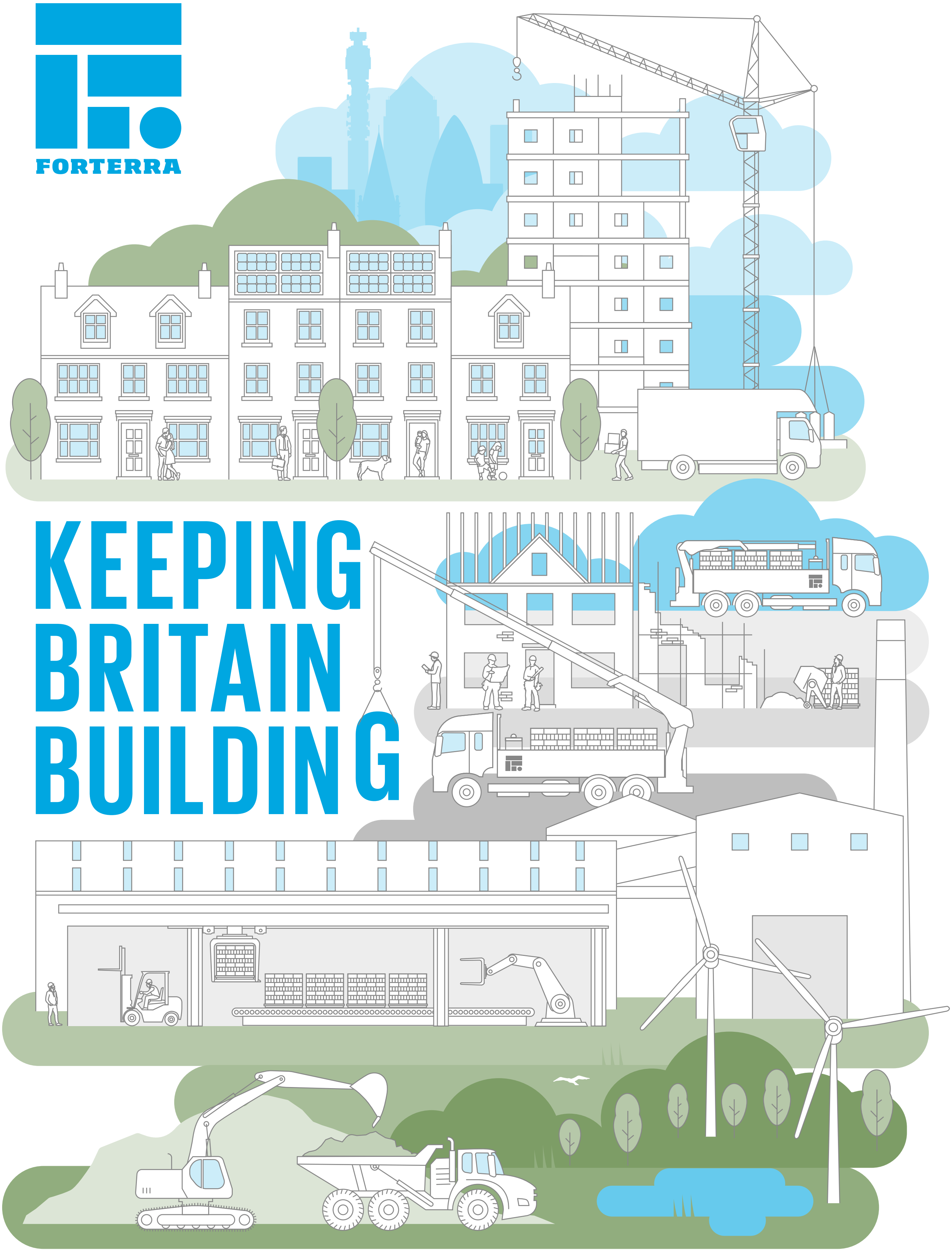
FORTERRA

KEEPING BRITAIN BUILDING



Forterra plc
Annual Report and Accounts 2020

FORTERRA PLC

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REVENUE

£291.9M

(23.2)%

2019: £380.0m

NET CASH / (DEBT)[1]

£16.0M

2019: £(43.2)m

PROFIT BEFORE TAX BEFORE EXCEPTIONAL ITEMS

£17.4M

(72.2)%

2019: £62.5m

(LOSS) / PROFIT BEFORE TAX

£(5.4)M

(109.3)%

2019: £58.2m

EARNINGS PER SHARE BEFORE EXCEPTIONAL ITEMS

6.6p

(74.1)%

2019: 25.5p[2]

1. Net cash / (debt) is presented before the impact of IFRS 16.
2. In line with IAS 33, earnings per share for 2019 has been restated as a result of the 2020 equity raise.

OUR PURPOSE IS TO KEEP BRITAIN BUILDING

We create bricks, blocks, precast concrete, paving and many other vital products that keep Britain building. We provide the building products that help our customers and communities prosper – from the initial groundwork through to the finished build.

The chances are, you're never far from a building or structure built using Forterra products.

OUR COMMITMENT TO SUSTAINABILITY

We are committed to an environmental and social responsibility programme which highlights our key long-term priorities and future focus areas. You can find out more about our commitment to sustainability in our Sustainability Report.

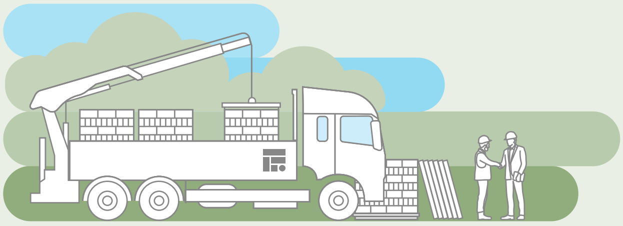
see pages 38-65 and throughout the report wherever you see this symbol

FORTERRA.CO.UK

AT A GLANCE
KEEPING BRITAIN BUILDING

OUR PURPOSE

We keep Britain building, enabling the development of thriving communities and infrastructure.



OUR STRATEGY

We aim to create sustainable shareholder value and deliver value for all of our stakeholders.

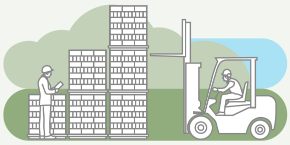
see page 18 for more information

OUR BUSINESS MODEL

We create value through every stage of our business model, transforming raw materials into a range of sustainable building products that support the needs of the UK construction sector.

see page 12 for more information

OUR INVESTMENT CASE



GROWTH

We are well-equipped to deliver long-term growth through helping to meet the residential construction needs of the UK.

Our manufacturing facilities produce a range of complementary products designed to meet the large-scale and growing demand of the residential construction sector. We continue to invest in new capacity, ensuring we are at the forefront of long-term market supply.

RESILIENCE

Our exposure to end markets is well balanced, with a strong presence in the historically less volatile repair, maintenance and improvement (RM&I) sector.

As the sole manufacturer of the iconic London Brick, we hold a strong position within the RM&I market. We also possess an agile manufacturing base, with the ability to flex production levels and our cost base to suit market requirements.

UK FOCUS

Our focus is on UK markets, and we enjoy strong market positions in key industry sectors via our established brands.

As a leading supplier of clay bricks, concrete blocks, and precast concrete flooring we are ideally placed to benefit from Government policy focused on housebuilding and infrastructure investment. Our proximity to our customers and low value-to-weight ratio of our products provides competitive advantages over imported products.

STRATEGY

We have established clear strategic priorities focused on achieving long-term sustainable growth for shareholders.

Our strategy combines the optimisation of our current core product range with expansion opportunities, through investment in new facilities, product development, and consideration of appropriate acquisitions. These options, facilitated by our highly cash generative business coupled with a strong balance sheet, allow us to invest in future growth whilst maintaining a progressive dividend policy.

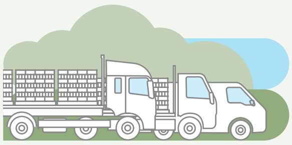
OUR IMPACT

SUSTAINABILITY

Our products create homes, communities and infrastructure which will last for generations. Our goal to keep Britain building will only be possible through attaining the highest standards of stewardship of our natural resources, care for our planet, and the support of our employees and our local communities. In 2020 we have further developed our focus on environment, social and governance matters, setting a number of new challenging targets split between three key pillars.

- **Planet** – we aspire to positively impact our planet, creating a better environment for future generations to inherit
- **People** – we care about the health, safety and wellbeing of our people, their families and the communities we work within
- **Product** – our products build and enhance communities, we continue to develop new, innovative and sustainable solutions

see page 38 for more information within the Sustainability Report



EFFICIENCY

The efficiency of our manufacturing base is at the heart of our strategy.

We continuously strive for operational efficiency improvements through a lean manufacturing culture. Exemplified by the completion of a series of de-bottlenecking projects across our manufacturing facilities maximising throughput, increasing capacity utilisation and reducing both our impact on the environment and our production costs.

LEADERSHIP

Our leadership team possess strong industry experience with a track record of delivery.

Our Executive Committee supports our Board, and possess a diverse range of skills and experience, ensuring we are ideally equipped to meet our long-term goals.

We support our employees with a strong leadership culture and an agile organisational structure, which enables us to respond to the needs of our customers.

OUR VALUES

Our corporate values focus on key behaviours and providing our employees with a framework for conducting business. Our organisational culture has developed around these principles.

SAFETY FIRST

Safety is our number one priority. Everyone who works with us should feel safe. We are each responsible for our own safety, health and well-being and for creating an accident-free environment.

PEOPLE MATTER

We treat all of our people fairly, involve them in decision-making and ensure communication is open and transparent, helping to create an engaging workplace that attracts and retains successful people.

CUSTOMER FOCUS

Our business is dependent on our customers. We work hard to develop strong, mutually beneficial relationships that ensure we are an industry supplier of choice.

TRUSTED TO DELIVER

Working to the highest standards of compliance, and acting responsibly as a sustainable manufacturer, we are committed to servicing our customers' needs, and keeping Britain building.

DRIVING IMPROVEMENT

We embrace change and are open to new initiatives that bring better ways of working. We endeavour to continually improve all aspects of our business.

see page 12 for more information

CHAIRMAN'S STATEMENT

"I wish to thank each and every one of our employees for their efforts, dedication and sacrifices which have seen the Group overcome the obstacles faced, allowing us to end the year in a position of strength, looking forward to better times ahead."

Justin Atkinson
Non-Executive Chairman

OVERVIEW

2020 will always be remembered as the year of the Coronavirus pandemic and the unprecedented challenges it forced upon us all. To begin, I wish to personally thank each and every one of our employees for their efforts, dedication and sacrifices which have seen the Group overcome the obstacles faced, allowing us to end the year in a position of strength looking forward to better times ahead.

We have always been clear that the health, safety and wellbeing of not only our employees, but everyone we encounter in the course of our business, is our number one priority. Our core value of "Safety First" guided our initial response to the emerging pandemic last spring, and in managing our way through the continuing crisis we continue to act with the safety and wellbeing of our employees at the forefront of everything we do.

The Covid-19 pandemic has impacted virtually everything we do in one way or another. Throughout this Annual Report you will see many references to its impacts and how our business and our people responded, but there is more to our 2020 story than just Covid-19. It seems a long time ago now, but in March 2020 Forterra plc was admitted to the FTSE 250 index for the first time, unfortunately the impacts of Covid-19 determined that our stay was to be a short one, but I very much hope that as the recovery takes shape our sights can shift towards a return to the index.

Sustainability and the environment is a topic that continues to gain prominence. We have listened to shareholder feedback and this Annual Report now includes a comprehensive Sustainability Report in which we explain how our business impacts upon the environment along with publishing our new challenging sustainability targets, firmly embedding sustainability at the heart of our strategy.

REVENUE

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COVID-19 RESPONSE

It was back on 23 March 2020, almost a year from the date of this Annual Report, that our Prime Minister addressed the nation and first asked us all to stay at home in order to protect the NHS and save lives. To ensure the safety of our employees, following collaborative discussions with both our industry peers and customers, we took the decision to cease operations in an orderly manner with production only continuing on critical infrastructure projects in full adherence to Government safety guidance.

During the first lockdown the Board and the Executive Committee worked tirelessly to respond to the rapidly developing situation. The Board and Management quickly learned to adapt to remote working and made full use of video conferencing technology to hold virtual meetings throughout the lockdown period.

Clearsighted decision making was key to our initial response to the pandemic. There was no visibility of how long the crisis may last and how severe its impacts might be. Accordingly, decisions were taken with caution front of mind. The decision to close our facilities was driven by the desire to protect our workforce although it soon became clear that whilst it would be possible to operate our facilities in a Covid secure manner, complying with all safety guidance, demand for most of our products had virtually dried up overnight.

To safeguard jobs whilst our factories were closed, approximately three quarters of our employees were furloughed under the Government's Coronavirus Job Retention Scheme. We took the difficult step of cancelling our 2019 final dividend and 2019 staff and management bonuses, which had yet to be paid, were cancelled. In addition, the Board and Executive Committee took a voluntary 20% reduction in salary for three months.

The severity of the crisis and the uncertain trajectory of the recovery demanded swift action to address our cost base. The decision was taken to mothball our hollowcore flooring manufacturing facility at Swadlincote for the foreseeable future, consolidating production of all concrete flooring products at our Hoveringham facility. Regrettably around 160 jobs were lost across the business although ultimately this was a lower number than initially anticipated.

The impact of the pandemic on our business threatened to place significant pressure on our finances, threatening the funding for our new brick factory at Desford. To address this threat, we raised £53m through an equity placing and also refinanced our debt facility, securing the funding for the Desford project and leaving the Group well positioned with a strong balance sheet.

On a more positive note, the speed of the recovery of our markets through the second half of the year continually surpassed our expectations. By the autumn, our Brick and Block sales revenues had recovered to close to 2019 levels and all of our facilities had reopened.

Back in the summer, as it reopened, I was pleased to visit our brick factory at Kings Dyke meeting the returning workforce and seeing for myself the extensive measures put in place to keep people safe. With both our and our customers' businesses now operating in a Covid secure manner, and with the Government clear in their guidance that manufacturing and construction should remain open, the impact of both the November lockdown and the following third lockdown early in 2021 on our business was minimal with sales unaffected.

CHAIRMAN'S STATEMENT
CONTINUED

RESULTS

Unsurprisingly our 2020 results have been significantly impacted by Covid-19. Group revenues fell by 23.2% to £291.9m (2019: 380.0m). Profit before tax (stated before exceptional items) fell from £62.5m to £17.4m. After exceptional items a loss before tax of £5.4m was realised.

Earnings per share (EPS) again stated before exceptional items was 6.6p (2019: 25.5p). Basic EPS after accounting for exceptional items was a loss of 2.6p (2019: earnings of 23.6p).

The Group ends the year with a strong balance sheet with net cash (stated before IFRS 16 lease liabilities) of £16.0m (2019: net debt of £43.2m), driven by the proceeds of the equity raise along with significantly better than anticipated trading in the second half of the year combined with disciplined working capital management.

STRATEGY IMPLEMENTATION

The Group's objective remains to generate sustainable shareholder value through delivering upon the following strategic priorities:

- drive for a more efficient and sustainable manufacturing base with improved environmental credentials, aligning capacity to market conditions;
- maintain strong market positions in our core products; and
- expand the range of products and services offered both organically and through appropriate bolt-on acquisitions.

These priorities are underpinned by having high performing people throughout the business and continuing to strengthen customer relationships.

There remains a long-term shortage of housing supply in the UK and the Government have continued to show a desire to pursue policy aimed at stimulating housebuilding. In addition, the UK brick industry continues to lack the capacity to service expected demand without reliance on imports. With the economics of imported bricks disadvantaged by the island geography of the UK, we expect that our new Desford factory, with a proven range of bricks already popular with housebuilders, will allow us to take full advantage of this position.

The pandemic has not necessitated any changes to our long-term strategy although in the short-term we have prioritised the completion of the Desford brick factory project over all other strategic capital projects and we will continue to take a prudent view on liquidity management and borrowing until it is clear the worst of the pandemic is behind us.

We have clarified our strategy to incorporate our commitment to reducing the impact our business has on the environment. This isn't a significant shift in strategy, more a natural evolution given that our existing strategy of modernising our manufacturing capacity to improve efficiency is entirely consistent with reducing our environmental footprint, for example by improving energy efficiency and reducing waste.

During the year we have continued to bring new products to market including our next generation brick slip system "Surebrick", as well as a new range of waterstruck bricks produced at our Measham factory.

With five years having passed since our IPO and with the new Desford factory on course to further increase our cash generation from 2023, we intend to update our shareholders on the next stage of our strategy later in the year.

EQUITY RAISE AND REFINANCING

With construction of the new Desford factory already well advanced as the pandemic hit, with the groundworks and building structure virtually complete and £30m spent or committed, our key priority was to secure the financing necessary to guarantee the completion of this project. Our financing strategy had been to fund this project from the free cash flow generated by the business. However, with trading cash flows severely diminished by the imposition of lockdown and without visibility as to how quickly they would recover, it was necessary to consider our options.

After thorough consideration of the options available, the Board concluded that it would be imprudent to enter into further contractual commitments on the project without certainty that finance would be available to meet these obligations. Accordingly, we acted decisively and embarked upon an equity placing which was well supported by our shareholders, raising net proceeds of £53.0m.

In addition, with the support of our lenders, we entered into an amendment and extension of our existing credit facility, extending our committed facility to July 2024. We were also able to increase the quantum of our facility by a further £20m to £170m, providing the Group with additional security and flexibility at this time of considerable uncertainty. The terms of the refinancing also included a package of covenant relaxations which offer greater flexibility in the event of continuing severe economic dislocation, something which now appears unlikely.

CAPITAL ALLOCATION

ORGANIC INVESTMENT

The Desford factory construction project exemplifies the attractive organic investment opportunities available to the Group. Successful delivery of this project is our present priority but thereafter we have a pipeline of other attractive capital projects which we continue to develop.

Construction on the Desford site continued throughout the year although Covid-19 presented multiple challenges including adherence to social distancing requirements, travel restrictions and the insolvency of a major supplier. Nevertheless, the key contracts for the supply and installation of the manufacturing equipment were signed with an alternative supplier in January 2021 with commissioning of the factory still expected in late 2022.

When complete and operating at full capacity, which is expected to be in 2025, the Desford factory is expected to have a material benefit on Group profitability and cash generation and should deliver EBITDA in excess of £20m and EBIT of at least £16m. This would increase Group EBITDA and EBIT in excess of £15m and £12m respectively after taking the decommissioning of the old factory into account.

Our balance sheet strength and proven capacity to generate cash will also allow us to increase our investment in developing our façade offerings and expand our range of fire-safe cladding solutions suitable for offsite methods of construction.

DIVIDENDS

Our strategy is to provide shareholders with a progressive dividend and prior to the pandemic we had a committed policy of paying out 45% of our earnings before exceptional items. Although the pandemic temporarily disrupted our payment of dividends we are pleased to be announcing a return to dividend payments with a proposed dividend of 2.8p per share, in line with our stated policy of distributing 45% of earnings. Looking ahead, a recovery of profitability and increase in cash generation following the commissioning of the Desford factory are expected to underpin growth in shareholder returns.

The final dividend will be paid on 9 July 2021 to shareholders on our register at 18 June 2021.

ACQUISITIONS

Whilst recognising that the consolidated nature of our key markets may limit acquisition opportunities, we will continue to evaluate potential acquisitions which strengthen our existing market position, expand our product range or enable us to address complementary markets. We will only pursue those opportunities where the strategic rationale can be demonstrated and where financial hurdles set by the Board can be met.

SUSTAINABILITY

We have always taken our obligations to protect the environment seriously and have made consistent efforts to reduce our environmental footprint, making our business more sustainable. We are pleased to include our first detailed Sustainability Report within this Annual Report, providing additional disclosure and transparency as to our impact on the environment and our future sustainability targets and goals.

Whilst the manufacture of our products does impact upon the environment, we have a clear strategy to reduce this impact. Similar impacts are associated with the majority of heavy building products and the challenges we face are shared across the wider industry. It is important to consider not only the environmental impacts of building high quality homes, but also the environmental benefits from operating and maintaining these homes for generations.

Over the past decade we have already delivered a sizeable reduction in our carbon footprint with a reduction in CO_2 emissions per tonne of production of 27%. We have also virtually eliminated the sending of waste to landfill with the vast majority of our waste now recycled.

Whilst we are proud of our achievements over the last ten years, we know that a much greater effort will be required going forward. We are now committing to reducing our Scope 1 and 2 CO_2 emissions (per tonne of production) from our brick manufacture by 33% over the next decade with an even greater decrease of 80% in our concrete businesses. If our product mix remains unchanged then this will deliver an overall reduction in our carbon emissions of 32% per tonne of production by 2030. In addition to this, we are committing to significantly reducing the amount of plastic packaging we supply with our products by 50% over the next five years.

CHAIRMAN'S STATEMENT
CONTINUED

Our ambition to decarbonise our business is a 40-year journey which started in 2010 and will gain pace in the next decade. Our targets for 2030 can be achieved through deployment of both existing technologies and those that are on the near horizon. In the longer term we are committed to, in collaboration with others, researching developing and deploying new and emerging technologies driving our ambition to reach net zero by 2050.

Our comprehensive Sustainability Report contains extensive disclosure recommended by the Task Force on Climate Related Financial Disclosure (TCFD) and also the Sustainable Accounting Standards Board (SASB) covering the environmental impacts of our business and how we plan to reduce this impact looking forward.

We also recognise that sustainability extends well beyond carbon reduction with our Sustainability Report providing more information as to our commitments to our people and the communities in which we operate.

HEALTH AND SAFETY

The need to ensure the health, safety and wellbeing of our people has never been more important. Our Health and Safety team have worked relentlessly throughout the year to support our operations, ensuring we are able to operate our business safely and in compliance with all Covid-19 safety regulations.

Away from the pandemic, we have continued to strive towards making our business a safer place to work. I am pleased to say that we have recorded a significant reduction in our lost time incident frequency rate (LTIFR). This statistic measures the number of incidents relative to the number of hours worked, so is not distorted by the reduction in working hours caused by the pandemic. Each of our brick and block factories ended the year free of lost time incidents which was a massive achievement, although unfortunately we did see a number of relatively minor incidents involving our in-house distribution function and addressing this will be a 2021 priority. Whilst the fall in lost time accidents is welcome, we must not become complacent as there is much more work to do as we endeavour towards a working environment free from harm.

I explained last year that our Risk Committee had commissioned an independent review into the effectiveness of the Group's approach to health and safety. This review found that health and safety is the number one priority at Forterra, although opportunities to enhance our safety communications providing clearer messaging and greater direction aligned to our vision for zero harm were identified. Actions to address the findings of this review have been prioritised during the year and will be front and centre of our health and safety strategy looking ahead.

PEOPLE

The contribution made by our employees has never been more critical than over the last year. The dedication, resilience and flexibility displayed by our workforce has been central to overcoming the challenges presented by the pandemic. The kindness of our employees has extended far beyond their place of work and I would like to recognise the efforts of those who helped others during this most difficult of years. Our employees have given their time, in many cases whilst furloughed, to a range of good causes within their local communities including volunteering in the NHS, entertaining children and helping the elderly and vulnerable.

We continue to do the right thing for our employees. During the year we received accreditation from the Living Wage Foundation under which we have committed to paying each and every one of our employees a rate of pay above that specified by the Government's national living wage. We will now pay all our employees at least the real living wage which is independently calculated based on what people need to earn in order to support a reasonable standard of living.

We continue to invest in the retention and development of our people. We have made a bold commitment to increase the recruitment and training of young people through our decision to join the 5 Percent Club, a club comprised of leading employers which exists to help its members increase the number, quality and range of earn and learn positions in their businesses. By joining this club, we are aspiring to have five percent of our workforce in earn and learn positions, including apprentices, sponsored students and graduates in five years' time.

In recognition of the Forterra brand's fifth birthday and the approaching fifth anniversary of our admission to the London Stock Exchange, we are pleased to announce that, as we did upon our IPO five years ago, in early 2021 we have granted a further £500 worth of shares to each of our employees. This is consistent with our strategy of encouraging employee share ownership which we believe contributes to enhancing employee engagement.

CORPORATE CULTURE

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

Communication with our employees has been a key priority this year with unprecedented levels of uncertainty and events developing quickly. Traditional methods of communicating were made more challenging with many of our people away from work for a prolonged period. Management have made every effort to ensure we kept employees up to date with developments, explaining how events may affect them. Stephen Harrison's weekly podcasts were eagerly awaited and, based on the feedback received, very much appreciated.

BOARD AND CORPORATE GOVERNANCE

The Board remains committed to the highest standards of Corporate Governance, not only at Board level but throughout the Group. The Group continues to comply in full with the requirements of the UK Corporate Governance Code. The Corporate Governance section of this Annual Report outlines the Board's approach to corporate governance arrangements and includes reports from each of the Committee Chairs, providing details on key matters addressed by each of the Committees during the year.

2020 was certainly not a normal year and the Board adapted by holding Board and Committee meetings virtually. From the start of the first lockdown in March, through to the completion of the equity placing and refinancing at the beginning of July, the Board held regular weekly meetings ensuring that we kept abreast of all developments supporting the Executive Committee at this critical time.

In my statement last year, I explained that in 2020 we planned to increase the visibility of the Board by holding more of our Board meetings out in the business. Unfortunately, in order to keep everybody safe, for much of the year we were forced to limit visits to our facilities to essential purposes only, meaning that the Non-Executive Directors and I have not been as visible in the business as we would have liked to have been. It is very much my intention that as soon as it is safe to do so, the Board become visible out in the business again.

In order to provide the requisite level of Board accountability over our sustainability strategy, target setting and disclosure, at the end of 2020 the Board determined that the Risk Committee shall become the Risk and Sustainability Committee. In keeping with our longstanding commitment to maintain the highest standards of corporate governance, the Board intends to comply with the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD). TCFD takes a risk-based approach to climate reporting, fitting well with the existing remit of our Risk Committee. In addition, Divya Seshamani as Committee Chair with her vast experience across a wide sphere of sustainability and environmental matters, including currently sitting on the Council for Sustainable Business, is ideally qualified to ensure the Risk and Sustainability Committee is able to provide credible governance to ensure we deliver on our ambitious targets.

BOARD CHANGES

The Board has remained unchanged following Ben Guyatt's appointment to the Board as CFO on 1 January 2020. The Board are pleased with Ben's transition into the role and with a long history with the business, Ben was well placed to deal with the challenges of 2020. In addition, we have made further progress in improving the gender diversity of the management team, with Shahbaz Idriss becoming the first female member of the Executive Committee when she joined the Group as Human Resources Director.

All of the Directors will be standing for re-election at the forthcoming AGM. Our s172(1) statement as required by the Companies Act is included in the Directors' Report and further information on Stakeholder Partnerships can be found on pages 36 and 37 of this Annual Report.

SUMMARY AND OUTLOOK

Our full year financial performance was impacted by Covid-19, notably in the first half, however our trading performance steadily improved as the year progressed. Operating cash flow benefited from disciplined working capital management and we were pleased to complete a successful equity placing and refinancing in July.

The much-improved trading conditions seen through the second half of 2020 have continued into 2021. This trend, alongside the lengthening order books of our housebuilding customers, offer support for a continued recovery in our key markets in the first half of the year. While there is growing optimism about the end of the Covid-19 pandemic, there remains ongoing uncertainty over its continuing economic implications, which leads us to maintain a cautious outlook for the year as a whole.

Longer term, our strong position will enable us to benefit from a sustained recovery of our key markets with a structural under supply of housing in the UK along with Government policy continuing to be supportive of home ownership, expected to continue supporting long-term demand. Our strong balance sheet, proven history of operating cash generation and the benefits to come from the Desford investment, mean that the Board believes Forterra is well placed to deliver continued growth and attractive returns to shareholders.

With five years having passed since our IPO and with the new Desford factory on course to further increase our cash generation from 2023 we intend to update our shareholders on the next stage of our strategy later in the year.

Justin Atkinson
Non-Executive Chairman

Q&A WITH THE CHIEF EXECUTIVE

"Safety First is the most important of our core values. So when the country went into lockdown, the health, safety and wellbeing of our employees was our primary concern."

Stephen Harrison
Chief Executive Officer

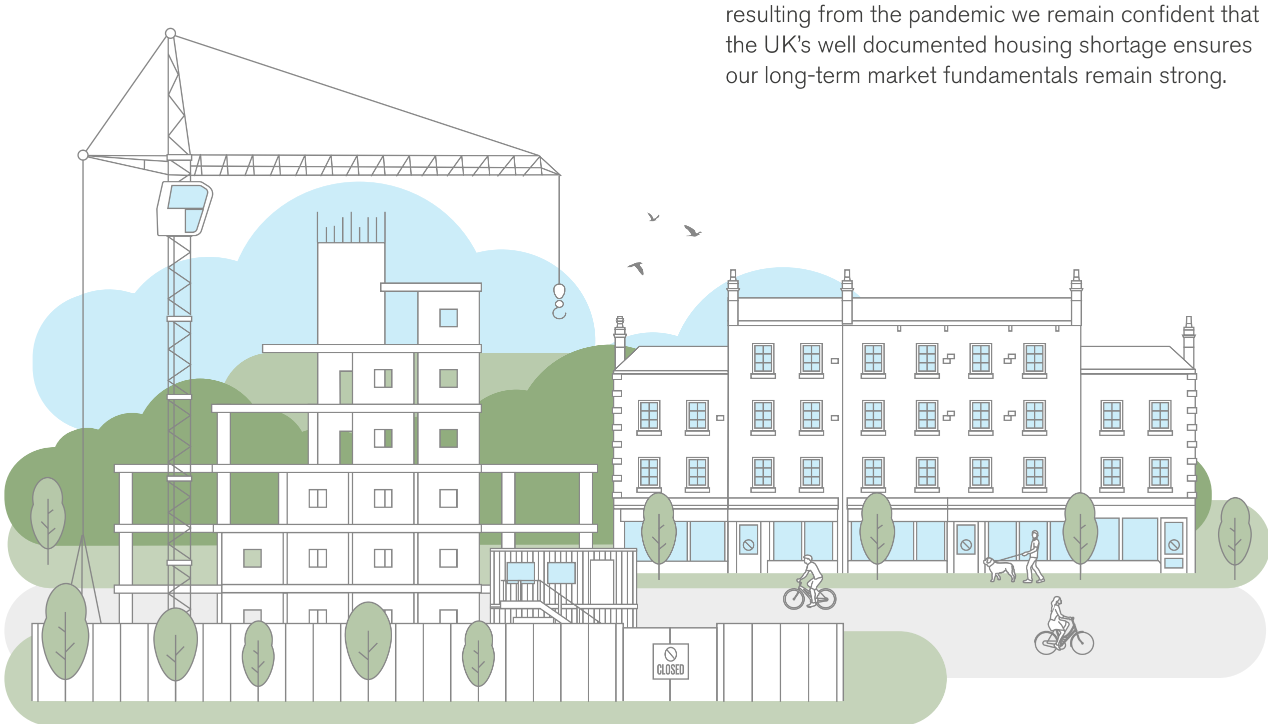
Q. How was the Company and its employees impacted by the first Covid-19 lockdown?

A. Safety First is the most important of our core values. So when the country went into lockdown, the health, safety and wellbeing of our employees was our primary concern. Most of our customers ceased their operations and we did the same thing. Although we remained open to despatch goods to customers who were operating, around 75% of our workforce was immediately placed on furlough. We experienced a year-on-year decline in sales revenues of 86% in April, something we have never experienced the like of before. Our decision making during this period was guided by the principles of employee wellbeing and cash preservation.

As restrictions were lifted, trading gradually recovered through the summer and our industry learned how to operate in a Covid safe manner. Our Covid Code of Conduct and accompanying video was shared with employees and contractors and proved successful in keeping our people safe and healthy. From October all our factories were operating as usual.

Fortunately for our industry, the subsequent lockdowns were very different with Government guidance very clear that we should stay open to support the economy and I am pleased that we and our customers have been able to keep Britain building in a Covid secure way.

All our factories operated normally throughout the winter and we haven't utilised the Coronavirus Job Retention Scheme since October. Despite the immediate challenges resulting from the pandemic we remain confident that the UK's well documented housing shortage ensures our long-term market fundamentals remain strong.



Q. How has Forterra adapted during the pandemic and what is likely to change for the better?

A. We have an experienced and highly competent management team that was quick to take decisions to protect both our employees and the Company's financial health when the pandemic hit. This crisis has been a timely reminder that change can be delivered quickly and effectively. Like many businesses, we will continue to make greater use of technology to improve communications, both internally as well as with suppliers and customers, enabling a reduction in business travel. Most importantly, we have improved employee communications keeping a regular dialogue with colleagues throughout the pandemic. This improved communication has been well received and will continue.

Q. Why was the decision taken to mothball the Hollowcore flooring facility at Swadlincote?

A. Although growing a business is always much more rewarding than closing operations, the anticipated ongoing impact of Covid-19 led to us taking this difficult decision in 2020. During 2019 we conducted a comprehensive review of the UK precast concrete market. Our research pointed to a decline in industry margins over recent years, although we remain hopeful that increased Government infrastructure spending, especially on the HS2 high speed north south rail link, along with continued growth in demand for fire-safe products suitable for offsite construction, would benefit margins going forward. An impact of the pandemic is likely to be a reduction in demand, at least in the short term, for commercial and multi-occupancy residential buildings; the projects that use our hollowcore flooring components. Falling demand on the back of margin pressure led us to consolidate our manufacture of precast concrete flooring solutions at our Hoveringham facility and mothball the Swadlincote factory.

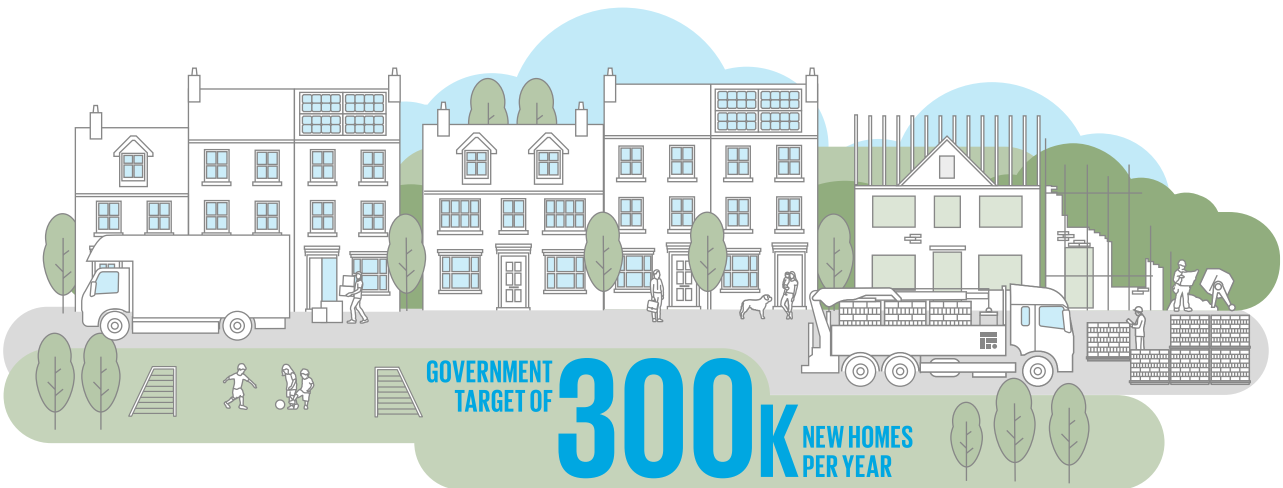
Q. How do you see the long-term fundamentals for your market and products?

A. The acute shortage of quality housing in the UK is well documented. A growing population combined with decreasing household size drives the need for continued housing development. Whilst Government has set a target of 300,000 new homes a year, annual housing completions remain well short of this target, so construction output needs to rise. All our products are sustainable, durable solutions, facilitating the construction of long-lasting, high quality family homes. Clay bricks remain the safest, most cost effective and sustainable solution for our customers providing a beautiful, highly durable, fire-safe and maintenance free façade that will last for many generations to come.

Q. How is the important topic of sustainability driving decision making at Forterra?

A. In this Annual Report we highlight our focus on planet, products and people, as we drive sustainability improvements throughout our business. These are our key pillars and we are proud to keep Britain building by manufacturing sustainable products that will perform now and for future generations. Key drivers of our investment decisions include employee safety, workplace skills, energy productivity, and both emissions and waste reduction. We have made great progress in the last ten years and look forward to making further improvement in the next ten as we continue our drive to reduce our environmental impact, be a better neighbour and a great employer.

see pages 38-65



OUR BUSINESS MODEL
KEEPING BRITAIN BUILDING

We transform raw materials to create bricks, blocks, precast concrete, paving and other vital building products for the construction sector, helping our customers and communities prosper.

OUR VALUES

Our employees are guided by our five values, which create the framework for our behaviour and culture.

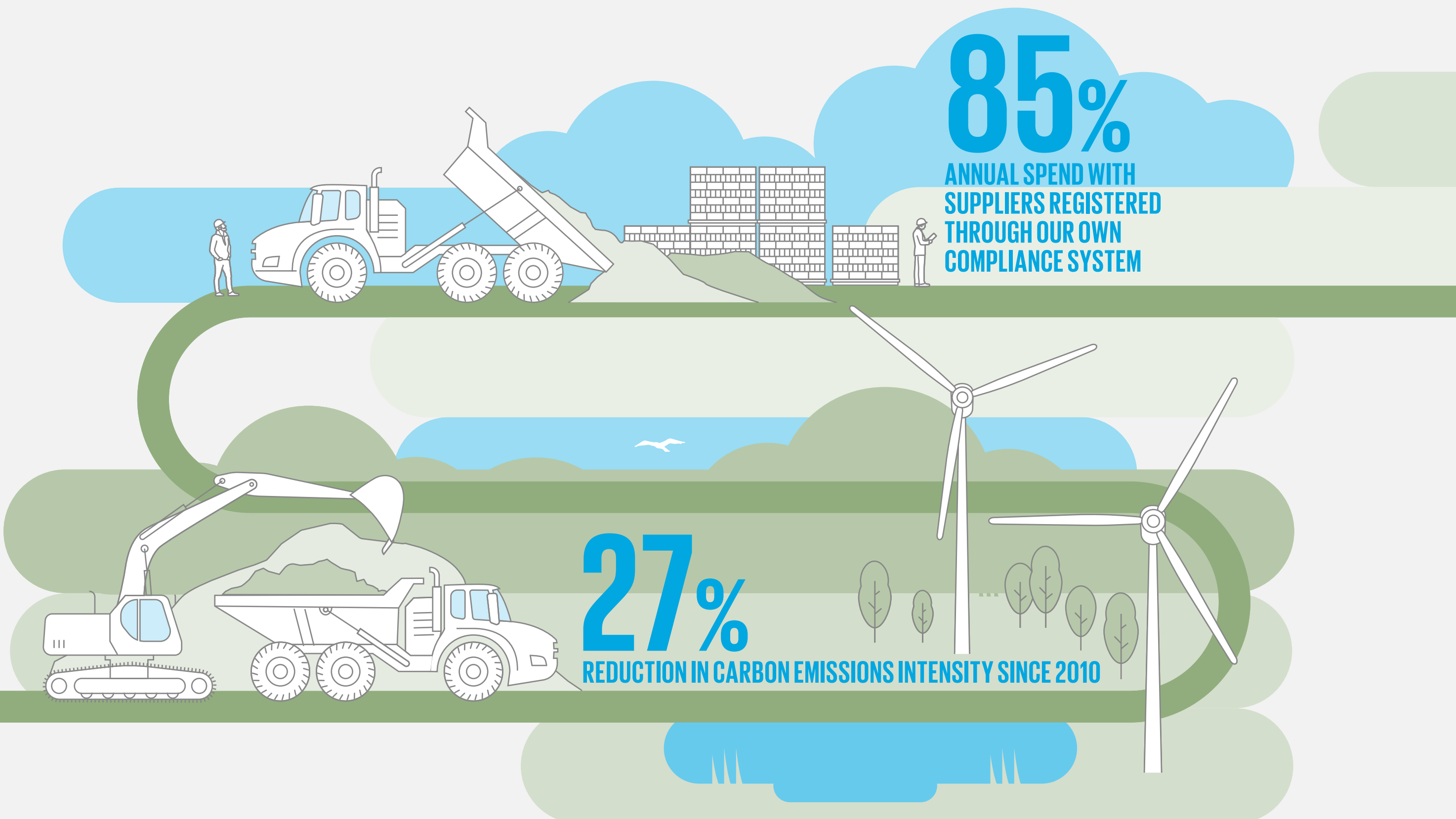
SAFETY FIRST
Safety is our number one priority. Everyone who works with us should feel safe. We are each responsible for our own safety, health and well-being and for creating an accident free environment.

PEOPLE MATTER
We treat all of our people fairly, involve them in decision-making and ensure communication is open and transparent, helping to create an engaging workplace that attracts and retains successful people.

CUSTOMER FOCUS
Our business is dependent on its customers. We work hard to develop strong, mutually beneficial relationships that ensure we are a supplier of choice.

TRUSTED TO DELIVER
Working to the highest standards of compliance, and acting responsibly as a sustainable manufacturer, we are committed to servicing our customers' needs, and keeping Britain building.

DRIVING IMPROVEMENT
Never satisfied with the status quo, we endeavour to constantly improve our business, embracing new ideas and continually challenging ourselves to outperform.

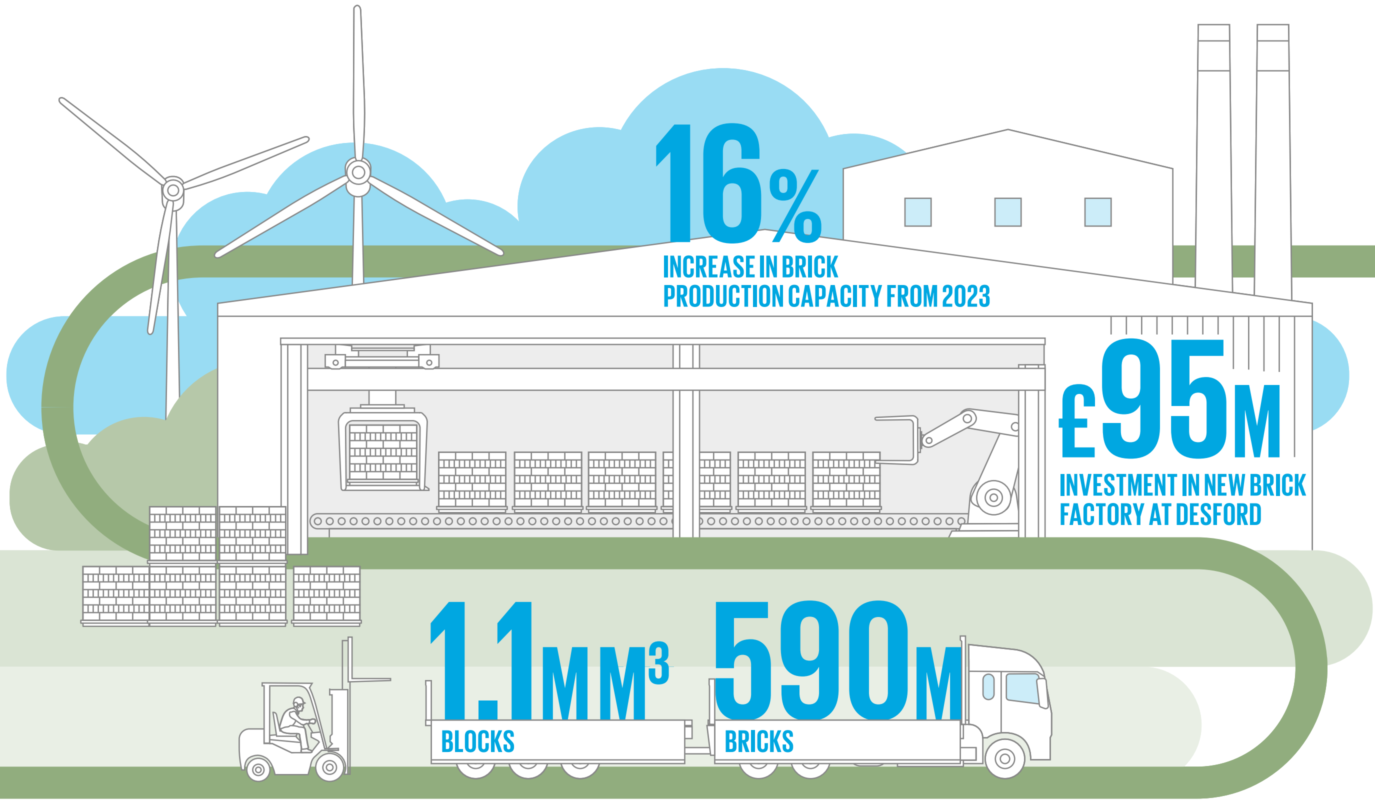


MANUFACTURING

EFFICIENCY AND SCALE

Our manufacturing facilities are the heart of our business, providing both scale and efficiency of output to support our leading market positions.

The £95m investment in our new brick production facility at Desford underlines our commitment to keeping Britain building, adding an additional 16% to Group brick manufacturing capacity.



OUR PRODUCTS

BRICKS

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

BLOCKS

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

BESPOKE PRODUCTS

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

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

OUR BUSINESS MODEL
KEEPING BRITAIN BUILDING

OUR PRODUCTS

DEDICATED SUPPORT

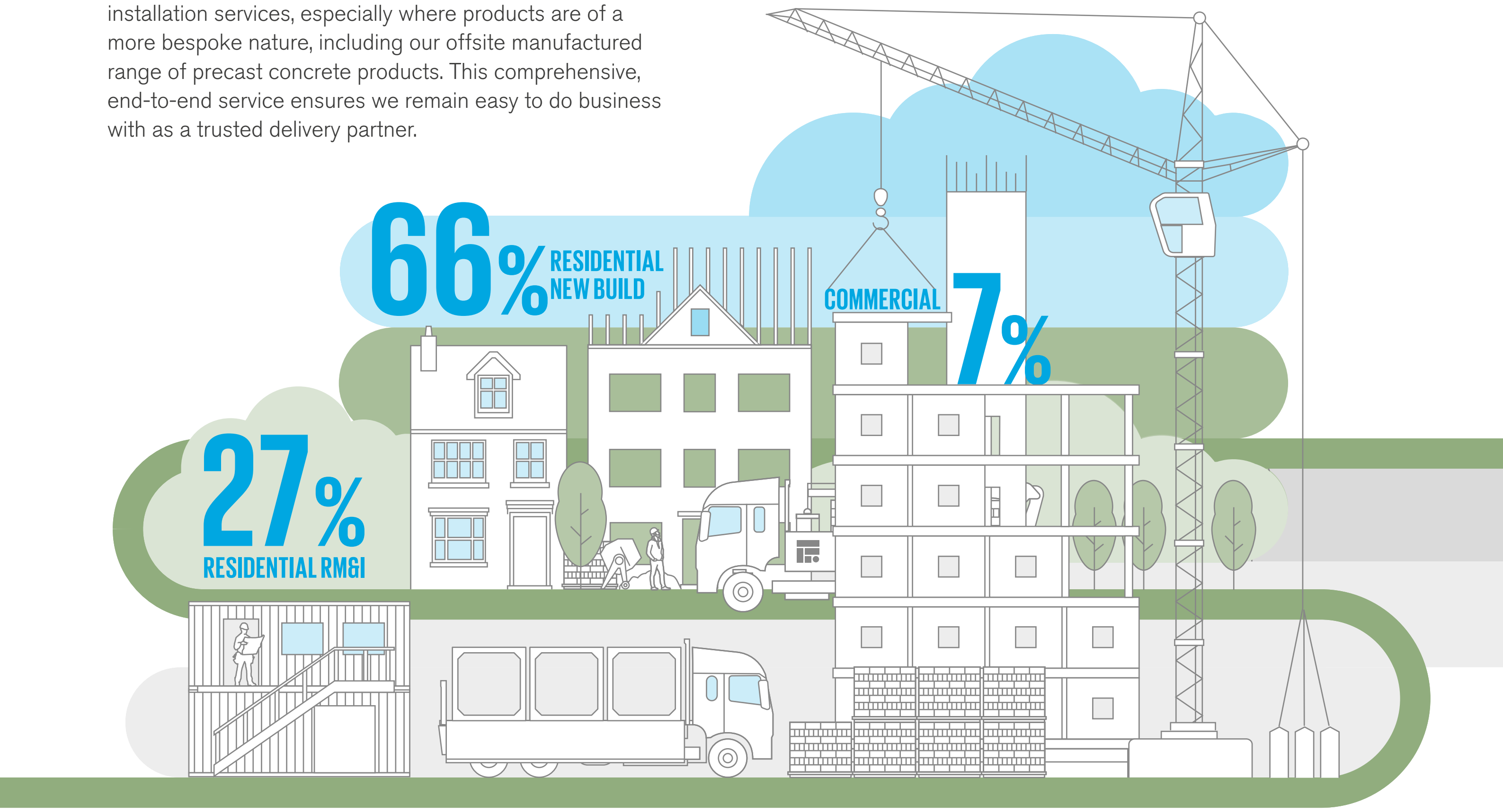
Distribution of our products on a national scale has been enabled through investment in over 150 specialist delivery vehicles. Our field based commercial teams provide account management to customers, supported by a centralised support function and technical service team equipped to advise on appropriate applications of our products.

END-TO-END SERVICE

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

A SUSTAINABLE APPROACH

As a responsible manufacturer, we are committed to doing business in a sustainable way. Alongside our regulatory environmental obligations, including land restoration which is often transformed to benefit local communities, we reuse our production waste, and redirect waste heat back into our production processes. Our future sustainability focus areas are detailed further on page 43.



BUILDING SUSTAINABLE COMMUNITIES

RESIDENTIAL AT OUR CORE

Our products service a wide range of markets, however the majority of our exposure is within the residential new build, and residential repair, maintenance and improvement (RM&I) markets. Our complementary range of flooring and walling products coupled with the scale to supply on a national basis sets us apart from many other manufacturers.

We enjoy strong, long-standing relationships with our customers including major housebuilders, distributors and builders' merchants. Being agile to our customers' needs and the demands of the market are key contributors to our success.

VALUE CREATION

We create value at every stage in our business model, for a variety of stakeholders.

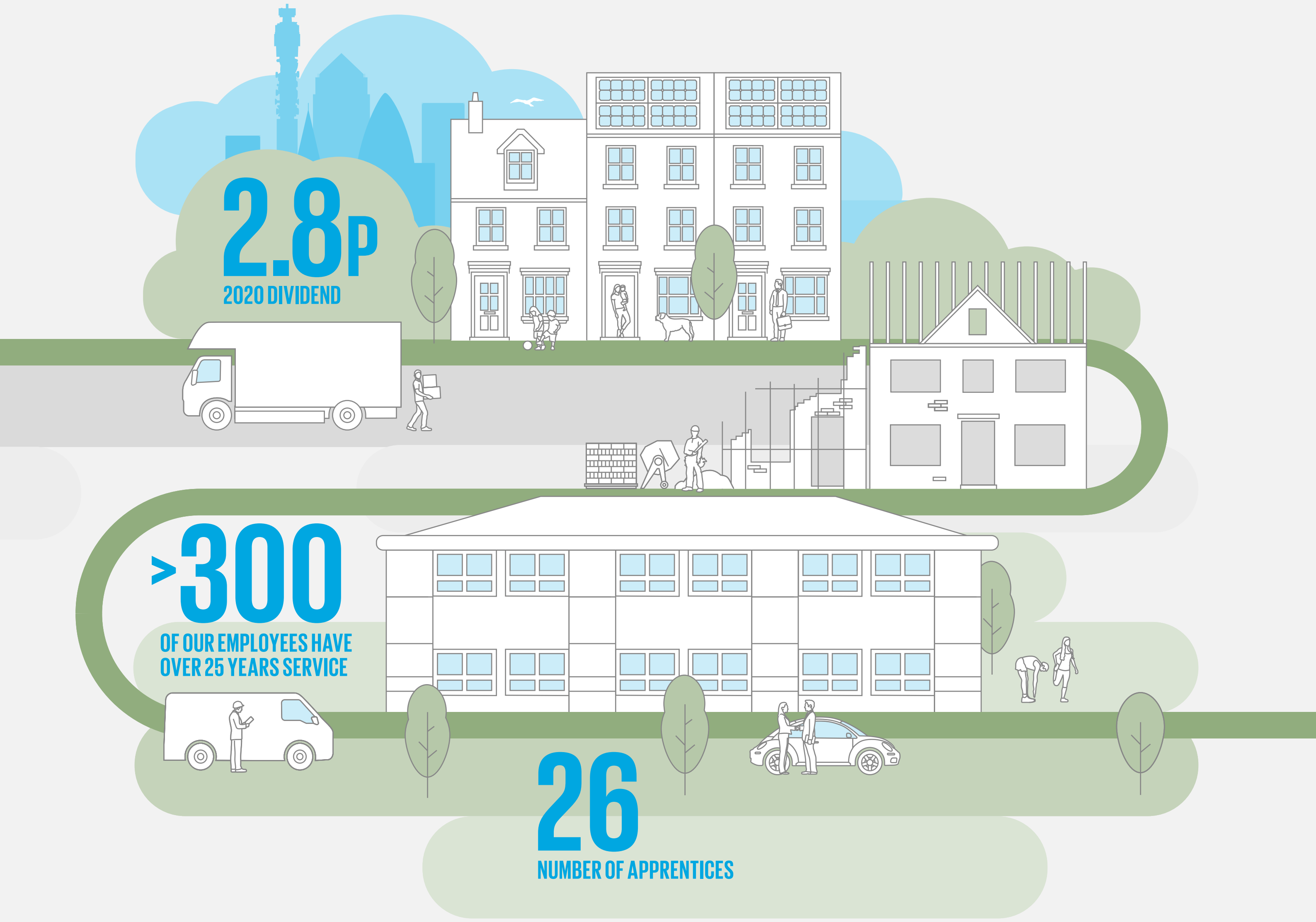
SHAREHOLDERS
A progressive dividend policy, supported by strong cash generation and a robust balance sheet.

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

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

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

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



MARKET OVERVIEW

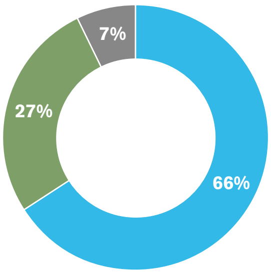
Underlying fundamentals across our core markets remain favourable despite economic uncertainty caused by Covid-19 and Brexit.

ECONOMIC OVERVIEW

The economic backdrop evolved throughout the year having begun positively after the decisive December 2019 election result, before the Covid-19 pandemic took hold in March causing a sharp decline in economic activity in Q2. Aside from a near total closure in the first UK lockdown, the new build housing market remained somewhat resilient to the continuing pandemic as a steady recovery continued through the second half. The building of more homes across Britain remains high on the political agenda; and the goal of the Conservative Government to build a further 1 million homes across its term remains supported by fundamentals in terms of mortgage availability and interest rates, as well as continued availability of Help to Buy for first time buyers.

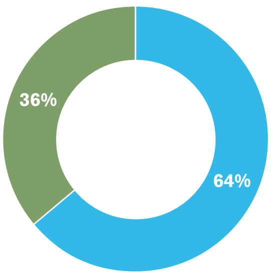
There remains debate over the speed and path of the recovery from the severe economic impact of Covid-19, with GDP having fallen in the first two quarters of 2020, before recovering marginally in Q3. However, the resurgence of the virus within the UK into Q4 caused this to decrease again, with GDP falling 9.9% per the Office for Budget Responsibility (OBR). As such the range of potential outcomes for 2021 is broad, with the OBR forecasting growth of 4.0% in the year, and UK output not forecast to return to pre-crisis levels until late in 2022.

FORTERRA REVENUE BY END USE



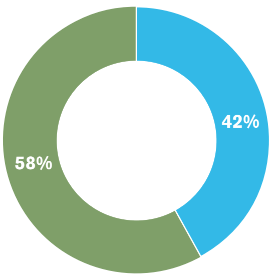
- Residential new build
- Residential RM&I
- Commercial

UK MARKET BREAKDOWN BY END USE



- New build
- RM&I

UK MARKET BREAKDOWN



- Residential
- Non-residential

Source: CPA Forecast Winter 2020 / 21, Company Information

OUR MARKET

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

In 2020, approximately 90% of the Group's revenue was derived from sales to residential construction applications. In addition to housebuilders, the Group's customers also include builders' merchants and distributors who sell our products to a range of end users, so a degree of estimation is inherent within these end-use figures.

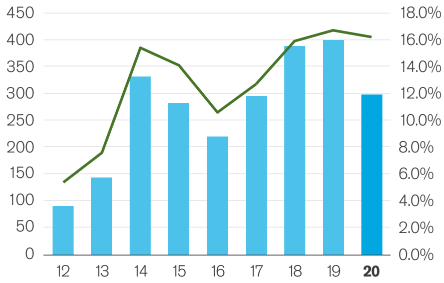
On this basis, the performance of the UK housing market is of key importance, however the range of RM&I products that the business offers, most notably our London Brick range used in extensions across the country, assists in alleviating any exposure to housing market cycles.

Due to the weight of our products transport costs are high and penetration of imported bricks into the UK remains modest. Imported bricks fall into two categories; a core element of specialist, often architecturally driven supplies not available in the UK and an additional level of imports that services demand that cannot be met due to the capacity constraints of the UK brick industry. This second category fluctuates depending on availability of domestically produced bricks and there is an expectation that the level of brick imports will reduce in 2021 with the UK domestic industry capacity able to meet demand.

UK HOUSING MARKET

The residential construction sector in the UK consists of private and public (social) housing and includes both new build and RM&I of existing properties. New build activity is generally measured by the number of housing starts and the number of housing completions, which fell 34% and 23% respectively in 2020 according to CPA estimates, significantly impacted by the Covid-19 pandemic. There has however been unprecedented

BRICK IMPORTS (M)



Brick imports (m)
Percentage of market (%)

Source: HMRC, ONS

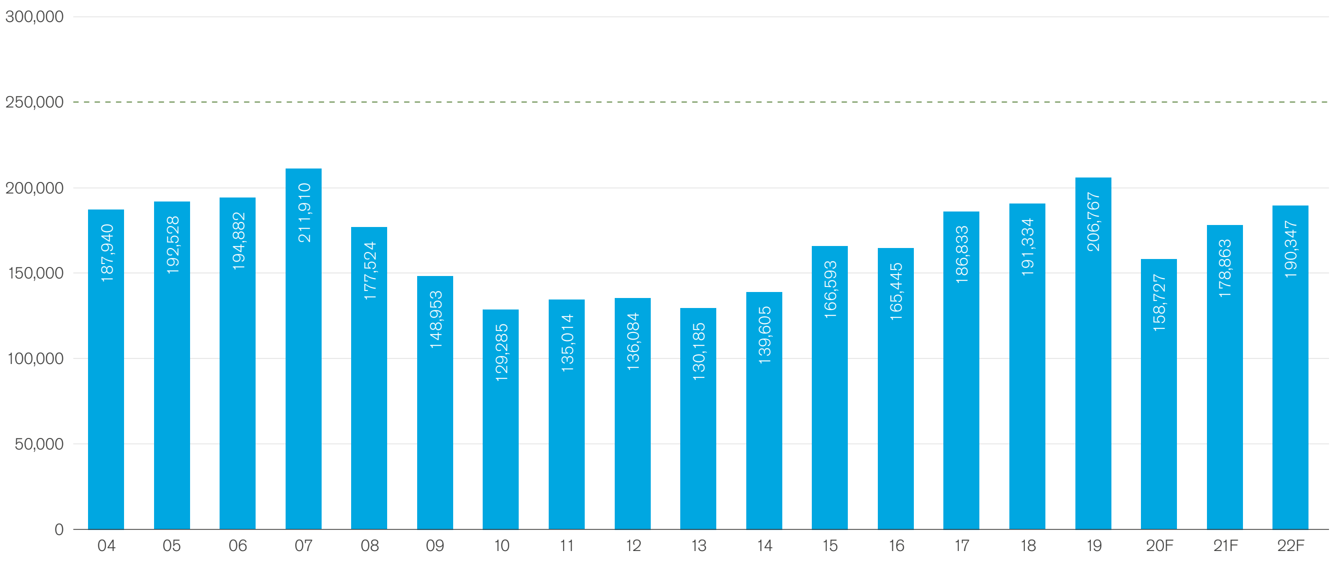
demand across the latter half of 2020, as the country eased out of the first lockdown and significant pent up demand was released. Housing demand was further enhanced by the temporary stamp duty holiday introduced by the Government, as well as the changing needs of many home buyers due to pandemic driven factors, such as spending more time in the home, including working from home, and the desire for more outdoor space, factors that support the construction of new build property outside of the major cities using more of our products. These demand trends favour houses over multi-occupancy units, a positive for our business given the average unit size and resultant volume of our product utilised. Indications from the major housebuilders support this demand continuing, with strong order books into 2021 and reconfirming a robust outlook for the housing market generally.

The CPA forecasts housing output (private and public) to grow by 15.4% in 2021, returning to 2019 levels in 2022, however much like the wider economic forecasts, predictions for housing activity into 2021 carry a level of uncertainty. The Stamp Duty holiday is due to come to an end in June 2021, macro impacts of Covid-19 continue to develop and changes to the Help to Buy scheme are embedded, previous variants of which have assisted in driving the increased proportion of property transactions accounted for by new build housing by c.15% since its inception in 2013, may all impact future demand.

SUSTAINABLE BUILDINGS

There is an increasing awareness of the impact a building has on the environment and the desire to limit this and transition towards more sustainable buildings is growing. A key area where we are able to facilitate this is through support of off-site, and modern methods of construction which continue to develop, enabling improved construction efficiency and less wastage. These products can facilitate ambitious accelerated build targets for UK construction, whilst also recognising the role of our products in supporting a lower carbon economy. Off-site construction may demand fewer traditional products such as bricks and blocks, however we continue to innovate and develop new products to serve this growing market.

ANNUAL HOUSING COMPLETIONS VS. GOVERNMENT TARGET



New housing completions --- Consensus requirement less conversions

Source: CPA Winter Forecast 2020 / 2021

OUR STRATEGY
PERFORMANCE REVIEW

We have a clear strategic vision that enables us to deliver attractive long-term shareholder returns. We continue to focus on delivery of this through our three key strategic priorities and despite the challenges posed by Covid-19, delivered further progress during 2020.

OUR COMMITMENT TO SUSTAINABILITY

Sustainability is critical in ensuring our longevity as a business and underpins all elements of our strategy.

We are committed to an environmental and social responsibility programme which highlights our key long-term priorities and future focus areas. Having made significant progress over the last decade, we are pleased to this year share a new set of challenging targets covering the pillars of Planet, Product and People, details of which are set out later in this Annual Report.

OUR PRIORITIES

MANUFACTURING EXCELLENCE

Productivity, quality, and capacity utilisation provide the fundamental drivers of our financial performance, underpinned by an unerring desire for a safe working environment. In delivering manufacturing excellence, we provide not only financial efficiency gains but also reduce our impact on the environment.

Our continuous improvement philosophy guides our manufacturing today, and our investment decisions for the future such as investment in our new facility at Desford.

CORE PRODUCT FOCUS

Our clay bricks, concrete blocks, and precast concrete flooring form our core product offering into the new housebuilding sector. By successfully meeting customer requirements we are able to leverage strong positions within this market, benefitting from the scale of supply which our operations afford.

BUSINESS EXPANSION

Our growth strategy includes both organic opportunities, such as additional capacity investments and new product development, and also inorganic acquisitions and partnerships where the right opportunities arise. Sustainable shareholder value will be at the forefront of all our future investment decisions.

NEW PRODUCT DEVELOPMENT

Our new product development continued to accelerate in 2020, focused on the key theme of sustainability, and particularly offsite façade solutions, utilising our clay and concrete product expertise to meet the needs of this growing market segment.

Surebrick – after 18 months of development, 2020 saw the first commercial projects for our Surebrick mechanically fixed brick slip system including supply to seven Starbucks drive throughs, having achieved full product accreditation in early 2020.

Precast sandwich panels – our Bison Precast business continued to supply the Wellingborough prison construction project, utilising our new insulated, brick-faced sandwich panels, which will make up the external façade to one of the buildings on-site. This new product combines the precast concrete expertise we have at Bison Precast with our longstanding brick manufacturing knowledge. The brick-faced panels we have produced for this project will see our Butterley Village Golden Thatch clay brick cast into precast concrete façade panels.

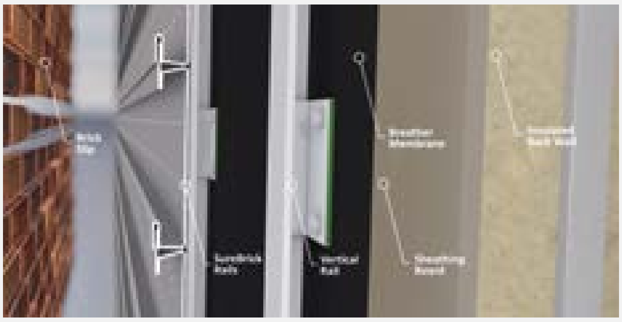
Quickwall – our innovative new prefabricated masonry walling system, the culmination of years of research and development by our technical team, completed the first large commercial project with Derby City Council for their flood defence scheme in the city.

Bricks – multiple new bricks were launched during the year, including the new EcoStock Waterstruck range from our Measham factory, using water rather than sand as a releasing agent giving a unique traditional looking finish expanding our offer to the premium housebuilder segment.

QUICKWALL IS AN AESTHETIC FIRE SAFE OFFSITE CLADDING SOLUTION

Factory production of quickwall panels ensures high quality and fast onsite installation

SUREBRICK, AN INNOVATIVE NEXT GENERATION BRICK SLIP SYSTEM



Surebrick's mechanical fixing provides a system that is fully certified for use at heights above 18 metres

OUR PROGRESS DURING A CHALLENGING YEAR

- Construction of the new Desford brick facility progressed throughout 2020 despite a number of Covid related challenges, and remains on course to deliver increased capacity to the Group from the beginning of 2023.
- Our brick business continued to deliver upon our strategic mission to keep Britain building with production and stock managed through the pandemic ensuring strengthening demand from our major customers through the second half of the year could be supported.
- We were able to quickly ensure our sites could operate in a Covid safe manner, notably allowing elements of our Bison business to remain operational throughout the first lockdown as a key supplier to critical Government infrastructure projects including the Wellingborough prison.
- Our ability to service a variety of markets was evidenced through bricks supplied into a number of prestigious projects such as Berkeley Trent Park, St Osyth's Priory Development, and the Royal Victoria Infirmary, Newcastle.
- New product development continued throughout 2020 and a number of new bricks were launched to enhance our range meeting the changing needs of our customers, alongside further enhancements to our façades range including the formal launch of our Surebrick and Quickwall solutions.

OUR STRATEGY
PERFORMANCE REVIEW

BUILDING FUTURE COMMUNITIES

Our investment in our new brick factory at Desford in Leicestershire has continued in 2020 despite the challenges posed to the project by the pandemic. This factory will redefine brick production in the UK, with a production capacity of 180 million bricks per annum, the equivalent of 25,000 new houses. Desford confirms our commitment to keeping Britain building, ensuring that Forterra bricks will be at the heart of many more communities.

Financial pressures resulting from the early stages of the pandemic threatened the progression of the project, however the successful equity raise in July secured the funding of the project. Funding aside, the considerable logistical challenges imposed by Covid-19 both through the insolvency of a major supplier as well as the physical restrictions around travel and social distancing requirements were all further hurdles. Nevertheless, the key contracts for the supply and installation of the manufacturing equipment were signed with an alternative supplier in early 2021 with commissioning of the factory still expected in late 2022.

This project is a prime example of the opportunities that exist for us to grow our business organically and we will continue to review and develop our pipeline of attractive organic growth projects that will deliver revenue expansion as well as reduced production costs and enhanced sustainability credentials.

>25%

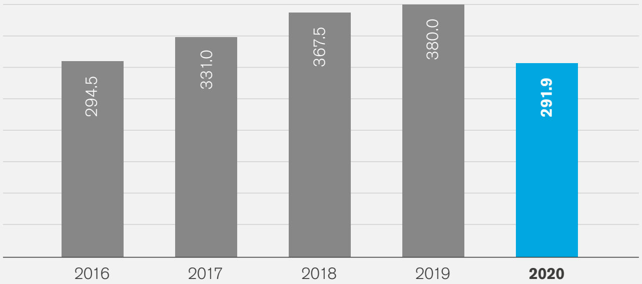
REDUCTION IN CARBON EMISSIONS INTENSITY*

* Relative to current Desford factory

KEY PERFORMANCE INDICATORS

STRATEGY LINKS: MANUFACTURING EXCELLENCE · CORE PRODUCT FOCUS · BUSINESS EXPANSION

REVENUE (£M)



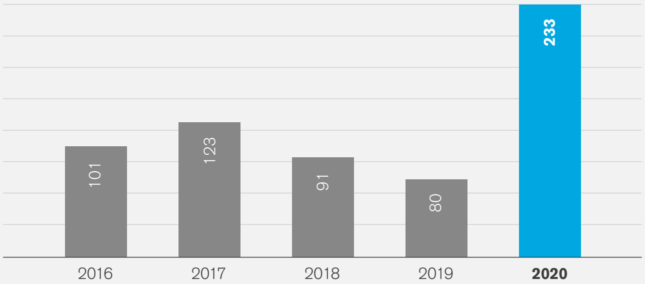
DEFINITION

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

PERFORMANCE

Revenue decreased by 23.2% compared with 2019, driven by the effects of Covid-19. Revenues reduced significantly through the first lockdown, however trading steadily recovered through the summer and autumn such that by the end of the year, revenues were running ahead of the prior year comparative.

OPERATING CASH CONVERSION (%)



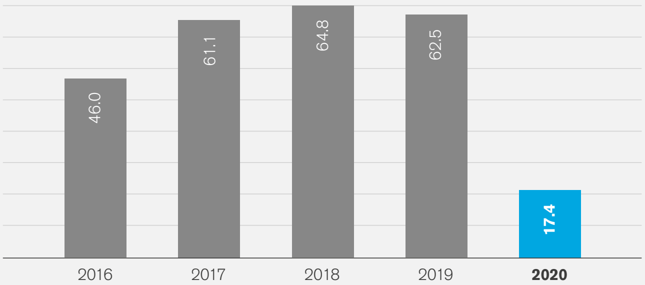
DEFINITION

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

PERFORMANCE

Despite the Covid-19 pandemic, the Group continues to be highly cash generative. Careful management of working capital resulted in a reduction of £14.3m in the year, primarily within inventories which decreased by £14.8m and ensured a significant increase in operating cash conversion in the year.

PROFIT BEFORE TAX BEFORE EXCEPTIONAL ITEMS (£M)



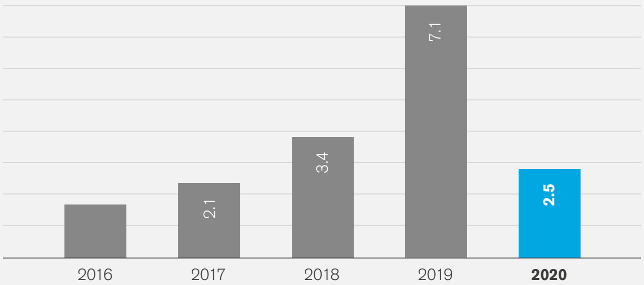
DEFINITION

Profit before tax adjusted for exceptional items.

PERFORMANCE

Profit before tax before exceptional items was 72.2% lower than in 2019, reflecting the impact of Covid-19 on the business.

LOST TIME INCIDENT FREQUENCY RATE



DEFINITION

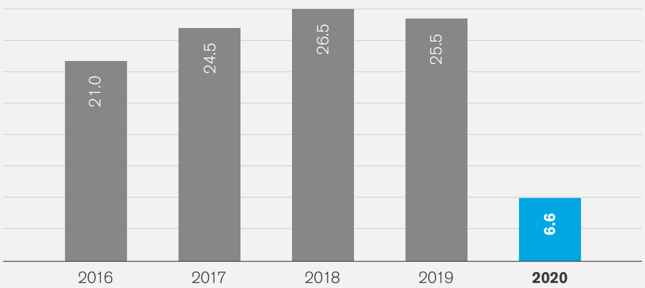
Our lost time incident frequency rate (LTIFR) is calculated using contracted working hours and is stated as the number of lost time incidents suffered per million man hours worked.

PERFORMANCE

Our LTIFR was 2.5 incidents for every million man hours worked in 2020, a significant reduction on from 2019 with our brick and block factories ending the year LTI free. Although due to the effects of Covid-19 the number of hours was reduced, this KPI takes this into consideration and as such is a meaningful improvement.

REMUNERATION LINKS: £ **REMUNERATION**

EPS BEFORE EXCEPTIONAL ITEMS (PENCE)



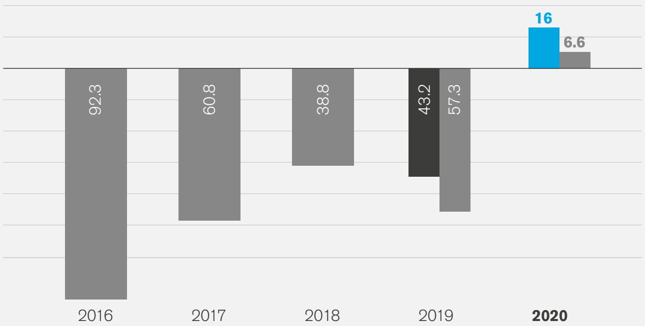
DEFINITION

Basic earnings per share adjusted for exceptional items.

PERFORMANCE

Earnings per share (EPS) before exceptional items was 6.6 pence compared with 25.5 pence for 2019. This decrease is a function of the reduction in operating profit, coupled with the impact of the equity raise in July which has increased the weighted average number of shares in issue.

NET DEBT (£M)



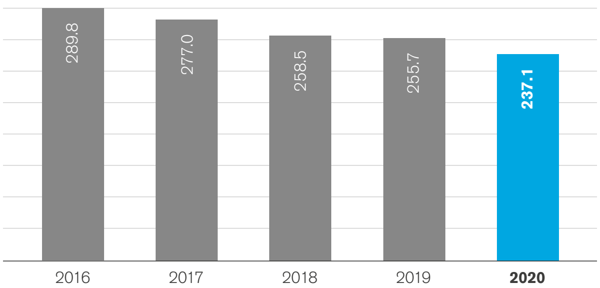
DEFINITION

Net debt comprises the balance of short and long-term borrowings, less cash and cash equivalents. 2019 and 2020 have been presented to show the balance pre and post the impact of the IFRS 16 leasing standard.

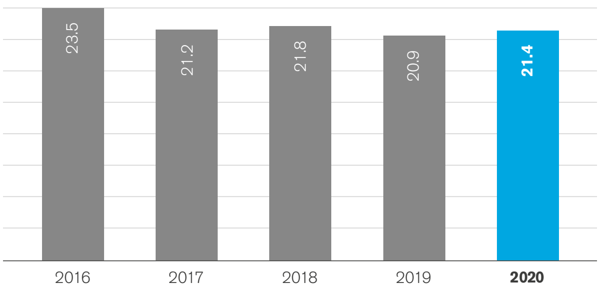
PERFORMANCE

The Group ended the year in a net cash position, a reflection of the strong cash and working capital management strategy employed in the year, along with the equity raise undertaken by the Group in July.

CLAY CARBON INTENSITY RATIO (CO_2e PER TONNE)



CONCRETE CARBON INTENSITY RATIO (CO_2e PER TONNE)



DEFINITION

It is important to recognise that the amount of carbon we emit is directly related to the volume of product we manufacture. Our intensity ratio, defined as CO_2e per tonne of manufactured product, recognises this. We believe the most transparent way of reporting our carbon footprint is to separately report our Greenhouse Gas intensity ratio (CO_2e) covering our scope 1 and 2 emissions for our clay and concrete products and that this will provide the most meaningful information from which to measure our carbon emissions over time. An overall figure would be affected by changing product mix and so would not provide such an objective picture of our progress.

PERFORMANCE

Since carbon intensity targets were set in 2010, emissions have decreased by 28.0% for clay and 23.0% for concrete. Going forward new targets have been set which will be measured on an annual basis from 2021.

For more information see pages 48-49 of our Sustainability Report.

BUSINESS REVIEW
RESULTS FOR THE YEAR

Stephen Harrison
Chief Executive Officer

Ben Guyatt
Chief Financial Officer

Our full year financial performance was significantly impacted by the Covid-19 pandemic, particularly in the first half of the year. However, we ended the year on a positive note with trading performance steadily improving through the second half of the year. The successful equity placing and refinancing completed in the year along with disciplined working capital management leaves the business well placed entering 2021.

Our financial results for the year are summarised in the tables overleaf.

Group revenue for the year was £291.9m (2019: £380.0m), a fall of 23.2%. Brick and Block revenues fell by 20.1% with Bespoke Products falling by 30.7%.

Earnings before interest, tax, depreciation and amortisation (EBITDA) as stated before exceptional items were £37.9m (2019: £82.7m) with our high level of fixed costs meaning that earnings and profits fell more significantly than revenue. Profit before tax, again stated before exceptional items, was £17.4m (2019: £62.5m). After exceptional items a loss before tax of £5.4m was realised.

Despite particularly wet weather, 2020 started well with trading in January and February in line with our internal plan which at that time envisaged a strong year leading on from the decisive general election victory for the Conservative Government in December 2019 which also, at least temporarily, eased the uncertainty around Brexit.

As a reminder, the second half of 2019 had seen a slowdown as uncertainty around the election and Brexit weighed heavily upon consumer confidence and consequently, our markets. Muted sales allowed inventory levels to grow such that we entered the spring with plentiful inventories hoping to capitalise on an expected resurgence in demand.

The impact of the pandemic was felt suddenly in March when the Prime Minister announced the first national lockdown. With the exception of supplying critical infrastructure projects, including a prison, nuclear power station and a flood defence scheme, where limited production continued in accordance with public health guidance, we ceased all production across our facilities in an orderly and controlled manner.

Despite subsequent Government clarification that manufacturing and construction could continue to operate, demand for our products fell dramatically with revenues in April only reaching 14% of the 2019 comparative. As one of the few businesses in the sector operating our own in-house fleet of delivery vehicles, we were able to continue to supply what little demand there was in a Covid secure manner.

Trading began to recover in May as Government guidance was updated to allow the housing market to reopen and at the same time the merchanting sector also reopened the majority of their branches as tradesmen returned to their customers' homes.

Demand continued to steadily increase into the summer and through to the autumn with demand in November and December running ahead of 2019 levels.

EARNINGS PER SHARE AND DIVIDEND

Earnings per share (EPS) as stated before exceptional items was 6.6 pence (2019: 25.5p) due to the fall in trading profits along with the increase in the number of shares in issue following the placing of 28.2m shares at the beginning of July which increased the weighted average number of shares in issue, excluding those held by the Employee Benefit Trust, to 214.8m (2019: 197.9m).

Basic EPS after exceptional items was a loss of 2.6 pence reflecting the exceptional impairment, restructuring and refinancing costs.

RESULTS FOR THE YEAR

	Revenue		EBITDA			
	2020 £m	2019 £m	**Statutory 2020 £m**	Exceptional items £m	**Before exceptional items 2020 £m**	Before exceptional items 2019 £m
Bricks and Blocks	**223.1**	279.1	**33.1**	7.2	**40.3**	80.4
Bespoke Products	**71.7**	103.5	**(14.6)**	12.2	**(2.4)**	2.3
Intersegment elimination	**(2.9)**	(2.6)	**–**	–	**–**	–
Group total	**291.9**	380.0	**18.5**	19.4	**37.9**	82.7

We recognise the importance of dividends to our shareholder base. As reported in the Chairman's Statement, in recognition of the improved trading seen at the end of 2020 coupled with the strength of our closing balance sheet, the Board is proposing a final dividend of 2.8 pence per share. This dividend, if approved by our shareholders at the forthcoming AGM, is in line with our pre-pandemic dividend policy of distributing 45% of our earnings. No interim dividend was paid in the year.

Subject to approval by shareholders, the final dividend will be paid on 9 July 2021 to shareholders on the register at 18 June 2021.

GOVERNMENT SUPPORT

At the height of the first lockdown approximately 75% of our workforce were placed on furlough, a total of approximately 1,500 people. Between March and October a total amount of £9.9m was claimed under the Coronavirus Job Retention Scheme (CJRS). All of the monies claimed were paid to our employees and the scheme was undoubtedly successful in helping us to avoid large scale redundancies as the pandemic unfolded.

The CJRS enabled us to provide all of our employees with an income through the first lockdown whilst allowing us to delay decisions on redundancies, facilitating a reduction in the final number of redundancies relative to those initially announced as our markets recovered more quickly than we originally anticipated.

The Group was confirmed as eligible for the joint HM Treasury and Bank of England Covid Corporate Financing Facility (CCFF) with an issuer limit of £175 million. The Board does not now expect to draw upon this facility, which provided the Group with access to additional emergency liquidity before the refinancing was completed and the trajectory of the recovery became apparent.

We also benefited from the ability to defer both direct and indirect tax payments although by the end of the year all these amounts had been paid and the Group's tax payments are now fully up to date.

EQUITY RAISE AND REFINANCING

With construction of the new Desford factory already well advanced as the pandemic hit, with the groundworks and building structure virtually complete and around £30m spent or committed, our key priority was to secure the financing necessary to guarantee the completion of this project. Our financing strategy had been to fund this project from the free cash flow generated by the business. However, with trading cashflows severely diminished by the imposition of lockdown, without visibility as to how quickly they would recover, it was necessary to consider our options.

After thorough consideration of the options available, the Board concluded that it would be imprudent to enter into further contractual commitments on the project without certainty that finance would be available to meet these obligations. Accordingly, we acted decisively and embarked upon an equity placing which was well supported by our shareholders, raising net proceeds of £53m after deducting issue costs. In addition, with the support of our lenders, we entered into an amendment and extension of our existing credit facility extending our committed facility to July 2024. We were also able to increase the quantum of our facility by £20m to £170m providing the Group with additional security and flexibility at a time of considerable uncertainty. The terms of the refinancing also included a package of covenant relaxations which offer greater flexibility in the event of continuing severe economic dislocation, something that now appears unlikely.

BUSINESS REVIEW
RESULTS FOR THE YEAR
CONTINUED

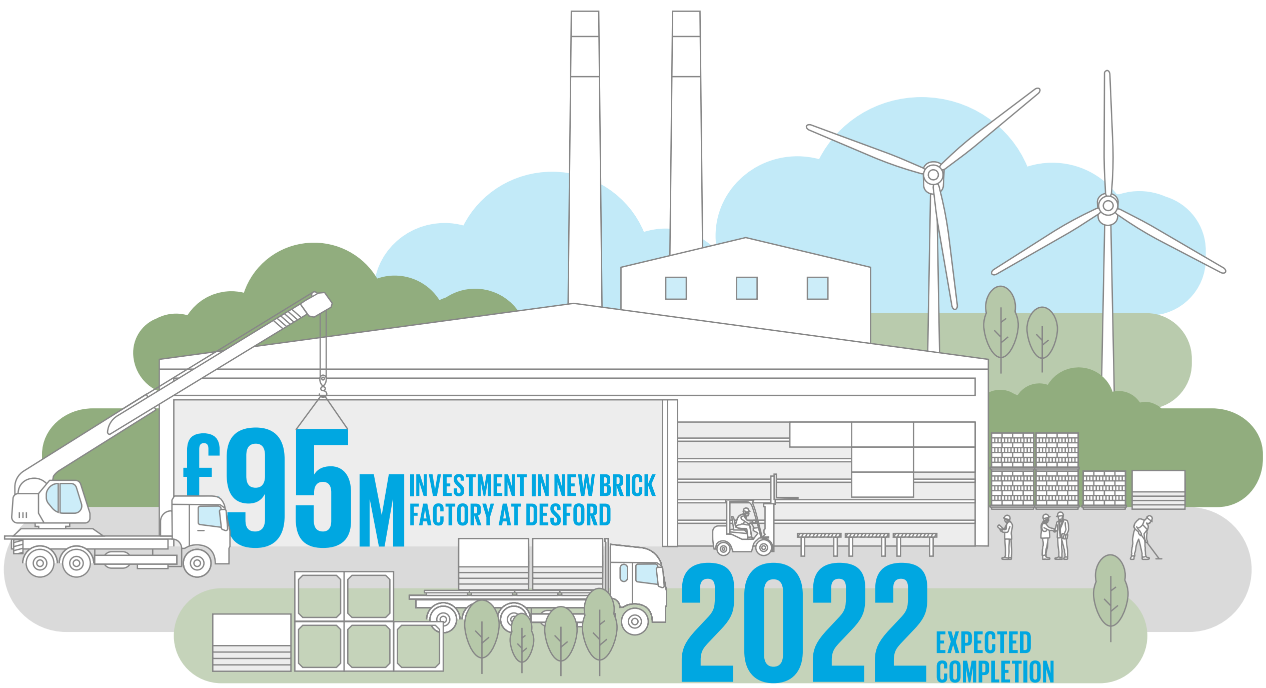
DESFORD BRICK FACTORY

Construction work on the new factory has continued throughout the year although Covid-19 presented a number of unforeseen challenges including the need to adhere to social distancing requirements and restrictions on travel to and from continental Europe. A further unfortunate indirect impact of Covid-19 was that a major supplier entered insolvency proceedings shortly before the large manufacturing equipment contracts were due to be placed. As work on this phase of the project hadn't yet commenced fortunately we did not suffer any financial loss and following a robust retendering process and extensive due diligence, contracts for the supply and installation of the manufacturing equipment were signed with an alternative supplier in January 2021.

The challenges faced in 2020 necessitated the reconsideration of the project timetable during the year. Commissioning of the factory is now expected to take place towards the end of 2022 rather than mid 2022 which had been our initial target. Whilst the ongoing pandemic still adds risk to the timetable, we remain confident that the project will be delivered inside of the original £95m budget.

As at 31 December 2020 cash spend on the project to date totalled £32.1m with a further £4.6m committed at the period end with further commitments of approximately £47m made in January 2021. It is currently expected that the cash outflows to complete the project will be £41m in 2021, £18m in 2022 with the final £4m in 2023 bringing the total spend to £95m. Our guidance for normal levels of maintenance capital expenditure remains at £12m per annum.

Discussions with customers regarding future supplies of Desford manufactured product continue with strong interest from our housebuilder and distributor customer base in securing access to what will be a proven and varied range of products ideally suited to volume housebuilding.



CASH FLOW – HIGHLIGHTS

	Before exceptional items 2020 £m	Before exceptional items 2019 £m
Operating cash flow before exceptional items	**53.9**	64.9
Payments made in respect of exceptional operating items	**(5.6)**	(1.1)
Operating cash flow after exceptional items	**48.3**	63.8
Interest paid	**(2.8)**	(2.4)
Tax paid	**(5.2)**	(8.8)
Capital expenditure:		
– maintenance	**(5.4)**	(9.9)
– strategic	**(19.5)**	(14.4)
Dividends paid	**–**	(22.0)
Purchase of shares by Employee Benefit Trust	**(1.0)**	(9.7)
Proceeds from sale of shares by Employee Benefit Trust	**0.9**	4.9
Net proceeds from issue of shares	**53.0**	–
Lease liabilities recognised on adoption of IFRS 16	**–**	(14.6)
New lease liabilities	**(0.6)**	(5.4)
Other movements	**(0.6)**	–
Payments made in respect of exceptional finance costs	**(3.2)**	–
Reduction / (increase) in net debt	**63.9**	(18.5)
Debtor days	**36**	40

CASH FLOW

Strong free cash flow generation is a key pillar of our investment case. The Group generated operating cash flow stated before exceptional items of £53.9m (2019: £64.9m), a decrease of only 16.9% on the prior year, highlighting the effectiveness of the Group at generating cash as soon as the initial lockdown was relaxed. Cash and liquidity management has been a priority for Management coming ahead of profitability for much of the year, driven by a desire to keep our employees safe, and a dramatic and sudden fall in demand for our products. Operating cash flow before exceptional items benefited from £9.9m of receipts from the Coronavirus Job Retention Scheme.

Sales in the second half of 2019 had been adversely impacted by Brexit and general election related uncertainty. This, coupled with the traditional seasonal inventory build in the first quarter of 2020 meant that we entered lockdown with relatively high levels of inventory. With the lifting of the initial lockdown demand steadily recovered, and our focus remained upon cash and working capital management. Production was restarted at each facility only when inventory levels necessitated. The benefit of this disciplined inventory management is evidenced by a £14.8m reduction in inventory in the year or a greater decrease of £24.1m if measured from the end of March when the pandemic began.

Additionally, as lockdown commenced there were fears of a liquidity crisis within the sector with some customers initially hesitant to pay their invoices as they fell due. Fortunately, constructive dialogue backed up with strong customer relationships coupled with the merchanting sector receiving an unexpected and timely cash injection from DIY customers purchasing building materials for cash, meant this risk was averted and customer payment patterns quickly returned to normal.

BUSINESS REVIEW
RESULTS FOR THE YEAR
CONTINUED

CASH FLOW CONTINUED

Working capital decreased by £14.3m in the year (2019: £17.2m increase) primarily as a result of a reduction of £14.8m in inventories highlighted above. Year-end debtor days were 36 compared with 40 at the end of 2019 reflecting a return to normal payment patterns.

Measures were taken to eliminate non-essential expenditure and we also cancelled the 2019 final dividend saving £15.0m. 2019 staff bonuses were cancelled and the Board and Executive Committee also took a voluntary 20% reduction in pay for three months.

Whilst the Desford construction project continued, all other uncommitted capital expenditure was paused. Non-Desford capital spend in the year was £5.4m (2019: £9.9m) which, when added to the £19.5m spend Desford in the year, resulted in a total capital expenditure of £24.9m (2019: £24.3m).

The equity placing detailed above raised net funds of £53.0m after fees. Exceptional cash outflows totalled £8.8m comprising restructuring costs of £5.6m and refinancing expenses of £3.2m. The cash outflows associated with the 2020 restructuring actions were completed in the year.

BORROWINGS AND FACILITIES

As at 31 December 2020 net cash (excluding lease liabilities under IFRS 16) was £16.0m (2019: net debt of £43.2m). Net cash after deducting lease liabilities of £9.4m was £6.6m. These leases primarily relate to plant and equipment and in particular the Group's fleet of heavy goods vehicles used to deliver our products to our customers.

Following the refinancing of our borrowing facilities during the year, the Group's debt facility now comprises a committed revolving credit facility (RCF) of £170m extending to July 2024.

As at 31 December 2020 a total of £15.0m was drawn leaving facility headroom of £155m. The Group also benefits from an uncommitted overdraft facility of £10m.

The facility is subject to covenant restrictions of Net debt / EBITDA (as measured before IFRS 16) of less than three times and interest cover of greater than four times although a package of bespoke amendments to these covenants applies until September 2021. The business has traded within these covenants throughout 2020. The facility also includes a restriction prohibiting the declaration or payment of dividends should leverage exceed three times.

BUSINESS REVIEW
BRICKS AND BLOCKS

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

We are also the only manufacturer of the iconic and original Fletton brick sold under the London Brick brand. Fletton bricks were used in the original construction of nearly a quarter of England's existing housing stock and are today used to match existing brickwork by homeowners carrying out extension or improvement work. We operate nine brick manufacturing facilities across the country with a total production capacity of 590 million bricks per annum. We are also a leader nationally in the aircrete block market, operating from Thermalite block facilities at Newbury and Hams Hall (Warwickshire). Our aggregate block product has a leading position in the important South East and East of England markets, with well-located manufacturing facilities at Milton (Oxfordshire) and Whittlesey (Cambridgeshire).

This segment also includes Formpave, the Group's concrete block paving business. Based at Coleford in Gloucestershire, Formpave manufactures a wide range of high-quality concrete block paving to suit all projects from commercial to domestic applications, and including the patented Aquaflow sustainable drainage system.

REVENUE

£223.1M

(20.1)%

2019: £279.1m

EBITDA BEFORE EXCEPTIONAL ITEMS

£40.3M

(49.9)%

2019: £80.4m

EBITDA MARGIN

18.1%

(1,070)bps

2019: 28.8%

BUSINESS REVIEW
BRICKS AND BLOCKS
CONTINUED

Segmental revenue in the year fell 20.1%, reflecting the impact of Covid-19. Revenues fell significantly through the initial lockdown although the second lockdown in November had no impact on sales. 2020 brick despatches as reported by the Department for Business, Energy and Industrial Strategy fell 23% relative to the prior year and our own brick sales volumes followed a consistent trend. Our block businesses delivered a resilient performance with sales volumes relative to the prior year falling by a lower percentage than bricks.

Selling price increases were generally agreed at the start of the year and for bricks these were sufficient to recover anticipated cost inflation although obtaining price increases in our aircrete block business was more difficult. Importantly, there was no price degradation through 2020 with prices agreed prior to the pandemic remaining firm throughout the year.

The chart below shows segment revenue by quarter as a percentage of the prior year with this clearly showing that much of the revenue shortfall was concentrated in the initial spring lockdown with sales steadily recovering through the summer and autumn such that by the end of the year, revenues were running ahead of the prior period comparative. As a reminder however, the comparator period was itself adversely impacted by the ongoing uncertainty around Brexit and the general election.

The recovery began in May, initially as tradesmen returned to work supplied by the builders' merchants who had reopened on a click and collect basis. The Government sanctioned reopening of the property market gave housebuilders the confidence to recommence their operations, initially focusing on completing existing plots before growing market confidence supported by Government stimulus in the form of the stamp duty holiday gave them confidence to start new plots and open new sites.

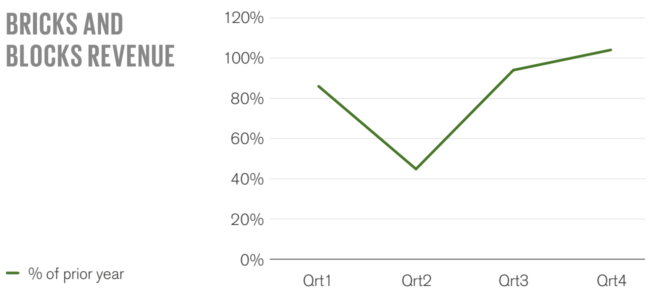
Sales revenues are a primary driver of our profitability although in a manufacturing business such as ours, capacity utilisation and production levels also impact upon profitability as operating our factories at full output allows us to efficiently utilise our fixed cost base. For much of 2020 the level of uncertainty required that our strategy prioritised liquidity management with production only restarting as inventory levels necessitated. Not only does managing inventory levels benefit our working capital position but it also affords greater flexibility to avoid overstocking should there be a future softening of demand. Careful management of inventory is important as excess growth in inventory could create downward pressure on prices.

UK brick industry sales volumes fell by around 23% with our own experience mirroring this whereas our brick production in 2020 fell by approximately 35%. As the business emerged from lockdown, sales increased more quickly than production, driving a reduction in inventories and a release of working capital. Our decision to delay the reopening of our factories was successful in managing both inventory and cash flow although this had the effect of reducing profits for the year as we were unable to fully absorb our fixed costs.

Cost inflation entering 2020 was fairly benign. Much of our energy requirement had been forward purchased during 2019 at prices which were competitive relative to prevailing rates at the time and in normal circumstances would have allowed us to benefit from energy prices that were lower than those seen in 2019. Lockdown however resulted in an unprecedented and sudden decline in our manufacturing activity and accordingly our consumption of energy was significantly reduced. When forward purchasing energy, we allow for a degree of production disruption, caused by a breakdown for example, but with the prolonged shutdown our production did not consume the levels of energy that had been forward purchased. The unused energy was sold back to the market at the prevailing market rate realising a one-off loss of £2.1m.

Accordingly, as a result of the disruption caused by the pandemic, EBITDA as stated before exceptional items of £40.3m declined £40.1m (49.9%) compared with 2019 (£80.4m), with the EBITDA margin of 18.1% representing a significant decrease on the prior year (2019: 28.8%). A strong and progressively improving performance in the second half of the year however has allowed us to deliver a result significantly ahead of that envisaged at the half year.

BRICKS AND BLOCKS REVENUE



Our close relationships and partnerships with our customers were more important than ever throughout 2020. Responsiveness and customer service were a key priority in the year as our customers, like ourselves, sought to respond to the challenges presented by the pandemic.

During the first lockdown, with our office staff working remotely, we were able to continue to meet the needs of our customers. Despatching from stock, using our in-house fleet of delivery vehicles and with our customer service staff, often using mobile phones to communicate, we remained open for business when others in our industry shut down completely. As business returned to a form of normality into the summer, we fast tracked further investment into our communication and information technology systems such that upon the onset of the second lockdown in November, our customer service teams were able to seamlessly work from home. With customer demand during the second national lockdown far above the levels seen in the first, this allowed us to retain the highest levels of customer service and responsiveness, whilst ensuring our office staff remained safe. Our investment in information technology continued with the deployment of enhanced 'case management' capability to improve customer service through better tracking of customer queries and complaints.

Delivery of our bricks and blocks is fulfilled by our own fleet of vehicles, supplemented by third party hauliers. As one of the few manufacturers in our sector operating our own fleet of delivery vehicles, we believe that having ownership and control of our own specialist distribution provides us with a competitive advantage and this was demonstrated through the first lockdown. We have continued to invest in our distribution and customer service functions with orders being placed for 60 new specialist delivery vehicles incorporating the latest safety features and low emission Euro 6 engine technology.

Away from the challenges presented by Covid-19, we continued to innovate and develop our product range. At the beginning of the year we launched our new next generation brick slip façade system, SureBrick, demonstrating our commitment to modernising and improving building standards whilst gaining access to the growing market for offsite-focused façade solutions. SureBrick is lighter than traditional masonry and simple to install with no reliance on traditional brick laying skills. Although Covid-19 has limited the growth of this product in its first year it has been specified on numerous projects to be delivered in 2021 and we expect sales of this unique solution to grow strongly.

During the year we also launched our range of Waterstruck soft mud bricks manufactured at our Measham facility. Waterstruck bricks use water to release the brick from the mould rather than sand, giving a unique traditional finish replicating the aged look of reclaimed bricks.

BUSINESS REVIEW
BESPOKE PRODUCTS

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

Precast concrete products are designed, manufactured and shipped nationwide under the Bison Precast brand from three facilities situated in the Midlands. Our Red Bank range of terracotta and concrete chimney and roofing products are made at a single facility alongside our state of the art brick factory at Measham. Our products include:

- beam and block flooring including Jetfloor, which was the UK's first suspended ground floor system to use expanded polystyrene blocks combined with a structural concrete topping to provide high levels of thermal insulation;
- hollowcore floors and associated staircases and landings which are used for upper floors of multi-family and commercial developments, with the majority of floors fitted by our in-house installations team;
- structural precast components including precast concrete walls used in applications such as hotels and prisons, and concrete beams used in the construction of building frames as well as stadia components;
- architectural precast concrete façades, in a variety of finishes including brick facings; and
- Red Bank chimney pots, flue systems, ridge tiles and air bricks.

REVENUE

£71.7M

(30.7)%

2019: £103.5m

EBITDA BEFORE EXCEPTIONAL ITEMS

£(2.4)M

(204.3)%

2019: £2.3m

EBITDA MARGIN

(3.3)%

(5,500)bps

2019: 2.2%

Segment revenues fell 30.7% to £71.7m with the Bespoke Products segment and in particular Bison Precast, hardest hit by the effects of the pandemic.

As reported previously, trading conditions in the hollowcore flooring market have been deteriorating for the last few years with a steady decline in margins. One impact of the Covid-19 pandemic is that, for the foreseeable future at least, there is likely to be a reduction in demand for new apartment blocks and office buildings, both building types that utilise hollowcore flooring in their construction.

The recent recovery in the residential construction sector has been driven by single family housing with home buyers keen to secure more space and their own gardens, reducing demand for flats. The lockdowns in late 2020 and early 2021 are expected to exacerbate this trend. In addition, the growth in home working is likely to lead to a reduction in demand for new urban office space, at least in the medium term. Considering this likely fall in demand, coupled with the low margins earned from the hollowcore product prior to the crisis, Management acted quickly and decisively to restructure the precast concrete flooring business reducing the cost base to ensure the business remains profitable.

Accordingly, the majority of the Covid-19 led headcount reductions made across the business have been centred upon the Bespoke Products segment and in particular Bison Precast, with the mothballing of the hollowcore manufacturing facility at Swadlincote and the consolidation of precast concrete flooring manufacture at the more flexible Hoveringham facility. The Swadlincote hollowcore factory is characterised by its high level of fixed costs requiring it to be operated at close to capacity in order to be profitable. The decisive action was taken to prevent this facility from becoming loss making and we are confident that this consolidation of production and the significant cost rationalisation it provides will mitigate the impact of falling demand.

As expected, our beam and block flooring sales, which represented approximately 44% of segmental revenues in 2019 and 47% in 2020, have been more resilient. This product commonly forms the ground floor of single-family homes and as such is a good indicator of new housing starts. Sales of these floor beams were slower to recover than bricks and blocks coming out of lockdown as housebuilders initially focused on completing existing plots ahead of starting new ones although sales recovered strongly in the final quarter.

Segmental EBITDA before exceptional items fell from £2.3m in 2019 to a loss of £2.4m although importantly, in line with expectations set at the half year, the segment did make a modest profit of £0.5m at an EBITDA level in the second half of the year. When considering the results of this segment it remains important to understand that the Group's central overheads are apportioned to each of the two trading segments. The EBITDA above is stated after the allocation of £3.6m (2019: £3.1m) of Group central overheads.

Management is confident that this consolidation of production and the significant cost rationalisation it provides is sufficient to mitigate the impact of declining demand for hollowcore flooring. Our strategy will now be to maximise sales of the higher margin beam and block product whilst targeting our manufacture of hollowcore flooring on servicing key customers who purchase a wider range of products. Our expectations are for this segment to show progression in 2021.

Non-housing products however have proved to be more resilient. Working in accordance with public health guidelines, manufacturing continued throughout the initial lockdown to service key Government infrastructure projects including the new prison at Wellingborough, where we recently supplied the last of almost 5,000 bespoke precast concrete components. In addition, products continued to be manufactured and supplied into the Hinkley Point nuclear power station along with a flood defence scheme in Leeds.

Following the successful Wellingborough prison project, we are pleased to have been awarded a large order working with Lendlease on the construction of the Ministry of Justice's next new prison at Glen Parva in Leicestershire. This prison is being built to a very similar design to that at Wellingborough allowing us to leverage our experience from the initial project.

BUSINESS REVIEW
OTHER FINANCIAL INFORMATION

EXCEPTIONAL COSTS

The actions announced to address the Group's cost base included both changes to shift patterns and adjustments to the size and structure of support functions. We have consolidated the manufacture of all precast concrete flooring products at our Hoveringham facility in Nottinghamshire, mothballing our hollowcore flooring facility at Swadlincote in Derbyshire. In total, these changes as initially proposed would have led to the loss of approximately 225 jobs, primarily from our Bespoke Products division.

Whilst all job losses are regrettable, it was pleasing that the better than expected recovery of our markets through the summer meant that it was possible to subsequently reduce the actual number of job losses to approximately 160. An exceptional charge of £2.4m is recognised in respect of Group restructuring.

Exceptional financing costs comprising of arrangement fees and professional fees totalling £3.4m were incurred in respect of the refinancing of the Group's banking facilities. No costs associated with the equity placing have been charged to the Consolidated Statement of Total Comprehensive Income with transaction costs of £2.0m being deducted from the gross proceeds received and accounted for through equity.

In addition, exceptional non-cash impairment charges of £17.0m were recognised, comprising £10.2m in respect of an impairment in the carrying value of the Swadlincote hollowcore facility and associated goodwill following the decision to mothball this facility. A £6.0m charge was recognised in respect of the historic goodwill balance relating to the Formpave business; this goodwill balance was generated upon HeidelbergCement AG's acquisition of Hanson plc in 2007 and was subsequently carried forward into our balance sheet on separation from HeidelbergCement. This impairment followed a reassessment of the future discounted cash flows expected to be generated by this business. Finally, an impairment charge of £0.8m was recognised following a decision to cease use of and replace an IT system.

FINANCE COSTS

Recurring finance costs for 2020 were £3.4m (2019: £2.5m). Upon the onset of the pandemic, uncertainty as to how the banking sector would deal with the crisis led the Group to draw down its revolving credit facility (RCF) in full. This was partially repaid on completion of the refinancing and equity placing in July.

Under the terms of the amended and restated credit agreement, interest is currently charged at a margin of LIBOR +4.00% until 31 December 2021. After this it reverts to a margin grid dependent on leverage with a margin of LIBOR plus 1.75% applicable whilst leverage (Net debt / EBITDA, pre IFRS 16) is less than one times, increasing to a margin of 4.00% should leverage exceed 3 times. A commitment fee of 35% of the margin is payable on the unborrowed facility.

TAXATION

The effective tax rate (ETR) excluding exceptional items was 18.4% (2019: 19.5%). Inclusive of exceptional items the ETR was (3.8)% (2019: 19.3%). The ETR is lower than the UK statutory rate of 19.0% (2019: 19.0%) due to the reversal of an uncertain tax provision. Excluding this, the ETR excluding exceptional items is 23% and therefore higher than the UK statutory rate due to permanent adjustments for non-deductible items such as depreciation on non-qualifying assets. The ETR excluding both exceptional items and the reversal of the uncertain tax provision is higher than the prior year ETR, before exceptional items (2019: 19.5%) as due to the significant fall in profits driven by the pandemic, the permanent adjustments for non-deductible items have a bigger impact. Assuming no changes in the UK statutory rate of corporation tax, then providing our profitability recovers, we would expect the 2021 ETR to be closer to the 2019 rate.

PENSIONS

The Group has no defined benefit pension liabilities. There is a defined contribution arrangement in place and pension costs for the year amounted to £5.5m (2019: £6.1m).

FORWARD-LOOKING STATEMENTS

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

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

Stephen Harrison
Chief Executive Officer

Ben Guyatt
Chief Financial Officer

9 March 2021

SECTION 172 STATEMENT
ENGAGING WITH OUR STAKEHOLDERS

We are committed to engaging with all of our stakeholders, ensuring that strong relationships are built and maintained. These relationships are core in progressing towards our strategic goals.

Our key stakeholders are at the core of everything we do, and in overseeing the Group's strategy, found on pages 18 to 21, and the business model, found on pages 12 to 15, ensure the Board remain fully conscious of the impact of their decisions across our stakeholder group. Whilst the following details engagement across our stakeholder group, this should be read in conjunction with the Corporate Governance Statement on page 82 where Board specific engagement is detailed further.

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

The Board consider, both individually and collectively that they have acted in good faith to promote the success of the Company for the benefit of the Company's members as a whole in their decision making through 2020. In making a declaration that they have fulfilled their responsibilities in this matter the Board have considered the matters detailed in s172(1) paras (a–f). The table overleaf highlights examples of how the Directors have satisfied their duty under s172 across the year.

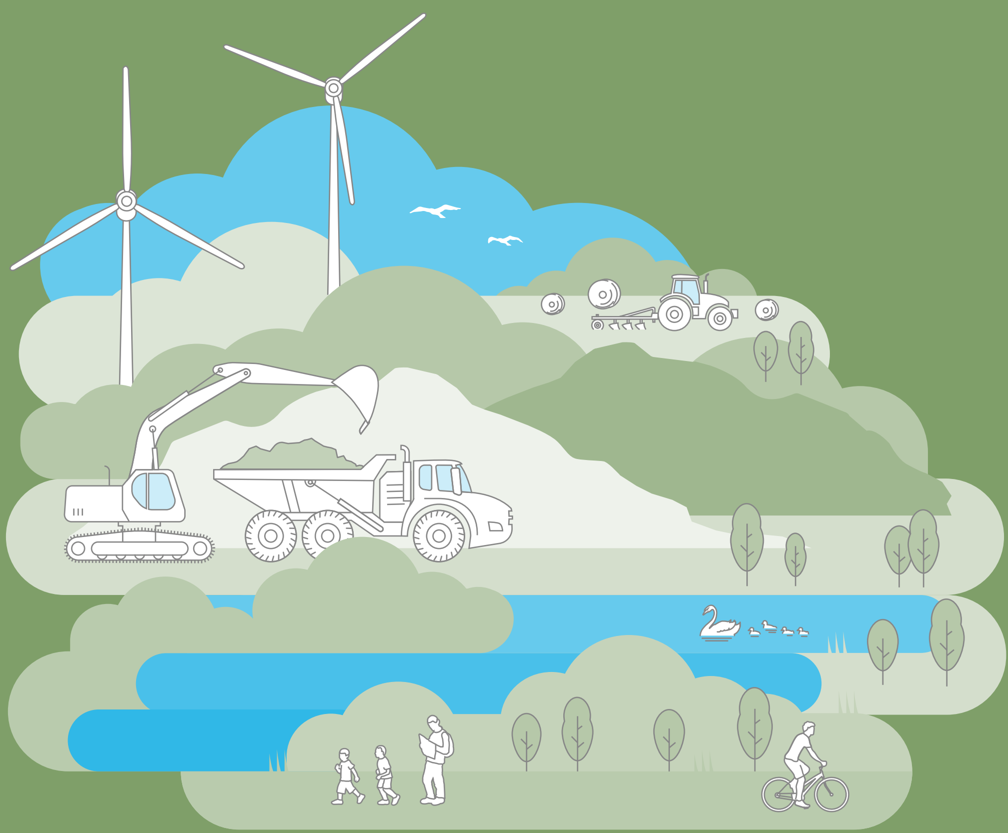
SECTION 172 STATEMENT
ENGAGING WITH OUR STAKEHOLDERS

Stakeholder	Aligning with our values	How did we engage
PEOPLE **We aim to create an engaging workplace that attracts and retains successful people**	Safety first, People matter	▪ Provision of regular employee updates throughout the pandemic across a number of mediums, adapted as many employees were furloughed or working from home. ▪ Our Employee Forum has given employees the opportunity to engage directly with senior leadership, including the Board. ▪ Regular "town hall talk" management briefings equipped local management to disseminate information to wider workforce on a face to face basis.
CUSTOMERS **Our customers are essential to our business and developing to continue to meet their needs is core to our success**	Customer focus, Trusted to deliver	▪ Our commercial team continually engaged directly with customers. ▪ Our sales office formed the first point of customer contact. ▪ Ongoing engagement with customers and potential customers highlighted changing customer requirements and product preferences.
SUPPLIERS **Working collaboratively with our supply partners we ensure value is delivered throughout our supply chain**	Trusted to deliver, Driving improvement	▪ Throughout the worst of the Covid-19 pandemic we provided weekly updates and engaged in increased direct communication with our supply chain. ▪ We performed a number of surveys on suppliers around Brexit impact. ▪ We focused on direct engagement with supply partners whose own supply chains relied on imported content.
COMMUNITY **We believe in putting communities at the heart of everything we set out to achieve**	People matter, Trusted to deliver	▪ We engaged in regular dialogue with local communities at our manufacturing locations.
SHAREHOLDERS **The core of our strategy is to create sustainable shareholder value**	Safety first, People matter, Customer focus, Trusted to deliver, Driving improvement	▪ Results presentations were delivered on release of full and half year results. ▪ Meetings were held between management and both current and potential shareholders. ▪ The investor relations section on our website has facilitated easy access to announcements, key dates and publications. ▪ Our AGM enabled shareholders direct access to the Board. ▪ Our Chairman continued to offer annual meetings to major shareholders. ▪ The Senior Independent Director and Remuneration Committee Chair were available to meet with shareholders to discuss both general business performance and remuneration matters. ▪ Our management regularly engaged with the analyst community who then disseminated research to both current and potential shareholders.

OUR VALUES: SAFETY FIRST · PEOPLE MATTER · CUSTOMER FOCUS · TRUSTED TO DELIVER · DRIVING IMPROVEMENT

Topic	How did we respond
COVID-19	▪ Regular podcasts from the CEO were distributed to all employees throughout the pandemic. ▪ The creation of employee social media groups provided space for our people to communicate on familiar platforms.
WELLBEING	▪ In partnership with our Employee Forum, a Mental Fitness Working Party has been created ahead of launching our forthcoming Mental Fitness campaign.
COVID-19	▪ Our area sales managers largely remained at work throughout the first lockdown, allowing the most direct line of communication with our customer base to remain open throughout a challenging period, ensuring we could quickly respond to changes in our customers' businesses. ▪ Introduction of new communications technology allowed our customer service coordinators to be contacted by customers as though they were in the office whilst working from home. Introduced in August, this was critical to maintaining service levels during the autumn as activity was returning to near normal levels.
PRODUCT AVAILABILITY	▪ Product availability throughout the year led to good service ratings from customers, with Forterra winning a service award from the NBG buying group. ▪ A number of new bricks were launched during the year to enhance the range and meet the changing needs of customers.
COVID-19	▪ We performed a thorough risk analysis of the supply chain, identifying suppliers needing closer contact and support. ▪ We completed targeted assessments through our supplier management system, with identified medium and higher risk suppliers, identifying supply chain impacts and risks to operations and finances.
BREXIT	▪ We increased our stock holding of relevant imported raw materials and spare parts, both at our own operational sites and within our supply chain.
WORKING IN HARMONY WITH THE COMMUNITIES WITHIN WHICH WE OPERATE	▪ The focus of our employee Best Practice awards shifted to the Best Practice Community Awards; highlighting the work done in local communities by many of our employees. ▪ We continued to support employee charity fundraising endeavours although the pandemic restricted these. ▪ We made a large donation to the food poverty charity, Fareshare, continuing our charitable giving throughout the pandemic. ▪ Regular product donations were made including the donation of materials to the refurbishment of the Rennie Grove Hospice Care building and other important community projects.
COVID-19	▪ Investor presentations and subsequent meetings seamlessly transitioned to become virtual. ▪ Prompt updates were made to the market on the impact of Covid-19 and our response across the year.
SUSTAINABILITY	▪ Whilst always an important area to our business, feedback from our shareholders highlighted a need for us to share more insight into our work on sustainability. In response a Sustainability update was released in the year and our comprehensive Sustainability Report, included within this Annual Report, details our ongoing sustainability focus as well as our new challenging targets.
EQUITY RAISE	▪ Ahead of the equity placing in July 2020, Management fully engaged with major shareholders in explaining the rationale for the transaction.

SUSTAINABILITY REPORT



SUSTAINABILITY REPORT
INTRODUCTION

"The need for our business to demonstrate its support of the UK's transition to a net zero carbon economy has never been greater, nor has the importance of people and communities been highlighted more acutely than during the Covid-19 pandemic."

Divya Seshamani
Chair of the Risk and Sustainability Committee

As Chair of the Risk and Sustainability Committee, I am pleased to introduce Forterra's first Sustainability Report. This comprehensive report defines our strategy, including our ambitious future targets, demonstrating our ongoing commitment to act as a responsible guardian of the environment whilst also creating stronger social value across communities.

The report contains a strong focus upon depth of information, with a deliberate intention to increase the transparency of our sustainability performance, as well as providing a clear picture to stakeholders of the way in which our business impacts the environment, and society. Through the clear framework of 'Planet, Product, People', we have developed a balanced and holistic approach to sustainability. This framework has been underpinned by our completion of a comprehensive materiality assessment, taking feedback from key stakeholder groups, prioritising the most material topics and addressing the risks and opportunities present within each of these pillars.

We are committed to working towards full compliance with the recommendations of the Task Force on Climate Related Financial Disclosure (TCFD) and this report represents the first stage of this journey. In expanding the remit of the Board's Risk Committee to become the Risk and Sustainability Committee we have formalised our governance and risk management framework around climate related risks and opportunities. We are providing an informative, transparent disclosure of the climate related risks that we face in the short, medium and long term. We recognise that full TCFD compliance is a goal that cannot be achieved in a single year; with compliance becoming mandatory for 2021 reporting, we will seek to further expand our disclosures next year.

We have demonstrated strong progress on sustainability over the last decade; starting under the custody of our previous owners, and gaining pace from IPO through to setting new challenging targets and embedding them in our strategy. In publishing this report we undertake to put sustainability at the heart of everything we do. We have already reduced our carbon emissions per tonne of production by 27% in the last decade and are now targeting a further reduction of 32% per tonne of production over the next ten years, assuming that our product mix remains unchanged. We are pleased to have signed up to United Nations Race to Zero campaign ahead of the UK hosting the COP 26 Climate Change Conference in November 2021, committing to net zero carbon emissions by 2050 following science based targets applicable to our industry. In addition, we are taking a leadership role in removing plastic packaging from our products and we expect to reduce our usage of plastic packaging by 50% in the next five years.

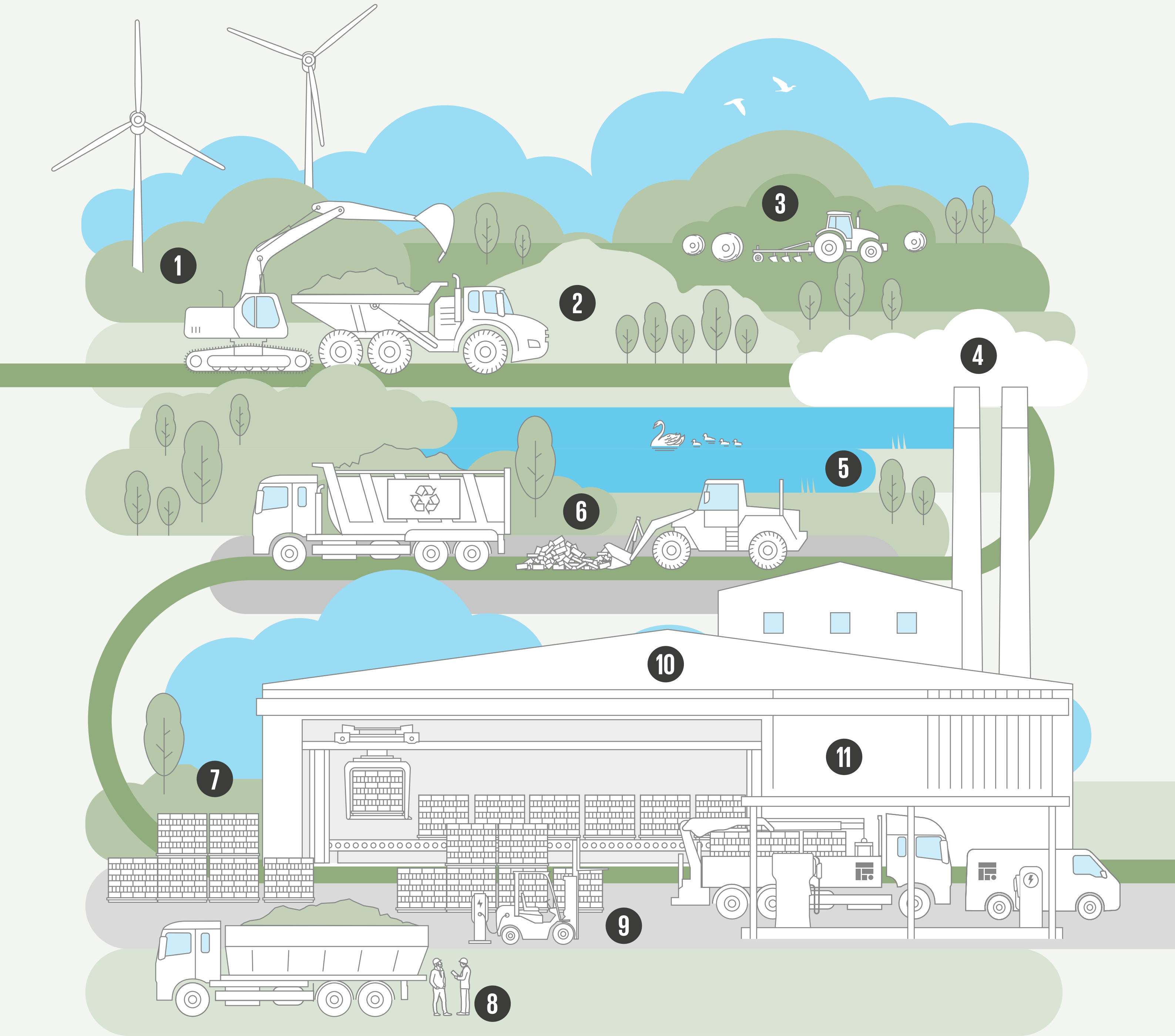
We are clearly disclosing the key metrics and targets used to assess our sustainability performance, these disclosures are informed by the outcome of our materiality assessment and also the requirements of the Sustainable Accounting Standards Board (SASB) standard on construction materials.

By increasing the transparency of our environmental impacts and performance we are not diminishing our focus on health and safety with this remaining our number one priority. Our people remain absolutely critical to our success and we are also pleased to highlight our commitment to rewarding and developing our people. We have become an accredited living wage employer and we have also recently joined the 5% Club, committing to having five percent of our workforce in earn and learn positions in five years time.

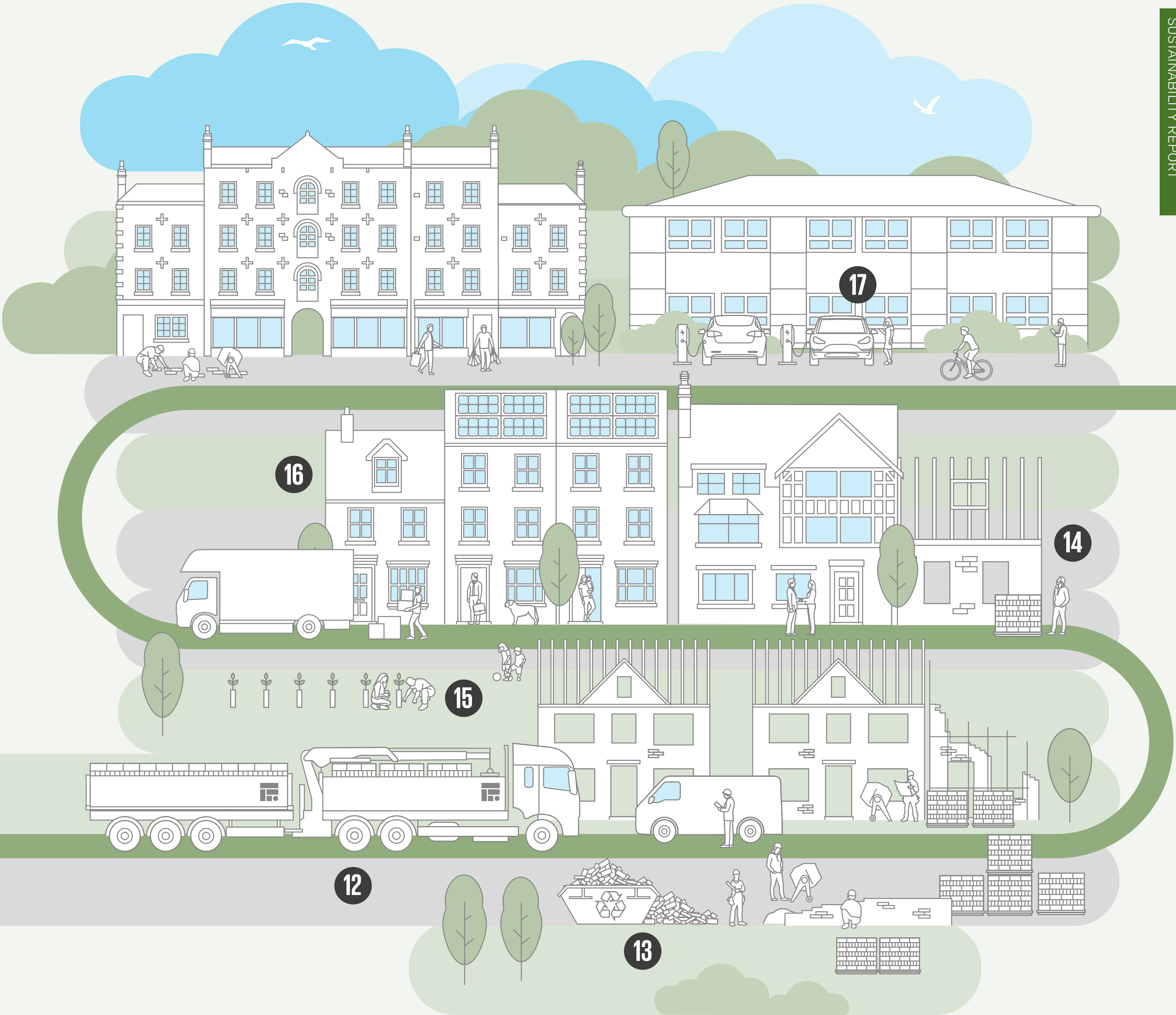
I hope you find this report and the transparency of disclosure it contains both helpful and informative, and we very much welcome feedback as to how we could enhance this in future years.

Divya Seshamani
Chair of the Risk and Sustainability Committee

SUSTAINABILITY REPORT
OUR IMPACTS



1. 100% of our electricity came from renewable sources in 2020.
2. We extract clay from quarries adjacent to our brick factories.
3. When mineral extraction is complete our quarries are restored to nature or back to agricultural use.
4. Our factories and especially our kilns emit greenhouse gases. We are investing in our business to reduce these emissions.
5. We limit our mains water usage through rainwater harvesting and recycling systems.
6. Almost all of our process waste is recycled back into our products.
7. We are making large reductions in our use of plastic packaging.
8. We purchase raw materials from suppliers supporting jobs in our supply chain.
9. We aim to invest further in electric powered mobile plant.



10. Our strategy focuses on efficient manufacturing allowing us to reduce our energy usage.
11. Our plant and equipment currently runs on diesel. We have started to transition to cleaner fuels.
12. We are investing in delivery vehicles with the latest emission reducing engine technology.
13. At the end of their life our products are recyclable.
14. We provide products that match existing homes allowing older homes to be extended and repaired.
15. We are committed to biodiversity and will increase our tree planting.
16. Our products help build high quality energy efficient homes that last for generations.
17. We provide employment for approximately 1,700 people, playing an integral role in our local communities.

SUSTAINABILITY REPORT
MATERIALITY ASSESSMENT

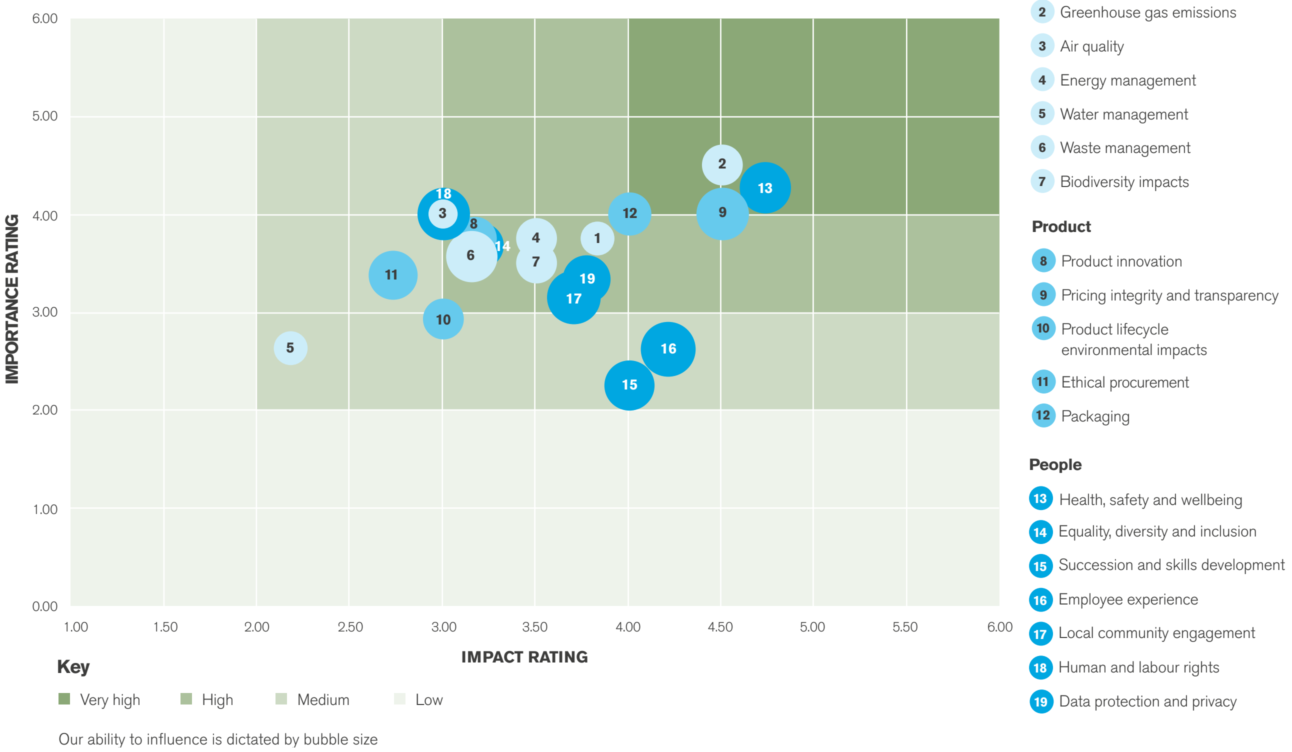
MATERIALITY ASSESSMENT PROCESS

In 2020 we worked alongside external consultants to carry out a materiality assessment, with the intention of providing an overview of our priority sustainability topics and in turn enabling our focus and resources to be appropriately deployed in these areas. The viewpoints of key stakeholder groups were critical to the creation of this assessment, and we sought feedback and insight from multiple perspectives, including those of shareholders, local communities, employees and customers.

Approach and process

STEP 1 **Identifying issues**	We created a long list of potentially material topics through the review of sustainability reporting publications, internal policies and management insight. This was supplemented by an evaluation of relevant sustainability frameworks including the Sustainable Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI). It was important at this stage to ensure we had covered social, and governance factors alongside purely environmental impacts.
STEP 2 **Broadening and refining the scope**	Our external consultants provided a broader perspective of macro sustainability topics, assessing their relevance and application to our business, such as the United Nations Sustainable Development Goals (UNSDGs). Specific feedback from shareholder meetings was also included, as well as research from relevant industry bodies.
STEP 3 **Assessment and scoring**	We assessed our material topics and provided a scoring criteria based upon two factors. Firstly, the importance of the topic to stakeholders, and secondly the impact of the topic upon future business performance. Our external consultants assisted us in this process, providing a consistent framework for the basis of assessment.
STEP 4 **Prioritisation and validation**	An assessment of the ability of the business to influence each topic provided further perspective to the prioritisation process and was a key further dimension brought into our analysis. The outcome of the materiality assessment was reviewed at Board level to ensure appropriate challenge, validation and alignment to the Group strategy.

MATERIALITY MATRIX



Our materiality matrix above summarises the outcomes of the materiality assessment, providing a visual overview of our key topics. We recognise that the matrix contains an element of subjectivity; impact can be defined in various ways including risk of non-compliance, impact to reputation or financial implications. Equally, importance may vary between different stakeholder groups. The matrix should therefore be viewed in this context, as an indicative overview and insight to Management's perspective on the subject.

SUSTAINABILITY REPORT PILLARS

OUTCOMES

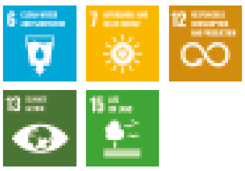
The materiality matrix categorises the material topics into our sustainability reporting framework of “Planet, Product, People”. The framework sets out a balanced approach to sustainability through these three pillars:

- The Planet pillar frames our wider environmental responsibilities, with a particular focus upon greenhouse gas emissions.
- The Product pillar focuses upon some more specific industry and Company level topics, including new product development, and the wider supply chain.
- The People pillar highlights our social responsibility objectives, including utmost priority of ensuring health, safety and wellbeing across our business.

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

This framework sets out our key future targets, and reporting metrics within each sustainability pillar. We continue to investigate additional opportunities to contribute to sustainable development and have also linked our framework to the United Nation’s Sustainable Development Goals (UNSDGs) that most closely align to each pillar.

In the future we will seek to further align our objectives to the SDGs, to quantify and to disclose our impact on the SDGs at objective level.

	PLANET	PRODUCT	PEOPLE
Material Themes	Climate Change Adaption Air Quality Energy Management Greenhouse Gas Emissions Waste Management Biodiversity Water Management	Product Lifecycle: Environmental Impacts Plastic Packaging Product Innovation Pricing Integrity and Transparency Ethical and Sustainable Procurement	Equality, Diversity and Inclusion Community and Charity Engagement Health, Safety and Wellbeing Employee Experience Data Protection and Privacy Human and Labour Rights Succession and Skills Development
Future Targets / Commitments	• CO_2 intensity targets (2019-2030): – 33% reduction within clay products – 80% reduction within concrete products • Zero waste to landfill • 10% of electricity use generated from onsite renewable sources by 2025 • Climate change risk disclosure following recommendations of TCFD	• 10% of revenue from new and sustainable products by 2025 • Commitment to working with our suppliers to ensure they also adopt stretching reduction targets in line with our own ambitions • Plastic packaging reduction of 50% by 2025 (from 2019 baseline)	• Zero harm ambition for health and safety • 5% of employees in “earn and learn” positions by 2025 • Annually conduct and publish employee engagement surveys • Improved ethnic and gender diversity
UNSDGs			
Reporting Metrics	• CO_2e emissions (absolute / intensity per tonne of production) • Air quality emissions • Waste – % recycled / tonnes to landfill / tonnes hazardous waste generated • Energy and water usage per tonne • Percentage of renewable energy used off site / on-site generated	• New product index (NPI) • % of suppliers covered by internal compliance programme • Plastic packaging used	• Lost time incident frequency rate (LTIFR) • Gender pay reporting • Employee engagement performance score • Percentage of employees in learning positions

Environmental Social Governance

SUSTAINABILITY REPORT PILLARS
CONTINUED

METRICS AND TARGETS

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

Our metrics and targets are informed by the outcome of our materiality assessment which identifies the subject areas deemed most relevant to our stakeholders. In identifying further measures and targets for publication we have also considered the requirements of the Sustainable Accounting Standards Board (SASB) standard on construction materials and have sought to comply with the disclosure requirements of this standard in as far as we believe the information provided will be useful and meaningful to our stakeholders. As with the requirements of TCFD, we will seek to enhance our disclosure of the key metrics as laid out within the SASB construction materials standard in future years.

Details of our challenging targets and commitments are laid out on page 45 opposite. We have also elevated both our clay and concrete GHG emission intensity ratios as Key Performance Indicators and these are disclosed on page 23 along with our other KPIs.

Our full disclosure is shown on page 61 and includes metrics covering each of our planet, product and people pillars, as noted on page 43, extending our disclosure beyond GHG emissions and covering key drivers and indicators relevant to all our sustainability goals.

2010–2020 TARGETS

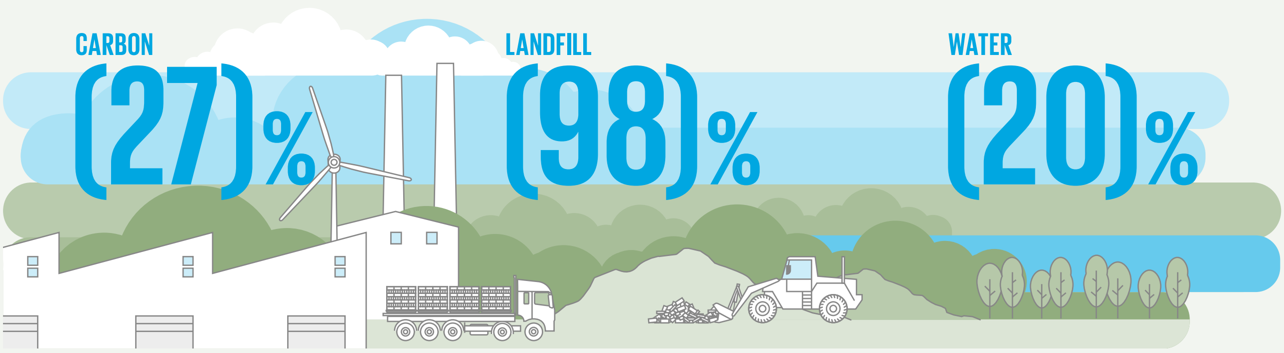
2020 marked the end of the latest step in our journey to reduce our environmental impact. In the last 10 years we have materially reduced our carbon intensity and mains water usage, and virtually eliminated the sending of waste to landfill which has resulted in three of our four targets being achieved in either 2019 or 2020.

We have failed to achieve our target of reducing energy usage, partly due to changes in product mix which is why we have set separate targets for clay and concrete looking forward. The pandemic resulted in the temporary closure of the majority of our factories, significantly distorting our energy use per tonne of production primarily as a result of lost operating efficiency and also through a temporary shift in product mix. The suspension of production also led to an increase in water usage per tonne along with an issue with an onsite bore hole at one of our sites requiring a temporary switch to mains water. To continue to build on this progress, we have set new ambitious targets and commitments under the planet pillar, covering our key environmental impacts. Our new targets are based on a 2019 benchmark free from the distortions resulting from the production disruption caused by Covid-19.

The origins of Forterra can be traced back over 150 years, and we therefore have more reason than most to ensure that we leave a strong sustainability legacy for generations to come.

OUR TARGETS 2010-2020

	Change since 2010	
	2019	**2020**
Reduce carbon emissions – Kg per tonne by 20%	(22)%	**(27)%**
Reduce waste to landfill – Kg per tonne by 85%	(92)%	**(98)%**
Reduce mains water use – litres per tonne by 25%	(42)%	**(20)%**
Reduce energy use – kWh per tonne by 10%	(4)%	**5%**



OUR REPORTING

The table below summarises our defining future sustainability targets, shown under our sustainability pillars framework and reflecting our wider breadth of key performance indicators following the materiality matrix assessment.

Our wider reporting suite of data, which has been adopted in line with the SASB reporting standard for construction materials is detailed on page 61.

PILLAR: PLANET PRODUCT PEOPLE

Pillar	Topic	Target	Target year	Metric	2010	2019	2020	Target
Planet	Group CO_2 emissions / tonne	32% reduction vs. 2019 baseline	2030	Kg CO_2 / tonne	159.0	123.4	**115.3**	83.9
Planet	Clay products CO_2 emissions / tonne	33% reduction vs. 2019 baseline	2030	Kg CO_2 / tonne	330.1	255.7	**237.1**	171.3
Planet	Concrete products CO_2 emissions / tonne	75% reduction vs. 2019 baseline	2030	Kg CO_2 / tonne	27.8	20.9	**21.4**	4.2
Planet	Electricity sourced from on-site renewables	10% Group power usage	2025	%	–	–	**–**	10%
Planet	Waste to landfill	Zero process waste	n/a	Kg / tonne	1.92	0.16	**0.03**	0.00
Product	New product index	10% Group revenue	2025	% of revenue	n/a	0.6%	**1.2%**	10%
Product	Plastic packaging consumed	50% reduction vs. 2019 baseline	2025	tonnes	n/a	1,951	**1,050**	976
People	Health and safety – Lost time incident frequency rate (LTIFR)	Zero harm ambition	n/a	No. of accidents per million man hours worked	4.60	7.35	**2.52**	0.00
People	Membership of 'The 5% Club'	5% of employees in earn and learn positions	2025	%	n/a	3.2	**3.5**	5%

SUSTAINABILITY REPORT
PLANET

PLANET MATERIALITY THEMES

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

There is growing recognition that the world is in the midst of a climate emergency, driven by rising global temperatures fuelled by greenhouse gases. Extreme events including drought, fires and flooding are likely to continue to increase, with significant impacts upon communities, species and habitats.

Our business and sector plays a crucial role in the defence against climate change. Today, our products are "climate ready", offering flood resilience, high levels of thermal performance reducing the amount of energy required to heat and cool homes and assured durability in use spanning generations.

We recognise the ever-increasing expectations of our stakeholders, and our primary future challenge is the decarbonisation of our products to support the wider built environment aspirations of delivering zero carbon buildings.

GREENHOUSE GAS EMISSIONS

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

CLAY PRODUCTS

Clay is the primary raw material used to make bricks. The clay is typically sourced locally from our own quarries, limiting the environmental impacts of transportation to factories. The clay is ground and then formed into a brick shape using a variety of methods. The grinding and forming process uses electrical energy. At this stage bricks contain significant amounts of moisture which must be removed before they can be fired. This drying process utilises recycled heat from our kilns.

THE SCOPE OF CARBON EMISSIONS

The Greenhouse Gas Protocol breaks emissions down into three categories:

Scope 1 – All direct emissions from our business or under our control. This includes the fuels used in our manufacturing processes, the largest component being the gas used to fire our kilns. Also included within scope 1 are what we refer to as process emissions, produced from embodied carbon within the clay which is released in the firing process as the bricks reach very high temperatures within our kilns. The emissions from our mobile plant and our own delivery vehicles are also included here.

Scope 2 – Indirect emissions from the electricity we purchase and use. We have eliminated our scope 2 emissions by purchasing Renewable Electricity Guarantee of Origin (REGO) certificates for 2020, which ensures that our electricity has been produced from renewable sources.

Scope 3 – All other indirect emissions from our activities. This includes emissions generated from the manufacture, processing and transport of the materials and products we purchase. Also included are the emissions from delivery vehicles where our products are delivered on our behalf by haulage contractors. Identifying and calculating all of our scope 3 emissions would be extremely difficult and there is currently no requirement to do this. We are however seeking to work with our suppliers to reduce our scope 3 emissions, the largest component of which is cement which is critical to the manufacture of our concrete products.

ELECTRICITY PROCURED FROM RENEWABLE SOURCES

100%

IN 2020

CARBON INTENSITY (PER TONNE OF PRODUCTION)

115.3kg CO_2e

(27)%

2010: 159.0 CO_2e

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

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

CONCRETE

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

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

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

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

The majority of the emissions associated with the manufacture of clay bricks are direct emissions under our control and are therefore disclosed in scope 1. The majority of the emissions associated with the manufacture of our concrete products are indirect emissions under the control of our suppliers and included in scope 3, and therefore not disclosed in our figures.

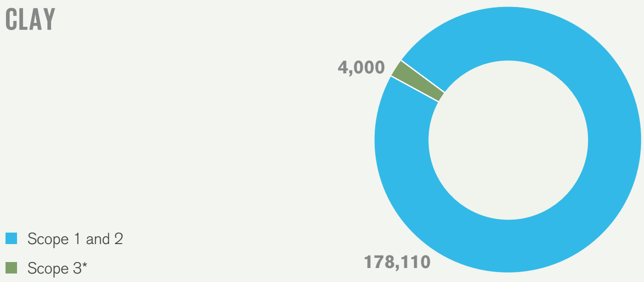
SCOPE 1

When reporting our emissions and setting targets to reduce these emissions it is necessary to consider our product mix. To ensure full transparency going forward, and when reviewing our past progress we will provide emissions figures for both our clay and concrete businesses independently. The scope 3 emissions associated with our concrete manufacture is currently estimated, therefore direct comparison between our clay and concrete reported emissions is not possible.

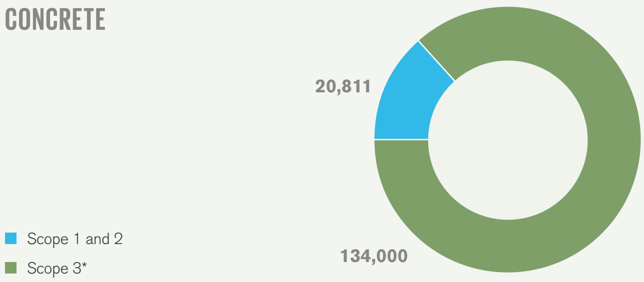
Any change in product mix in our product range between clay brick and concrete products could materially distort the comparability of our total reported scope 1 emissions year on year. Accordingly, we will disclose the carbon emissions for our clay and concrete business separately providing much greater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

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

CLAY



CONCRETE



* estimate not included within our reporting.

SUSTAINABILITY REPORT PLANET

CONTINUED

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

We recognise that carbon dioxide emissions are an inherent result of our manufacturing processes. The majority of our emissions are now covered by the UK Emissions Trading Scheme (UKETS), which is expected to operate in a similar manner to the European Union Emissions Trading Scheme (EUETS) in which we participated prior to the UK's exit from the European Union at the end of 2020. The increasing cost of UKETS credits or a reduction in the number of freely allocated credits will increase our operating costs whereas reducing our emissions will deliver a reduction in these compliance costs.

The graph below shows a breakdown of our 2020 scope 1 emissions by source. The largest contributors are the natural gas used to fire our kilns and from the carbon emitted from the clay during firing.

Our carbon reduction performance over the last 10 years can be summarised as follows:

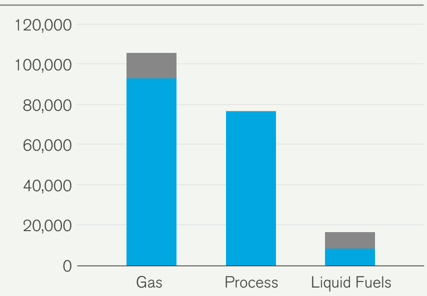
KG CO_2e PER TONNE

	2010	**2020**	Reduction
Total Forterra	159.0	**115.3**	(27)%
Clay	330.1	**237.1**	(28)%
Concrete	27.8	**21.4**	(23)%

The table above summarises both our progress over the last decade, showing a significant reduction in our carbon per tonne of our clay and concrete output of 28% and 23% respectively.

RACE TO ZERO
Climate Ambition Alliance

2020 CARBON EMISSIONS BY SOURCE (SCOPE 1 AND 2) TONNES



- Clay
- Concrete

A combination of increased manufacturing efficiency, electricity grid decarbonisation and the closure of older, inefficient factories have all contributed to this significant achievement.

OUR NEW 2030 CARBON REDUCTION TARGETS

To build upon our substantial achievements over the past decade and in support of the UK's Net Zero Carbon ambition with the Government committing the UK to achieving net zero carbon emissions in 2050, we have set ourselves the following challenging reduction targets for 2030, covering our direct (scope 1 and 2) emissions:

- Group CO_2e intensity (CO_2e / tonne) – **32% reduction versus 2019 baseline** (assuming 2019 product mix)
- Clay products intensity (CO_2e / tonne) – **33% reduction versus 2019 baseline**
- Concrete products intensity (CO_2e / tonne) – **80% reduction versus 2019 baseline**

We have set 2019 as our baseline year as the impact of the Covid-19 pandemic, which resulted in the majority of our operations ceasing production for a prolonged period, meant that 2020 did not represent the most meaningful comparator.

Our targets are ambitious. We will deploy both existing and new technologies over the next decade to achieve our goals, as well as closely controlling how we manage our existing operations. Aside from the new Desford brick factory investment we expect to require only modest levels of capital investment contained within our existing guidance of £12m of annual maintenance capital expenditure though this will be kept under review.

We will deliver our 2030 target in a number of ways. We have already switched to procuring 100% of our electricity requirement from renewable sources removing all of our scope 2 emissions in 2020. In addition to this, we will continue to investigate the possibility of investing in our own renewable electricity generation capacity which whilst not reducing our emissions relative to purchasing green electricity from the grid, would allow us to contribute to increasing the UK's capacity, to generate renewable electricity as well as potentially reducing our cost of electricity.

Within the 2030 target period, a critical contributor to our target achievement will be the commissioning of the new brick factory at Desford, which will deliver a reduction in carbon emissions intensity of over 25% compared to the current factory. This will be achieved by installing the latest kiln technology, state of the art machinery and modern control systems including heat recovery systems. We will continue to invest in efficiency at all of our manufacturing facilities alongside switching to electric powered forklifts and looking at other alternative fuels for our mobile plant.

Our focus extends beyond our brick manufacturing facilities, we will seek to use biomass rather than natural gas to generate steam in our aircrete block plants. Looking beyond our manufacturing operations, our distribution fleet of over 150 specialised vehicles is regularly being refreshed, with 60 new vehicles, all equipped with the latest Euro 6 engine technology to minimise emissions, joining the fleet in early 2021. By the end of 2022 we expect all of our delivery vehicles to be Euro 6 compliant. We are also considering alternative fuel technologies actively engaging with suppliers with the goal of decarbonising our delivery fleet within the next ten years.

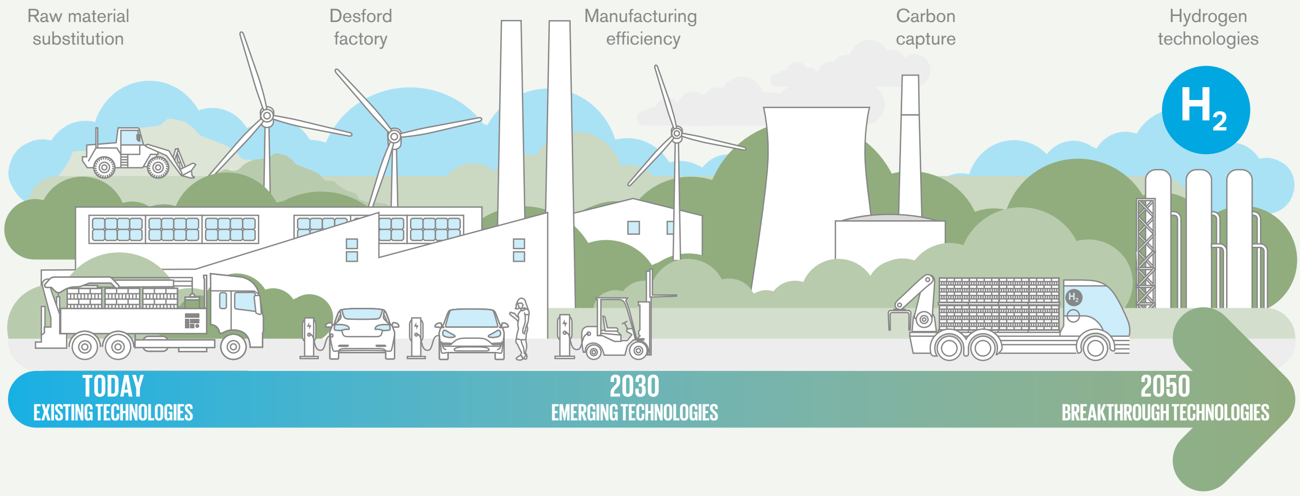
We operate a fleet of over 170 company cars and have committed to restricting all new company cars to a maximum emissions limit of 73 CO_2e / kg ensuring we are promoting the use of the cleanest low emission vehicles. We currently have a total of 51 hybrid vehicles within our fleet and expect to add all electric vehicles as soon as they can offer a range sufficient to travel between our facilities which span the length of the country. In four years' time we expect that the majority of our fleet will comprise all electric or hybrid vehicles. To support this goal we have installed electric vehicle charging points at our head office and will be installing more at further locations across our business in the next year.

We must not forget that we are the custodians of a large area of land. We are committing to accelerating our tree planting activities using areas of surplus land to have the most positive impact on the environment. In 2020 we planted 1,500 trees at our Kirton brick factory in Nottinghamshire to coincide with National Tree Week.

We also recognise the impact that purchased raw materials and other inputs have on our overall carbon footprint, especially in the manufacture of our concrete products. As such, we have assessed our supply chain and identified the key categories of cementitious materials, aggregates and transport as areas where we can work proactively with our suppliers to ensure they also make the necessary efforts to reduce the embodied carbon in the products that they provide us with.

Our 2030 targets are very much the next step in a 40-year journey. In support of a net zero ambition and to further reduce our emissions, we will need to utilise emerging technologies that are not currently fully developed.

In the near term we are committing to funding research and development, in collaboration with our industry partners, of these emerging technologies. This will facilitate our transition to a truly low carbon business in the longer term, including the substitution of hydrogen, which only produces water on combustion, to replace natural gas in our kilns as well as carbon capture, utilisation and storage (CCUS).



SUSTAINABILITY REPORT PLANET

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AIR QUALITY

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

Our brick manufacturing facilities utilise modern technologies to capture and "scrub" emissions before their release into the atmosphere. In 2020 we invested over £0.5m in an upgrade of this process at the Claughton brick facility which will result in a reduction of pollutants.

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

ENERGY MANAGEMENT

As a large consumer of mains gas and electricity we are focused on maximising energy efficiency across our whole business, and complement this with a longer-term strategy on the increased adoption of alternative, renewable energy sources, and utilisation of on-site renewables.

All of our manufacturing facilities meet the requirements under the Energy Management Standard ISO 50001, a third party audited and certified scheme recognising businesses which enhance energy performance through continuous improvement and monitor progress through an energy management system. We have held this accreditation since 2015.

We adopt a number of approaches to maximise energy efficiency; from LED lighting and the installation of variable speed drives on motors, through to the recycling of waste process heat from our kilns to power other areas of the plant. To support our ambitious carbon emission reduction target we will be investing in alternative energy and on-site renewable sourcing, and have set a target of generating 10% of our electricity requirements from onsite renewable sources by 2025.

In 2020 we achieved considerable progress in energy management, successfully purchasing our entire 2020 electricity consumption from renewable sources, achieved through the use of renewable guarantee of origin (REGO) certificates.

WATER MANAGEMENT

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

Since 2010 we have reduced our water consumption per tonne of output by 20% through investments at our highest consuming sites, implementing water recycling systems as part of their production processes. A good example of this is in rainwater harvesting schemes such as at our flagship Measham brick facility, resulting in a 95% reduction in mains water usage since 2011. We will continue to report on our mains water usage per tonne of production.

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

WASTE TO LANDFILL KG PER TONNE OF PRODUCTION

WATER HARVESTING AT MEASHAM BRICK FACILITY

95%

REDUCTION IN MAINS WATER USAGE SINCE 2011

SUSTAINABILITY REPORT

WASTE MANAGEMENT

As a business we recognise the value of our raw material resources. Our waste quantities are extremely low relative to our production output, with large volumes of process waste streams diverted and recycled for use in other products. For example, brick waste created at our Kings Dyke London Brick factory is crushed onsite and becomes a raw material for the neighbouring aggregate block plant, and our entire aircrete block waste is recycled into use in other products in the business.

As a responsible operator we comply with all waste management legislation, and apply the waste hierarchy using segregation of wastes to ensure that the most appropriate disposal routes are utilised. Virtually all our process waste is recycled within our own business, with only small quantities recycled through third party partnerships. Following recent amendments to our recycling partnership contract, we now divert all standard process waste from landfill, an achievement we look forward to continuing to honour in the future.

A notable recent project centred on the diversion of "scrubber waste" from landfill. This waste is generated during the screening and removal of emissions from the exhaust chimneys of our brick manufacturing facilities. Representing up to 19% of our total waste, this material is now diverted from landfill following our collaboration with our waste management provider and is recycled into applications including land restoration where high alkaline soils can be neutralised by these waste streams.

Within our precast flooring products, all waste polystyrene (used to enhance insulation performance of our flooring systems) is now recycled back into our suppliers' manufacturing process, removing any cost of disposal risk for our customers, whilst also ensuring the safe diversion from landfill.

BIODIVERSITY

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

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

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

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

KINGS DYKE NATURE RESERVE

Kings Dyke Nature Reserve, near Peterborough, was established in 1999 on the site of an old London Brick clay quarry that was exhausted in the 1970s.

Developed as an educational nature reserve for schools and the local community, the site benefits from a wide range of habitats, from open water and ponds to grasslands and bare open spaces. In 2018, Kings Dyke was named the most bio-diverse site in naturalist Chris Packham's BioBlitz, recording 1,139 different species of wildlife in just 24 hours.

While often regarded as a blot on the landscape, at the end of their working lives quarries can make great nature reserves thanks to the diverse ground conditions and unique opportunity they present to create wonderfully diverse habitats for wildlife.

Today, the reserve is an important habitat for the Wall Brown butterfly whose numbers have declined in many areas. It's testament to the role of nature reserves such as Kings Dyke in enabling species such as this to not only survive but to thrive.

SUSTAINABILITY REPORT
PRODUCT

PRODUCT MATERIALITY THEMES

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

The sheer scale of product consumption in modern society has highlighted the stresses upon raw materials and natural resources, and the impact of products and packaging upon our fragile habitats.

Our goal is to minimise the environmental impacts of our products during their manufacture, installation and in use. Our products today are inherently sustainable, providing long-lasting durability and performance with no, or minimal maintenance requirements and are typically recyclable at the end of their life. However, there is even more that we can do.

PRODUCT INNOVATION

Our product innovation, and research and development programmes are centred on two key themes: to meet the adapting needs and requirements of our customers in how they build, and to support the UK's ambition to transition to a lower carbon economy.

Specific focus centres on the increasing requirement for offsite precast, and masonry façade solutions, utilising modern methods of construction to improve site efficiency, reduce wastage and support ambitious national housebuilding targets to provide better standards of homes for all.

In 2020, our offsite façade solutions revenues grew by 70%, spanning a range of sectors including commercial, residential and public infrastructure projects. Collaboration and partnerships with a number of supply partners have been crucial in the successful delivery of these solutions in providing a complete design, manufacture and installation solution to our customers.

WELLINGBOROUGH PRISON

The Wellingborough prison project was the first major program to feature our insulated, brick-faced concrete sandwich panels. These panels were used in the external façade of the entrance buildings on-site and combine our precast concrete expertise with our brick manufacturing know-how.

The Design for Manufacture and Assembly (DfMA) approach used in this program lends itself perfectly to custodial construction, where there is high repetition of component manufacture, allowing for modularisation of the design. Our standardised "kit-of-parts" approach for around 5,000 bespoke precast components significantly accelerated on-site build times, helped to lower health and safety risk, and significantly reduced waste and product packaging.

Working collaboratively with other contractors, we had to ensure the components we manufactured were designed and cast with the utmost precision and integrated into other elements of the building design. For example, all the conduits for electrical installation, underfloor heating mats and pipework were accurately cast into the precast concrete units, significantly reducing the requirement for follow-on trades on-site.

We are proud to have worked in partnership with specialist contractors on delivery of this substantial project. The scheme will see the creation of a 1,680-place category C resettlement prison, with over 60,000m² of accommodation facilities and ancillary buildings.

Top: Entrance building – brick faced concrete sandwich panels.
Bottom: House block concrete sandwich panels.

SureBrick, our fully non-combustible brick slip façade system provides a ready-made solution for offsite construction needs, particularly suitable for buildings above 18 metres and where speed of construction is paramount. The system achieved full British Board of Agrément (BBA) accreditation in early 2020 and has been successfully installed upon a number of projects.

Our Bison Precast business is currently taking part in a de-carbonisation project focused on the precast concrete industry, utilising part funding from Innovate UK and in collaboration with other supply chain partners. The project intends to accelerate the pathway towards net zero through improved design, product selection and manufacturing and construction processes of precast concrete components.

SUSTAINABLE SOURCING

Local sourcing of raw materials isn't always possible and where we do need to transport materials longer distances, we seek to do this in the most sustainable way possible. We utilise the rail network to transport pulverised fuel ash (a key raw material which in itself is a waste product used in manufacturing our Thermalite aircrete blocks) to our factory. Since 2015 we have transported almost 400,000 tonnes of material by rail, removing over 4m heavy goods vehicle miles from the UK road network whilst also reducing carbon emissions.

Our drive for further product innovation will continue. By 2025, we have set a target of 10% of revenues to be generated from new and sustainable products, focused upon offsite solutions, and the use of alternative raw materials where the positive impact upon our carbon footprint can be clearly demonstrated.

PRICING INTEGRITY AND TRANSPARENCY

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

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

ETHICAL AND SUSTAINABLE PROCUREMENT

The procurement of third-party materials and services are critical to our value chain. In 2020 this expenditure totalled over £125m, including materials such as steel, timber, cement, aggregates, pulverised fuel ash (PFA) and expanded polystyrene products used in our flooring solutions. Our environmental footprint is minimised through a focus on local sourcing.

In 2020 over 80% of our materials procurement was UK sourced, minimising environmental impacts of cross border transport logistics.

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

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

SUSTAINABILITY REPORT PRODUCT

CONTINUED

PRODUCT LIFECYCLE: ENVIRONMENTAL IMPACTS

THE CLAY BRICK: TIMELESS BEAUTY, UNRIVALLED DURABILITY

The clay brick has been used as a building material for centuries. Through improved manufacturing technologies and efficiencies, the modern brick of today is more durable and significantly less energy intensive than its predecessors, whilst also maintaining its aesthetic appeal and reputation as the nation's building material of choice.

Produced to exacting standards, the lifespan of buildings constructed from clay brick is typically greater than 100 years, literally spanning generations. There are countless notable examples of celebrated architecture in the UK's built environment which demonstrate the longevity, and beauty of this most simple of materials.

Many homes built in the Victorian period were built from brick and are now sought after due to their spacious interiors, robust construction and typically large gardens. To many, the beauty of these buildings has increased with age, defined by the character of the clay bricks which have gently weathered over the last century.

On a wider scale, a 2017 survey[1] by BRE Trust revealed over 20% of the UK's housing stock built from clay brick is over 100 years old. Many of these homes will have been adapted and extended since their initial construction, but that underlying trust in brick as the core material in these buildings remains.

The carbon footprint associated with clay brick manufacture remains significant, primarily through the use of natural gas fired kilns, and the natural chemistry of clay minerals.

Over the extensive lifetime of a clay brick-built building, the lifecycle carbon impact is remarkably low. Clay bricks also possess strong thermal mass qualities, helping minimise the impacts of more extreme weather conditions through their strong heat absorption; increasingly important as climate change increases the frequency of these conditions. During winter, bricks store heat on sunny days, slowly releasing this back to help warm the building. During the summer, heat is buffered and the interior of a brick building remains cool on the hottest days.

The longevity of brick is further complemented by the inherent quality of brick structures to require no, or minimal maintenance throughout their long lifespan, whereas many alternative materials may require repeated application of protective coatings / treatments to extend their lives.

The nature of a clay brick structure makes adaptation relatively easy; parts of the structure can be removed and modified with relative ease, further enhancing the lifetime of the building. When a clay brick building does reach end of life, usually as a result of conscious demolition rather than condition, the materials can be reclaimed with the bricks themselves being reused if in good condition, or alternatively being crushed to be used as raw material within further construction applications.

1. BRE Trust, "The Housing Stock of the United Kingdom", 2017.

PLASTIC PACKAGING

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

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

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

Our targets in meeting this challenge are ambitious, with a commitment to reduce our total volume of plastic packaging by at least 50% by 2025, whilst also ensuring that the safety and quality credentials provided by our current packaging methods are not compromised. A dedicated project team is tasked with the delivery of these targets, including capital expenditures for the upgrading of packaging machinery and general innovation in packaging solutions.

To illustrate in context, this targeted saving of 976 tonnes of plastic per annum is the equivalent of 195 million plastic carrier bags.

To ensure consistency in customers' supply chains, we recognise that this is a topic requiring full industry engagement and collaboration, and we have begun working with customers across all of our key markets to ensure our solutions meet their needs.

2025 TARGET

50%

REDUCTION IN PLASTIC PACKAGING

SUSTAINABILITY REPORT
PEOPLE

PEOPLE MATERIALITY THEMES

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

The Covid-19 pandemic has highlighted the responsibilities of businesses in supporting their most important asset, their people, and has stressed the critical role people play in creating economic and social value across the world.

The pandemic has placed a toll upon everyone, but the burden has not been even across society, falling hardest on those already facing economic difficulties and the effects of social division. Now more than ever, businesses must demonstrate their support and commitment to those they employ and provide equal opportunities for people of all backgrounds to flourish. This is particularly true for the building materials sector, where there continues to be opportunity not only for employment, but the development of transferable skills.

HEALTH, SAFETY AND WELLBEING

The continuous improvement of our health and safety performance remains our number one priority, working towards our goal of zero harm. We recognise that our workforce is our greatest asset and we aim to provide a working environment that is free of accidents and ill health. To achieve this we strive to ensure that all relevant legislation and codes of practice are complied with, and regularly monitor leading and lagging safety performance indicators including safety observations and near misses, lost time and reportable incidents, and internal reviews.

In 2020, we maintained our high level of auditing to ensure compliance to legal and other requirements. We successfully retained our OHSAS 18001 certification and made significant steps to moving to the ISO 45001 standard which will be attained in 2021.

Our Lost Time Incident Frequency Rate (LTIFR) was significantly improved in 2020, at 2.52 incidents for every million man hours worked. This is a reduction of over 60% compared to 2019 and a testimony to our colleagues who have had to adapt to working in a socially distanced manner throughout the pandemic. We are pleased to report that none of these LTIs were of a serious nature and as a result, the severity rate (number of hours lost per lost time incident) reduced to just 10% of the 2019 level.

We invested significant time at the start of the first national lockdown in March to implement suitable Covid-19 controls across our sites. Two of our facilities remained in production throughout the first lockdown, providing products to key public sector infrastructure projects, and these became our template for safe working practices.

Our manufacturing facilities and offices were reviewed to ensure we could facilitate two metre social distancing, staggered shift and break times were introduced, increased hand washing and sanitisation provisions were provided, and cleaning regimes enhanced to protect all colleagues.

As the rest of the business returned to production, we created a Covid-19 code of conduct, which was briefed to all colleagues at their first shift. These controls have remained in place throughout the year.

During the year we commissioned an independent review of the effectiveness of our approach to health and safety management. This review found that health and safety is the number one priority at Forterra although our safety messaging was at times found to be lacking in strategic direction. The recommendations from this included clearer roles and responsibilities amongst employees, and a focus upon delivering a clear programme of change and a consistent message to our colleagues. In the final quarter of the year we revisited our Golden Rules of Safety, simplifying them and ensuring all employees were re-briefed.

To ensure our message was clearly delivered we worked with an external provider of behavioural safety training to create a drama-based video, using both actors and Forterra employees which was shown to all employees.

In 2020 we progressed our health and wellbeing program. We gained membership of the Mates in Mind charity, which aims to raise awareness and address the stigma of poor mental health and improve positive mental wellbeing in the UK construction industry. This aligns with our support provisions through our employee assistance programme, which provides free support for mental health and counselling alongside many other services.

EQUALITY, DIVERSITY AND INCLUSION

We are committed to creating an inclusive workplace free from discrimination, where diversity is valued. Forterra recognise the need for people of different backgrounds, with different skills and perspectives, to help us succeed. We aim to ensure that our workforce is representative of the regions in which we operate, including a mix of gender and other under-represented groups. Our Diversity, Inclusion and Respect at Work Policy provides our ethical framework for conduct to achieve this.

CASE STUDY

In re-visiting our Golden Rules of Safety, refresher training was conducted, concluding in a "Safety Passport" being issued to every colleague. The passport contained an explanation of our Golden Rules. Everyone was asked if there would be any reason why they could not follow the simplified Golden Rules and to highlight any health or safety concerns they may have in their workplace. The passport was then signed by the employee and their line manager and should be carried at all times as a reminder of the rules and their personal commitment to them.

People are vital to the continuity, growth and success of our organisation and we work to ensure that our Equal Opportunities Policy is applied at every stage of candidate attraction, recruitment and selection. The shortlisting, interviewing and selection of candidates is always conducted without regard to gender, sexual orientation, marital status, race, nationality, religion or belief, disability, age, pregnancy / maternity leave or trade union membership.

Wherever practicable we make adjustments and offer suitable training to ensure disabled employees are not disadvantaged in the workplace. This forms part of our commitment to ensuring Forterra is a company where discriminatory practices and behaviours are eliminated.

We are resolute in acting ethically and with integrity in all our business dealings and relationships. We implement and enforce effective systems and controls to ensure modern slavery does not take place anywhere in our own business or within our supply chain. The charts opposite show our headline gender diversity statistics. Gender pay reporting is contained in the Annual Report on Remuneration.

In 2020, we recruited our first female director onto the Executive Committee. We continue to be committed to achieving a stronger gender and ethnicity balance through future recruitment and internal promotions, and in 2021 all managers will receive diversity and inclusion awareness training.

Gender Pay reporting is contained in the Annual Report on Remuneration (page 116). In 2020, 10% of our total workforce were female, with 14% in management positions.

LOST TIME INCIDENT FREQUENCY RATE (LTIFR)

2.52

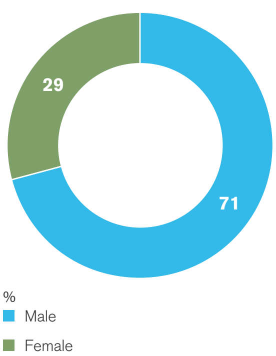
INCIDENTS FOR EVERY MILLION MAN HOURS

(66)%

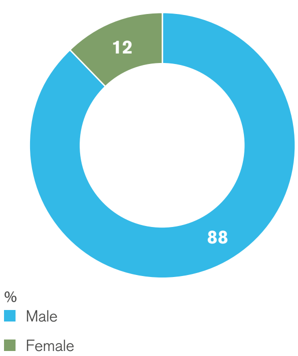
2019: 7.35

GENDER DIVERSITY

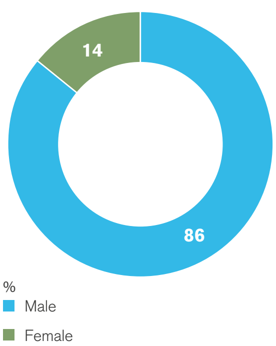
DIRECTORS OF THE COMPANY



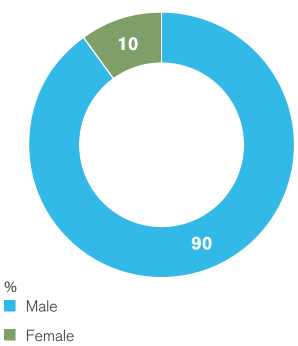
MEMBERS OF THE EXECUTIVE COMMITTEE



SENIOR MANAGERS



TOTAL EMPLOYEES OF THE GROUP



SUSTAINABILITY REPORT PEOPLE CONTINUED

SKILLS DEVELOPMENT AND HOURS 'WORKED'

The UK construction sector faces a future skills shortage risk, exacerbated by the UK's withdrawal from the European Union and the consequential anticipated reduction in foreign labour movements into the UK. It is therefore imperative that we bring through future generations of skilled labour into our business and industry to safeguard our future performance.

Whilst the impact of Covid-19 delayed our annual intake of graduates and apprentices during 2020, we continue to employ six graduates on training schemes and 26 apprentices, of which 23 are engineering and manufacturing apprentices who undertake a structured learning and development programme. Our graduates are given experience across a range of manufacturing sites and group functions, developing future leaders for the business.

To continue our aspirations in developing future generations, we are proud to have signed up to the 5% Club. In doing so, we pledge our commitment to 5% of our workforce being in "earn and learn positions" by 2025, including apprentices, sponsored students and graduates undertaking formalised training schemes. In 2021, we aim to increase our apprenticeship intake by a third.

We continue to partner with Make UK and other locally approved apprenticeship training providers to help increase the development opportunities available to current and future apprentices.

We are committed to helping our existing employees succeed in developing their careers and achieving their full potential. We develop and align resources and capabilities through the Company's succession planning process. To further align talent management and leadership development to our business strategy, we will be developing a new learning and development framework with the goal of embedding a high-performance culture through empowerment and inclusion.

Our leadership development programme is at the forefront of our commitment. In 2020, a further 14 aspiring managers and talented individuals were enrolled onto the initiative. We also continue to sponsor our key talent on degree and MBA programmes, and currently support two employees with their studies.

EMPLOYEE EXPERIENCE

Providing an engaging employee experience is critical for business performance, the retention of talent, and development of our people. We are very proud of the longevity of service from many of our employees, with over 300 employees having given over 25 years of service to the business.

Our employee forum continued to operate during 2020, providing an open platform for matters to be raised through nominated representatives, with participation from CEO, Stephen Harrison, HR Director, Shahbaz Idriss, and Martin Sutherland, Non-Executive Director providing feedback to the Board.

The value of employees' contribution and ideas is best summarised through our Best Practice Awards, where the success of individuals and teams in improving our business is celebrated and rewarded.

The collective voice of our employees is crucial in ensuring that we provide the best possible employee experience. Employee surveys have been conducted on a number of occasions since our listing however one was not undertaken in 2020 given the requirement to focus our response to the Covid-19 pandemic. We are committed to re-launching this survey in 2021 and will detail key actions and progress in future annual reports to provide greater transparency on this topic.

We strongly believe in sharing the success of the value created by our business. The group continues to offer an annual sharesave plan (SAYE), with over 60% of employees currently in open schemes. Upon IPO listing of the business in 2016, free shares were granted to all employees; and this offer was repeated in early 2021 to represent the 5th year anniversary of our public listing.

LOCAL COMMUNITY AND CHARITY ENGAGEMENT

Our relationships with local communities, especially those neighbouring our manufacturing locations are key to our future success. We are proud to provide direct local employment, indeed, it is not uncommon to find local, multi-generational employment at many of our factories. Our obligations as a "good neighbour" extends to the responsible operation of our sites, particularly concerning noise pollution, treatment of wastes, control of water discharge and the regulation of traffic movements.

We aim to have a positive effect on all the many stakeholders and communities with which we interact, supporting local supply chains and participating in a range of local community activities and events.

In 2020, we shifted the focus of our employee Best Practice Awards to the Best Practice Community Awards to showcase and celebrate the many types of voluntary work undertaken by our employees, especially relating to supporting others during the COVID-19 pandemic. From organising street parties to keep children entertained (while socially distanced) and volunteering for the NHS, to donating to local food banks and delivering Easter eggs and Christmas trees to care homes, our staff have shown tremendous community spirit during these trying times.

In addition to volunteer work, we have continued to support our employees in their charity fundraising endeavours, including fund matching for local community and charity initiatives, such as one of our employees who bravely completed a wing walk to raise funds for charities PAPYRUS (a UK Charity for the prevention of young suicide) and CALM (campaign against living miserably – leading a movement against suicide). In 2021 we plan to introduce a payroll giving initiative, enabling employees and the Company to continue to give back to the communities in which we operate.

Our Group led charitable activities were hampered during the pandemic and, in recognition of this, to ensure our donations to charity did not fall as a result of the pandemic and recognising that the pandemic has disproportionately impacted those in need, we pledged a large donation to FareShare, the charity supported by footballer Marcus Rashford focused on addressing food poverty and waste in the UK.

Donations of our products are another important aspect of our community support. In 2020, we continued our support of CRASH, the Construction Industry's Charity, by donating materials to help in the refurbishment of the Rennie Grove Hospice Care building; and we donated supplies of London Bricks for the rebuilding of the community hall at Bedford-based charity Sir Malcolm Stewart Bart General Charitable Trust, which provides rent-free retirement bungalows to former employees of the London Brick Company.

We also supported National Apprenticeship Week with the launch of the second annual Best in London Brick awards to find the most talented bricklayer in the UK. Held at Havering College in Essex, the competition saw eight contestants given just six hours in which to lay a complex brickwork structure using London Bricks.

HUMAN AND LABOUR RIGHTS

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

We are a Living Wage Employer

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

We are proud to be an accredited member of the Living Wage Foundation, with a firm belief that a hard day's work deserves a fair day's pay. Our future commitment to pay the real living wage to all employees is unwavering and, by becoming a recognised Living Wage employer, this will help us attract and retain employees.

DATA PROTECTION AND PRIVACY

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

The protection and privacy of our employees', customers' and suppliers' data is of paramount importance and we fully recognise the increased risk to businesses across the world from cyber attacks using ever sophisticated means. As part of our ongoing commitment to information security, we have successfully obtained ISO 27001 accreditation via independent external audit. A key component of maintaining this international standard is the demonstration of continuous improvement and we will further invest in this area throughout 2021.

This respect for others' data extends to using this information only for reasons of which they explicitly agree, as laid out within the recent UK General Data Protection Regulations (GDPR).

SUSTAINABILITY REPORT
OUR REPORTING

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

We have used the operational control approach to determine our organisational boundary for emissions purposes and calculated these emissions based on the UK Government's Environmental Reporting Guidelines (2019) and emission factors from the DEFRA 2020 GHG Conversion Factors for Company Reporting. Scope 2 emissions have been reported using both the location-based method of calculation and, to account for our use of renewable electricity through the purchase of REGOs, the market-based method for calculation. Our underlying energy use figure has been reported in kWh and includes fuel used in mobile plant, on-site generators, and company vehicles. All of our facilities are covered by the scope of our ISO 50001 certification which we have held since 2015. This is a third party audited and certified scheme and has continual improvement at its core. We adopt a number of approaches to maximise energy efficiency; from LED lighting and the installation of variable speed drives on motors, through to the recycling of waste process heat from our kilns to power other areas of the plant.

	2019	2020
Scope 1 emissions (tonnes) (location based)	**299,679**	**198,921**
Scope 2 emissions (tonnes) (market based)	**19,617**	**–**
CO_2e intensity per tonne	**0.123**	**0.115**
Scope 1 emissions (tonnes) (location based)	299,679	198,921
Scope 2 emissions (tonnes) (market based)	19,617	13,263
CO_2e intensity per tonne	0.123	0.123
Total energy used GWH	956.3	698.7

GROUP SUSTAINABILITY REPORTING

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

Pillar	Topic	Metric	2019	2020
Planet	Group CO_2 emissions	Tonnes	319,296	**198,921**
Planet	Group CO_2 emissions / tonne	Kg CO_2 / tonne	123.4	**115.3**
Planet	Clay products CO_2 emissions / tonne	Kg CO_2 / tonne	255.7	**237.1**
Planet	Concrete products CO_2 emissions / tonne	Kg CO_2 / tonne	20.9	**21.4**
Planet	Electricity sourced from on-site renewables	%	–	**–**
Planet	Electricity from renewable sources	%	–	**100**
Planet	Waste to landfill	Kg / tonne	0.16	**0.03**
Product	New product index (revenue from new products)	% of revenue	0.6%	**1.2%**
Product	Plastic packaging consumed	Tonnes	1951	**1050**
People	Health and safety – Lost time incident frequency rate (LTIFR)	No. of accidents per million man hours worked	7.35	**2.52**
People	% employees in 'earn and learn' positions	%	3.2	**3.5**
Planet	Carbon emissions (Scope 1 and 2)	Tonnes	319,296	**198,921**
Planet	Carbon emissions (Scope 1)	Tonnes	299,679	**198,921**
Planet	Ultra low emission vehicles (cars)	% of fleet	n/a	**17%**
Planet	Mains water (absolute)	m^3	287,101	**265,508**
Planet	Mains water (litres / tonne)	Litres / tonne	110.92	**153.84**
Planet	Air quality – SO^2 emissions	Tonnes	5,783	*****
Planet	Waste generated	Tonnes	107,609	**77,897**
Planet	Waste recycled	%	99.1	**99.2**
Planet	Energy consumption (absolute)	MWh	956,266	**698,655**
Planet	Energy consumption (kWh / tonne)	kWh / tonne	369.44	**404.81**
Planet	Percentage from grid electricity	%	100.00	**100.00**
Planet	Hazardous waste generated	Tonnes	87.61	**65.17**
Product	% of suppliers covered by internal compliance system	% of supplier expenditure	85	**85+**
Product	Output clay products	Tonnes	1,129,173	**751,188**
Product	Output concrete products	Tonnes	1,459,242	**974,713**
People	Apprentices	No.	31	**26**
People	Graduates	No.	7	**6**
People	Charitable contributions	£	41,370	**48,040**

* extractive monitoring not carried out for part of the year as a result of Covid-19 shutdowns and team availability following restarts.

SUSTAINABILITY REPORT
CLIMATE RELATED RISKS AND GOVERNANCE

CLIMATE RELATED FINANCIAL DISCLOSURES

The Task Force on Climate Related Financial Disclosures (TCFD) has developed a suite of currently voluntary consistent climate related financial disclosures that are useful to investors, lenders and other stakeholders in understanding material climate related risks facing businesses. TCFD compliance will become mandatory for UK premium listed companies including Forterra for the 2021 financial year and by early-adopting many of these disclosure requirements we are able to make a positive step towards full compliance next year.

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

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

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

GOVERNANCE

Governance and oversight responsibility around climate related risks and opportunities ultimately sits with the Board. Towards the end of 2020 the Board formalised its approach to governance and management of climate related risks. The Board's Risk Committee already had a remit to assist the Board in ensuring that all risks, including environmental risks, are managed effectively and proactively throughout the Group.

In response to a growing climate change agenda, but also in recognition of the additional transitional risks the business now faces following the Government's commitment to achieving net zero by 2050, the Board, effective from the beginning of 2021, agreed to expand the remit of the Risk Committee with it becoming the Risk and Sustainability Committee going forward.

The terms of reference of the Committee have been added to as follows:

(a) defining the level of the Group's ambitions with regard to reducing its environmental impact and addressing climate risk;

(b) overseeing the development of the Group's sustainability policies, covering both environmental and wider social (people) matters;

(c) setting challenging environmental targets in order to meet the Group's goals and monitoring progress against these;

(d) monitor the Group's reporting under TCFD, Sustainable Accounting Standards Board (SASB) and other protocols as appropriate; and

(e) ensuring that sustainability policy still satisfies its desired outcomes and evaluating Management's performance in implementing policy and achievement against the targets set.

It is expected that the Risk and Sustainability Committee will regularly, and not less than twice a year, receive detailed progress updates as to the execution of the Group's sustainability strategy reviewing progress against targets. As well as receiving feedback from the Executive Directors, and members of the Executive Committee, the Group's dedicated sustainability manager will regularly attend Committee meetings. The Group's sustainability manager reports to the Strategy and Development Director who along with the Operations Director holds day to day accountability for delivery of our environmental sustainability targets, namely, reduction of greenhouse gas emissions and reducing our use of plastic packaging.

The Board's Audit Committee has also considered the sustainability and climate disclosures contained within this Annual Report as part of its wider consideration as to whether this Annual Report is fair, balanced and understandable and whether it provides the necessary information for the shareholders to assess the Group's position, performance, business model and strategy.

STRATEGY

We have a clear strategy to reduce our impact on the environment. Our strategy recognises that sustainability is critical in ensuring our longevity as a business. Our long-held strategic priority of Manufacturing Excellence sits hand-in-hand with our goal of reducing our environmental footprint. More efficient modern methods of manufacturing improve efficiency, reducing both energy use and waste. We have now set challenging new targets which will now become embedded in our strategy (for more information please see our targets on page 45).

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

In embarking on our journey to comply with the recommendations of TCFD, we recognise that it is not possible to fully comply with all of the recommendations in our first year. In disclosing our climate related risks and opportunities below, we recognise that in future years we will need to develop our disclosure to give greater clarity as to likely financial impacts of the identified risks. In addition, TCFD recommends that disclosure is provided as to the resilience of the reporting organisation's strategy to specific climate change scenarios. At this stage we have not yet sufficiently developed our understanding of the long term physical risks of climate change in terms of being able to link potential impacts upon our business to specific levels of temperature increase and this is an area where we will seek to develop our understanding and disclosure in future years.

RISK MANAGEMENT

Our wider risk management protocols are explained in detail within the risk section of this Annual Report and can be found in the Risk Management section starting on page 66.

Climate related risks are captured within our existing risk management process. We have amended our risk scanning horizon to allow the capture of longer-term climate related risks which may not have an immediately measurable financial impact. In identifying climate related risks, in accordance with the recommendations of TCFD, we have identified both the transitional risks associated with adapting our business to a lower carbon economy, along with both the longer-term acute risks associated with increasing severe weather events and the physical risks of long term climate change such as sea level rise.

SUSTAINABILITY REPORT
CLIMATE RELATED RISKS AND GOVERNANCE
CONTINUED

Risk	Potential impact	Possible mitigation / action
TRANSITIONAL RISK		
POLICY AND LEGAL		
We recognise a number of policy and legal risks that may stem from changes to existing requirements or additional requirements being imposed on our business. These may take the form of: ▪ Enhanced or changing reporting obligations; ▪ New or changing legislation that may impact our existing products; ▪ Exposure to litigation in relation to our past activities; ▪ Increased prices of carbon credits or reductions in the amount of 'free' allowances; and ▪ Limitations on availability of suitable fuels.	Each of the policy and legal risks could lead to an increase in our operating cost. This may be directly, as a result of levies and taxes or indirectly where we have to alter the way we work to accommodate a change. Some example impacts include: ▪ Increased cost of carbon credits or a requirement to buy more than we do presently; ▪ Increased costs due to third parties who monitor our emissions and compliance; ▪ Early closure of existing plants due to changes in legislation; ▪ Inability to source sufficient lower emission fuels to continue our manufacturing processes; and ▪ Loss of market share if we fail to keep pace with changes. If, as a result of the above, our business becomes less attractive to investors, we will likely see an increase in our cost of both debt and equity capital meaning more of the Group's cash flow will be directed to providing returns to these stakeholders.	These risks can be mitigated by continuing to operate above levels demanded by our regulators. We will continue to pre-empt potential changes and seek to make reductions in our emissions that will reduce our compliance cost as restrictions are tightened. We are seeking to reduce our reliance on fossil fuels by procuring green electricity and also reducing our gas usage by improving efficiency. In the longer term we intend to develop our understanding of both alternative fuels and carbon capture technologies with a view to ultimately deploying these innovative emerging technologies in our business.
TECHNOLOGY		
As greener technologies emerge or existing technologies evolve we want to make sure we are in a position where we can use the latest technologies to reduce climate related risks and make these changes effectively. There is a risk that: ▪ Customers substitute our products with greener alternatives, should they exist; and ▪ We are ineffective when investing in new technology; either in terms of achieving the desired outputs or overspending in the process.	If we fail to effectively invest in technology there may be: ▪ Reduced demand for our existing product range and a consequential closure of existing facilities; ▪ Excessive R&D costs may be required to 'catch-up' with appropriate use of new materials and technology if we do not invest at the right time; and ▪ Excessive capital expenditure may be required where our investment is not right first time.	These risks are mitigated by engaging with stakeholders on climate related risks frequently and in detail. In tandem with this engagement we are also ensuring that our efforts to mitigate climate related risks are well resourced; especially in respect of providing the highest level of management support. The opportunities available to us as a result of addressing these risks are vast. By reducing our emissions, we can: ▪ Reduce the cost of carbon compliance significantly; ▪ Take advantage for new market opportunities driven by demand for lower carbon products; ▪ Significantly enhance our reputation; and ▪ Establish a market leading cost position.
MARKET		
As society continues to recognise the importance of sustainability and the risks that climate change presents there is an expectation of a trend towards greener processes and products. This trend poses risks of: ▪ Uncertainty in our markets; ▪ Changing customer behaviour; ▪ Changes in our supply chain; and ▪ Fears of economic impacts damaging the housing market.	If we fail to make positive change at a rate in line with what our markets expect or fail to encourage stakeholders to change at a similar rate, there is a risk that our strong position in our markets, or our markets themselves will weaken. Some of the detrimental changes could be: ▪ Reduced demand for our products as the desirability of masonry homes or residential property in general falls; ▪ Operational costs increase as a result of scarce raw materials, increased energy costs or increased taxation; increasing the attractiveness of alternatives; ▪ Changes in our revenue mix could impact profitability; and ▪ Our reserves of raw materials, our plant and machinery or facilities could become less valuable.	These risks can be mitigated by effectively making a case for the sustainability credentials of our existing products, whilst at the same time investing to reduce the environmental footprint of our products and adding further greener products to our range.

Risk	Potential impact	Possible mitigation / action
TRANSITIONAL RISK (CONTINUED)		
REPUTATION		
We have developed the Forterra brand in recent years and possess a collection of product specific brands that are long established and well regarded. However, the growing focus on sustainability presents an opportunity to strengthen these brands even further and we must seize this opportunity. Without making the most of this opportunity there is a risk of: ▪ Shifts in consumer preferences; ▪ Negative perceptions of our business or our sector; and ▪ Restrictions or shortages of capital should our business become unattractive to investors.	If we fail to develop an enhanced reputation for being a sustainable manufacturer we may: ▪ See reduced demand for our products due to change in customer perception; ▪ Have greater difficulty in obtaining planning permissions for new capacity; ▪ Struggle to attract employees; ▪ See a fall in share price, ultimately increasing the cost of capital as investors switch to alternative greener investments; and ▪ See an increase in our cost of debt.	These risks can be mitigated by challenging ourselves, prioritising sustainability in our strategic objectives, tracking progress closely and fully engaging with our stakeholders.
PHYSICAL RISK		
ACUTE		
We have seen a number of weather related events (such as flooding) in recent years and recognise that these risks have the potential to have a greater impact and increase in likelihood in the coming years.	We recognise that we cannot stop these events from occurring alone. However, we can ensure that we are better prepared for them or can mitigate their impact. These potential consequences of climate change may include: ▪ Lack of availability of mains water; ▪ Flooding of our factories and inability to supply product; ▪ Increased operational costs for heating and cooling; and ▪ Increased insurance premiums as a result of being located in high risk flood areas.	Suitable planning, capital expenditure and preventative maintenance can limit the physical impact of climate change on our business. We can invest to avoid the consequences, we can also plan so that the consequences are minimised where it has not been possible to completely avoid the risk.
CHRONIC		
We also recognise that there are other physical risks which may develop over time or result in repeated impact such as: ▪ Variability in weather patterns; ▪ Rising temperatures; and ▪ Water stress.	In the longer term, rising sea levels triggered by increasing temperatures may lead to some low lying areas of the country becoming unsuitable for housing and whilst this could create demand for our products, either through flood defence or the need to relocate housing, in the longer term the impacts of uncontrolled climate change on the wider economy are expected to be overwhelmingly negative which would therefore most likely have a consequential negative impact on our business.	Some of the products that we manufacture specifically deal with the risk of flooding in particular. These products present a significant opportunity as flooding risks become more prevalent as space for more housing is required.

RISK MANAGEMENT AND KEY RISKS
RISK MANAGEMENT FRAMEWORK

OVERVIEW

Effective risk management is critical to successfully meeting our strategic objectives and delivering long-term value to our shareholders. Instilling a risk management culture at the core of everything we do continues to be a key priority. Our risk management policy, risk management strategy, processes, reporting measures, internal reporting lines and responsibilities are all well established and all worked well as we responded to the Covid-19 pandemic.

Risk awareness throughout the business has continued to improve during the last year. There have been more conversations about risk management at all levels, than ever before. A wider management group have engaged with risk identification and mitigation and the business has benefited from greater proactivity with our people communicating more effectively and collaborating with each other.

Responding to the impacts and associated risks of Covid-19 and Brexit has been the primary focus during 2020. In 2021 we expect a return to wider risk management, monitoring systemic risks and focusing on the most rapidly evolving business risks. We will also see a restart of regular risk management site reviews and visits as these have been paused through 2020. By re-establishing physical links between central and local management and expanding the risk conversation we will continue our risk management journey, benefiting from the lessons learnt in 2020, further developing risk management controls and ensuring a greater level of consistency across the Group.

Sustainability features extensively throughout this Annual Report. We have identified an increasing need to make Forterra more resilient against the potential effects of climate change and evolving environmental risks, and in response to shareholder feedback, we have provided extensive new disclosure regarding the impact of our operations on the environment and how we have set challenging targets to reduce our environmental footprint.

Sustainability risks would previously only have been included in our annual report disclosure where they presented a risk within the next three years. We have now expanded our disclosure to include risks where their impact may not manifest within this short-term. By extending our risk horizon scanning we are now able to give greater emphasis to longer-term climate related risks.

The Board is committed to implementing the requirements of the Task Force on Climate Related Financial Disclosure (TCFD) and whilst both short and long-term climate risks are now summarised in this section, more expansive disclosures are provided in the Sustainability Report on page 64. In response to a need for a much greater focus on sustainability risks, from 1 January 2021 the Board's Risk Committee has become the Risk and Sustainability Committee, providing the necessary Board level oversight and governance over some of the most significant risks the business faces in the short, medium and long term.

RISK MANAGEMENT OBJECTIVES

In summary, our risk management objectives are to:

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

In the year Management were able to effectively use risk management procedures, tools and controls to respond rapidly to newly emerging risks, bring these risks under control and continue to demonstrate our values: safety first, people matter, customer focus, trusted to deliver and driving improvement. Procedures, tools and controls developed most notably around emerging risks. The Covid-19 pandemic has placed a greater emphasis on emerging risks than before and enhanced review procedures have been developed to ensure that: i) newly emerging risks are considered separately but equally to other key risks and ii) the speed / velocity that these risks are emerging is appropriately considered.

REGULAR UPDATES

The Board's Risk Committee met four times during the year to review the key risks facing the business receiving updates from Management to facilitate this. The forward plan of activities that was set for the Risk Committee (and also Management's Risk Steering Group (RSG)) was subject to change in the year, reflecting the need for fluidity in responding to the pandemic. Over and above the scheduled meetings of the Risk Committee, frequent updates were provided to members of the Committee, through additional calls and by way of risk management updates being tabled at the regular Board meetings. A crisis management risk register was developed specifically for Covid-19 risks and regularly updated. Frequent Covid-19 specific updates ensured that the Risk Committee were well informed throughout 2020 allowing it to fulfil its responsibilities. Similarly, employees at all levels were kept up to date throughout the year on the key risks the Group faced.

KEY RISKS

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

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

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

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

COVID-19 RISK

Despite the strong recovery in trading following the initial lockdown in spring 2020, some uncertainty remains. The Group and its customers have been able to continue to operate since the initial lockdown without significant interruption or Government imposed restrictions and there is growing confidence that the ongoing impact of the pandemic will not mirror the severe impacts seen in spring 2020.

Management therefore concentrate on the controllable risks such as health and safety, where we continue to follow all public health guidance as soon as it is published.

BREXIT RISK

Although the end of the transition period for Brexit has now passed, some uncertainty remains. Management have worked to mitigate the risks they have identified, most notably around people and supply chain, but some indirect market risks remain and we cannot fully mitigate the impact of these risks. For example, a deterioration in the UK housing market will always have an impact on Group performance.

RISK APPETITE

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

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

Top down

BOARD OF DIRECTORS

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

- Received updates from management on specific key risks
- Continued to review progress against risk management actions and internal control priorities
- Considered the effectiveness of the risk management and internal control environment
- Regularly reviewed all principal risks, heat maps and emerging risks; including the Covid-19 specific risk register used as the pandemic related risks were most significant
- Engaged with Management on Brexit, Covid-19 and internal project risks regularly

EXECUTIVE COMMITTEE

The Executive Directors and the Risk Steering Group have:

- Met frequently to discuss the risk environment, Group risk management activity, identify risks and gaps, and appraise likelihood, impact and risk mitigation
- Actively managed the Group's crisis management response to Covid-19
- Identified risk priority areas and focused on the key risks in these areas
- Accepted risk exposure in other areas to ensure appropriate prioritisation of key risks

RISK AND INTERNAL AUDIT

Risk and Internal Audit have:

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

OPERATIONAL MANAGEMENT

Operational managers have:

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

Bottom up

RISK MANAGEMENT AND KEY RISKS

PRINCIPAL RISKS AND UNCERTAINTIES

As the risk of a pandemic increased through Q1 2020 the Group began refining existing business continuity plans to ensure preparedness for any disruption ahead. The Group was then ready, when the first national lockdown was announced, to deploy its business continuity plans to ensure that employees could be kept safe, customer needs could continue to be met where it was safe to do so, and other aspects of the Group's operations could be wound-down and paused in an orderly fashion. After this initial business continuity response, we began crisis management efforts, using established risk management procedures to assess the likelihood, impact and proximity of the risks that were emerging and mitigating these without delay. The crisis management efforts focused on the key safety, commercial, supply chain, operational and liquidity risks identified at that time. In the second half of 2020 the Group reverted to its pre-existing risk management processes; but with Covid-19 and Brexit now a relevant component of all risk areas and therefore impacting significantly on our risk management processes.

KEY RISKS AND UNCERTAINTIES

OUR STRATEGIC PRIORITIES ARE:	MANUFACTURING EXCELLENCE	CORE PRODUCT FOCUS	BUSINESS EXPANSION
GROSS / NET CHANGE:	INCREASED	DECREASED	NO CHANGE
RISK APPETITE:	LOW — LOW APPETITE	BAL — BALANCED APPETITE	HIGH — HIGH APPETITE

1. HEALTH AND SAFETY

RISK APPETITE: LOW

LINK TO STRATEGY: Manufacturing excellence

Principal risk and why it is relevant	Key mitigation, change and sponsor	Gross change Net change	Rationale for rating
Our key risks remain the same as before the emergence of Covid-19. We continue to work to ensure the safety of employees exposed to risks such as the operation of heavy machinery, moving parts, noise, dust and chemicals. However, before mitigating actions, the underlying risk to employee health has increased with the emergence of Covid-19. We have continually followed government guidelines but our employees previously worked in close proximity to each other at times and the emergence of Covid-19 saw proximity become an additional risk requiring mitigation through changes in operating procedures to facilitate social distancing or through use of personal protective equipment (PPE) in both office and manufacturing environments.	Safety remains our number one priority. We target an accident-free environment and have a robust policy covering expected levels of performance, responsibilities, communications, controls, reporting, monitoring and review. A fall in our accident rate in 2020 has been pleasing but Management remain vigilant against complacency. Management responded quickly to the emergence of Covid-19, establishing remote working procedures and the necessary systems to facilitate this as part of our business continuity response before introducing safe working practices for social distancing in the workplace. Initially, arrangements for social distancing were made at manufacturing facilities servicing essential Government projects, these were then replicated elsewhere before production restarted and employees returned to office environments. Supporting this restart an Employee Covid Code of Conduct was agreed that sets clear expectations around personal behaviours and return to work inductions were conducted to mitigate additional Covid-19 risks. As guidance and regulations evolve Management have responded and clear and effective channels of communication have been an important mechanism for ensuring employees remain up to date on changes made. The resurgence of Covid-19 in Q4 was recognised early. Management responded and switched from encouraging staff back to their normal places of work to promoting home working arrangements where possible. Employees continue to be reminded that existing safety risks remain and controls to mitigate these are maintained and consistently operated. This is important as strong customer demand has meant that we are busy. Following alternate working practices whilst maintaining high levels of output increases risk if controls are not maintained. **Executive sponsor:** **Stephen Harrison**	Gross: Increased Net: No change	Safety first is enshrined in all decision making and is never compromised. Actions taken in 2020 evidence this. Reducing accidents and ill-health is critical to strategic success.

2. SUSTAINABILITY / CLIMATE CHANGE

RISK APPETITE: LOW

LINK TO STRATEGY

Principal risk and why it is relevant	Key mitigation, change and sponsor	Gross Change / Net Change	Rationale for rating
We recognise the importance of sustainability and climate change and both the positive and negative impacts our products and processes have on the environment.	We recognise the positive impact that our products have on the built environment across their lifespan and are keen for the durability, longevity and lower lifecycle carbon cost of our products to be highlighted and better understood. At the same time, we are now publishing further information to allow stakeholders to better understand the impact our business has upon the environment. At the beginning of 2021 we amended the terms of reference for the Risk Committee to extend its responsibilities to specifically cover sustainability and climate risks. In the short-term there are a number of transitional sustainability risks. These include increasing regulatory burden or cost, an inability to adapt our business model to keep pace with new regulation or customer preferences changing more quickly than anticipated or too quickly for R&D to keep pace. There are also longer-term physical risks which could have a material impact on the business. These risks include more severe weather impacts such as flooding and potentially changes to the design of buildings in order to adapt to different climatic conditions. Significant disclosure of sustainability risks is detailed further within our Sustainability Report on pages 64 and 65. Existing sustainability targets ran from 2010 through to 2020. As this period has now come to an end we have defined our forward-looking sustainability strategy and goals and have set new targets which fit well into an environment where climate-related risks and sustainability are reflected more highly in stakeholder priorities than they were when targets were last set in 2010. **Executive sponsor: Stephen Harrison**	↑ / ↑	Our products are typically made from natural materials, are long-lasting, durable, high quality, thermally efficient and maintenance-free. However, our manufacturing, transportation and packaging processes present opportunities for improvement which management are continually addressing. We also recognise a number of longer-term climate-related risks which do not appear on this risk register as they are not likely to exhibit within the next three years. However, these are recognised by Management and work is undertaken to mitigate their potential impact in the medium to long-term.

3. ECONOMIC CONDITIONS

RISK APPETITE: BAL

LINK TO STRATEGY

Principal risk and why it is relevant	Key mitigation, change and sponsor	Gross Change / Net Change	Rationale for rating
Demand for our products is closely correlated with residential and commercial construction activities. The emergence of Covid-19 saw customer demand fall in late March before slowly rebuilding. Whilst demand has recovered substantially in H2 2020 we remain watchful of both immediate and longer-term changes in demand resulting from Covid-19 and Brexit.	Understanding business performance in real-time, the customer order book, strong relationships with customers and other participants across the building sector, and a range of internal and external lead indicators help to inform Management and ensure that the business has time to respond to changing market conditions. We have flexed costs and capacity effectively in 2020 and can slow production if customer demand weakens in the near-term. 2020 has seen a significant destocking in some parts of our business which presents a risk to our ability to meet all customer requests if there is a rapid improvement in economic conditions. Budgeted production output in 2021 is driven by estimates of 2021 demand but the shape of the recovery from Covid-19 and the full impact of Brexit remain uncertain. There is wide recognition that the housing market will recover over the medium-term. There remains a shortage of housing in the UK, available financing and favourable population growth. We continue to expect brick imports to reduce ahead of sales of domestically manufactured bricks in a downturn scenario, as they have in prior cyclical downturns. Forterra is well positioned to take advantage of attractive market fundamentals to continue delivering shareholder value. **Executive sponsor: Stephen Harrison**	↑ / ↑	Levels of customer demand in H2 2020 exceeded expectations and suggested a prompt recovery from Covid-19. However, Management will ensure that they are not complacent and continue to consider the risk of economic conditions being unfavourable for the longer-term in planning business activities.

RISK MANAGEMENT AND KEY RISKS
CONTINUED

4. GOVERNMENT ACTION AND POLICY

RISK APPETITE: HIGH

LINK TO STRATEGY

Principal risk and why it is relevant	Key mitigation, change and sponsor	Gross Change Net Change	Rationale for rating
The general level and type of residential and other construction activity is partly dependent on the UK Government's housebuilding policy, investment in public housing and availability of finance. Proximity to the end of the current phase of Help-to-Buy and temporarily reduced rates of Stamp Duty Land Tax may be temporarily stimulating demand ahead of June 2021 and may see demand for our products fall or change after this date if they are not replaced or extended. The Housing Infrastructure Fund could also have an impact. Changes to Government policy or planning regulations could adversely affect Group performance.	We participate in trade associations, attend industry events and track any policy changes which potentially impact housebuilding and the construction sector more broadly. Such policy changes can be very broad, covering macro-economic policy including taxation, interest rates and mortgage availability and incentives aimed at stimulating the housing market. We also carefully monitor the impact that large infrastructure projects have on the availability of labour and materials, environmental policy and the impact of policy on the availability of labour in the UK construction market. Where identified, we factor any emerging issues into models of anticipated future demand to guide strategic decision making. We worked to actively mitigate the short-term risks posed by Brexit through 2019 and H2 2020. Whilst no immediate impact has been seen in early 2021, Management will remain watchful for detrimental impacts on the wider economy. The impact of Covid-19 was notable in H1 2020, before strong recovery from May onwards. Although management remain very confident in the long-term fundamentals of its markets some caution remains in the near term. The end of the stamp duty holiday coupled with the tapering of Help-to-Buy could see weaker demand whilst the longer-term economic impacts of Covid-19 and Brexit could also weigh on the economy. Covid-19 was not visible as a major risk back in December 2019 and the virus along with forthcoming changes to Government stimulus aimed at protecting the housing market have increased risk in this area. However, Government have demonstrated that they remain committed to housebuilding and Management consider the withdrawal of support is unlikely where economic uncertainty remains high. **Executive sponsor: Stephen Harrison**	↑ ↑	We continue to invest significantly in growth – in terms of both capacity and range. This investment is made despite the uncertainty presented by Brexit, Covid-19 and the end of Government incentives such as the stamp duty holiday and Help-to-Buy as the timescales associated with adding additional capacity are significant and long-term planning is vital to achieving our strategic objectives.

5. RESIDENTIAL SECTOR ACTIVITY LEVELS

RISK APPETITE: HIGH

LINK TO STRATEGY

Principal risk and why it is relevant	Key mitigation, change and sponsor	Gross Change Net Change	Rationale for rating
Residential development (both new build construction and repair, maintenance and improvement) contribute the majority of Group revenue. The dependence of Group revenues on this sector means that any change in activity levels in this sector will impact profitability and strategic growth plans.	We closely follow the demand for our products we are seeing from this sector, market projections, sentiment, mortgage affordability, and credit availability in order to identify and respond to opportunities and risk. Group strategy focuses on our strength in this sector, but we also continue to work to strengthen our offer in other sectors too. Government action and policy as laid out above continues to be a key determinant of demand for housing with Covid-19 potentially increasing the ability of Government policy to influence activity levels. **Executive sponsor: Stephen Harrison**	↑ ↑	Serving the residential construction market lies at the core of our strategy. Whilst we will seek opportunities to add to our commercial offer, we continue to see residential markets as core.

6. PRODUCT AVAILABILITY

RISK APPETITE: BAL

LINK TO STRATEGY

Principal risk and why it is relevant	Key mitigation, change and sponsor	Gross Change Net Change	Rationale for rating
Many of our product ranges are manufactured at single facilities and where there are low buffer stock levels and high capacity utilisation. A breakdown can cause product shortages and have a detrimental impact on performance and reputation.	We currently have low stock levels in a number of areas. Demand continuing to exceed expectations could prevent a restocking, as could periods of short staffing resulting from the ongoing impact of the Covid-19 pandemic. Strong customer relationships and some degree of product range substitution can mitigate this risk, business precautions that decrease the rate of potential Covid-19 infection and allow critical activities to continue are also now well established. However, despite these mitigants there remains heightened risk as plants are expected to run at capacity to effectively restock. **Executive sponsors: George Stewart and Peter Varnsverry**	↑ ↑	Managing capacity sufficiently to prevent tying up excessive amounts of working capital in stock but ensuring that customer demand can continue to be met are crucial to our success.

7. CUSTOMER RELATIONSHIPS AND REPUTATION

RISK APPETITE: LOW

LINK TO STRATEGY

Principal risk and why it is relevant	Key mitigation, change and sponsor	Gross Change Net Change	Rationale for rating
Significant revenues are generated from sales to a number of key customers. Where a customer relationship deteriorates there is a risk to revenue and cash flow.	One of our strategic priorities is to be the supply chain partner of choice for our customers. By delivering excellent customer service, enhancing our brands and offering the right products, we seek to develop our long-standing relationships with major customers and replicate these with newer customers. Regular and frequent review meetings focus on our effectiveness in this area and external expertise has been engaged to support these appraisals. Business continuity plans were quickly and smoothly implemented as the pandemic gathered pace allowing good customer service levels to continue. These were supported by the external sales team, the customer's primary contact, continuing to work remotely throughout the lockdown period; allowing customers to obtain immediate answers in the more dynamic environment. This service proposition has been well received by customers across all channels and strengthened relationships further. **Executive sponsor: Adam Smith and Peter Varnsverry**	↓ ↓	Excellent service is a core value and progress against objectives in this area is a priority for all employees.

8. COST AND AVAILABILITY OF RAW MATERIALS

RISK APPETITE: BAL

LINK TO STRATEGY

Principal risk and why it is relevant	Key mitigation, change and sponsor	Gross Change Net Change	Rationale for rating
Availability of raw materials can vary at times, and where shortages exist we are susceptible to significant increases in price and threats to our ability to meet customer expectations. Many of these risks are associated with sustainability and climate change and have been a management priority for a number of years. Other risks in the same area have arisen more recently through the Covid-19 pandemic and as the end of the Brexit transition period neared.	We continue to focus on ensuring inflationary pressures are understood, forecast and impact mitigated. In addition to price, we continue to assess whether there is continuity of supply for certain key raw materials and mitigate these risks too. Climate change has impacted availability and the price of certain raw materials in recent periods and we have taken action to mitigate the risks; sourcing from alternate suppliers or making adjustments that allow us to work with alternate raw materials. Although we own much of the raw material we use to manufacture our products, Management continue to recognise a number of long-term supply risks. Focus on these risks has been maintained through the period to ensure risks in these areas are mitigated. **Executive sponsors: George Stewart and Peter Varnsverry**	→ →	Sufficient quantities of raw materials received at the right time and at the right price are critical to Group operations. We have prioritised risk mitigation to bring risk-exposure and risk appetite in line and we continued to receive critical supplies in January 2021 after the end to the Brexit transition period.

RISK MANAGEMENT AND KEY RISKS
CONTINUED

9. PEOPLE TRAINING AND DEVELOPMENT

RISK APPETITE: BAL

LINK TO STRATEGY

Principal risk and why it is relevant	Key mitigation, change and sponsor	Gross Change / Net Change	Rationale for rating
We recognise that our greatest asset is our workforce, and a failure to attract, retain and develop talent will be detrimental to Group performance. During the Covid-19 pandemic Management have prioritised the health and safety of the workforce, clear and regular communication and overall employee welfare. Staffing risks related to the end of the Brexit transition period have also been a priority in 2020.	We understand where key person dependencies and skills gaps exist and continue to develop our succession, talent acquisition, and retention plans. Through the Covid-19 pandemic our people strategy increasingly focused on managing furlough leave arrangements, establishing safe working practices for return to work, employee support, strong communication and employee engagement. Staff have remained well-informed and the Group was able to re-start operations effectively as a result. On resumption of business in H2 2020, Management continued to invest in HR and payroll systems, and although the pandemic impacted the ongoing systems implementation project, suitable resource is now in place to see this investment through to delivery of strategic plans in full in relation to people. Staffing risks related to our European workers have not been realised but Management are cautious about closing these risks out immediately. **Executive sponsor: Shahbaz Idriss**	↑ ↑	We have been investing in this area in recent years and will continue to mitigate risk in this fashion.

10. INNOVATION

RISK APPETITE: HIGH

LINK TO STRATEGY

Principal risk and why it is relevant	Key mitigation, change and sponsor	Gross Change / Net Change	Rationale for rating
Demand for the products that we manufacture may decline if we fail to respond to market developments and revenues and margins may suffer.	Strong relationships with customers and independently administered customer surveys ensure that we understand current and future demand. Close ties between the Strategy, Operations and Commercial functions ensure that the Group focuses on the right areas of research and development. New product development and other development initiatives continue and there are clear links between investment in R&D and the work undertaken in relation to sustainability. **Executive sponsor: Darren Rix**	↑ →	Where the right opportunities present themselves the Group is willing to invest to grow. We have invested in people with the appropriate skills so that opportunities can be identified and progressed. We are also committed to deploying R&D to reduce the environmental footprint of our operations. The high risk appetite reflects our willingness to deploy resources to research and development without any certainty they will bear fruit.

11. IT INFRASTRUCTURE AND SYSTEMS

RISK APPETITE: LOW

LINK TO STRATEGY

Principal risk and why it is relevant	Key mitigation, change and sponsor	Gross Change / Net Change	Rationale for rating
Disruption or interruption to IT systems could have a material adverse impact on performance and position.	We have undertaken a period of investment in consolidating, modernising and extending the reach of our IT systems in recent years, attaining ISO 27001 Information Security accreditation in 2019. Further investment in 2020 in new telephony and communication systems has allowed us to cater for strong demand whilst office staff worked remotely in Q4. Increased cyber risk is evidenced by increasing instances of malicious attacks globally and has encouraged continued investment in cyber security. **Executive sponsor: Matthew Day**	→ →	Investment in IT has been a priority in recent periods to mitigate risk. The downside to IT risks significantly outweigh any potential upside and our risk appetite reflects this.

12. BUSINESS CONTINUITY

RISK APPETITE: LOW

LINK TO STRATEGY

Principal risk and why it is relevant	Key mitigation, change and sponsor	Gross Change / Net Change	Rationale for rating
Performance is dependent on key centralised functions operating continuously and manufacturing functions operating uninterrupted. Should we experience significant disruption there is a risk that products cannot be delivered to customers to meet demand and all financial KPIs may suffer.	We made plans to allow key centralised functions to continue to operate in the event of business interruption in prior years and were able to establish remote working capability effectively as the Covid-19 pandemic developed in Q1 2020 and recurred in Q4 2020. Plans at operational facilities that focused on continuity of despatch were also in place and effective and we move forward with proven capability for mobilising people and procedures. We consider climate related risks when developing business continuity plans and have learnt lessons from weather related events in recent years which inform these plans. Our business continuity policy allows managers to apply clear principles to develop plans quickly in other areas, where a scenario without a pre-prepared plan is faced. **Executive sponsor: Ben Guyatt**	↑ →	Risk has been mitigated to ensure production and despatches continue and products are available to meet customer demand. Using business continuity plans in response to the pandemic represents a useful test, rather than a desktop exercise. This better informs management on capability and reduces residual / net risk.

13. PROJECT DELIVERY

RISK APPETITE: BAL

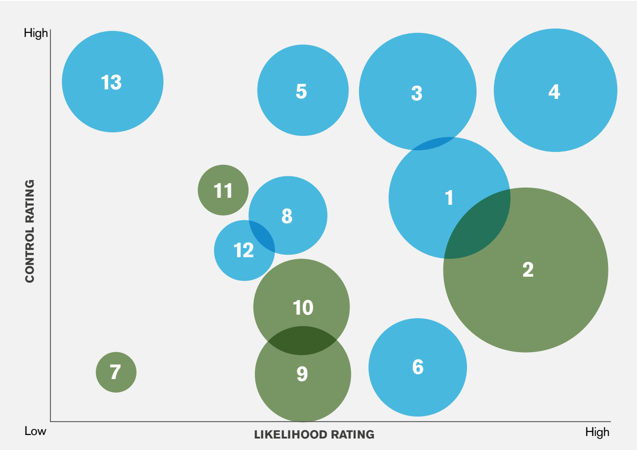
LINK TO STRATEGY

Principal risk and why it is relevant	Key mitigation, change and sponsor	Gross Change / Net Change	Rationale for rating
This is a new risk recognised for the first time in 2020 in recognition of the scale and complexity of the Desford construction project. There are many risks to our ability to successfully deliver plans at present due to the impact of the Covid-19 pandemic.	The Desford brick factory represents the largest capital investment that we have ever made. This project has continued through the pandemic but it is not immune to the risks that the pandemic presents, either during the build project or with regards to the impact of the pandemic on the market that we will be operating in after the completion of the build. In 2020 a major supplier suffered financial difficulties and whilst contracts have now been signed with a replacement supplier, this highlights a single supplier risk which still exists. Should Covid-19 driven restrictions on travel continue into summer 2021 this could cause further delays to the project. Management closely monitor the project for signs of potential challenges, cost over-runs and delays and act promptly to ensure that risks are mitigated. Lessons have been learnt from the construction of the Measham brick factory which was completed in 2009 and with dedicated project management in place and groundworks largely complete, notable risks have already been mitigated. **Executive sponsor: George Stewart**	↑ ↑	Management and the Board are closely monitoring the new Desford build project. External project management expertise has been engaged on this project from the outset, following best practice and ensuring Management are up to date. The project is expected to complete in line with the revised timetable and original budget.

RISK MANAGEMENT AND KEY RISKS

CONTINUED

RISK HEAT MAP



Key risks

1. Health and safety
2. Sustainability / climate change
3. Economic conditions
4. Government action and policy
5. Residential sector activity levels
6. Product availability
7. Customer relationships and reputation
8. Cost and availability of raw materials
9. People training and development
10. Innovation
11. IT infrastructure and systems
12. Business continuity
13. Project delivery

Risk velocity Slow Fast

'Fast' and 'slow' risk velocity is considered by Management as the time that passes between the occurrence of a risk event and the point at which impact is first felt. 'Fast' risks are considered to be those that emerge and are felt in less than 3 months, 'slow' risks are anything emerging or being felt across a longer time period.

CONTROL FOCUSED RISK HEAT MAP REFLECTING RISK VELOCITY

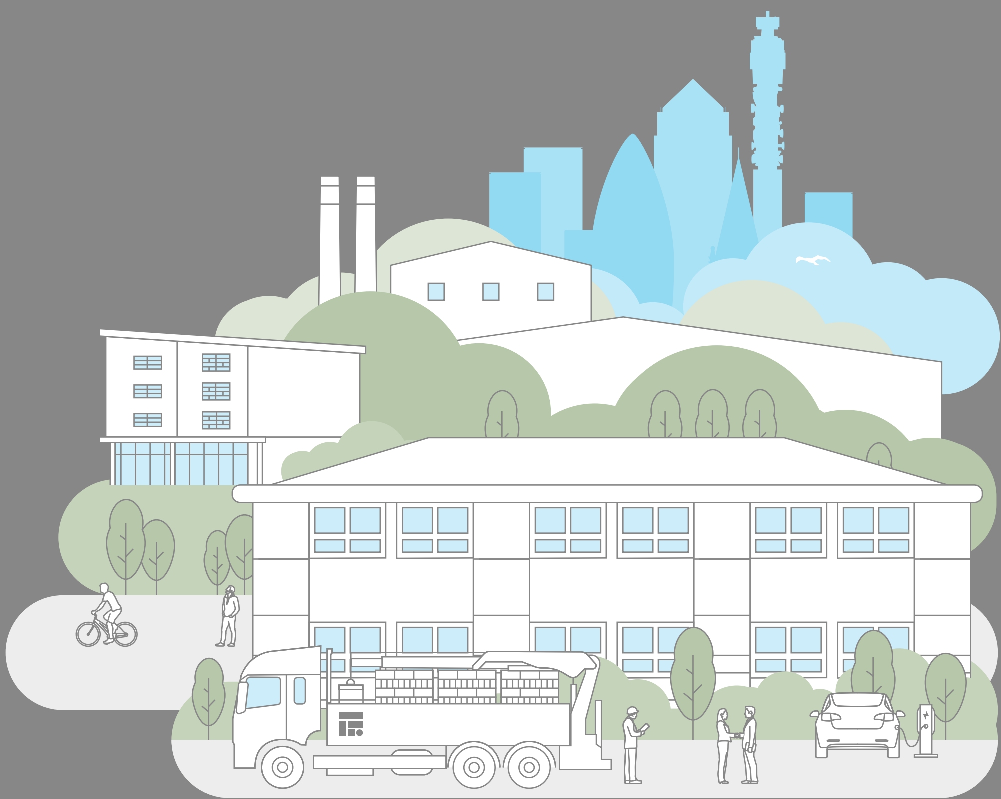
Management have previously prepared a traditional heat map to illustrate potential impact and likelihood. In the 2019 Annual Report this added control as a third dimension, with the size of the risk on the chart reflecting potential impact on the x and y axis re-labelled to reflect Likelihood and Control rather than the traditional Likelihood and Impact. In 2020 Management have had to pay closer attention to the velocity of a risk as those that potentially impact in days and immediately require more urgent attention than those that may occur 12-36 months from the date or slowly become more impactful. Recognising that impact, likelihood, control and velocity are all important when assessing risk the chart has been enhanced to show risk velocity.

In summary, net impact is a financial measure of severity, net likelihood reflects the chance of the risk occurring within the next three years, control reflects the ability of Management to influence the likelihood or impact of a risk and velocity reflects the speed that risk onset could be experienced.

VIABILITY STATEMENT

In accordance with the provisions of The UK Corporate Governance Code 2018 the Board have assessed the prospects of the Company in order to develop a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due. The Board have reviewed the Company's position and principal risks over a period of four years commencing from the year-end date in order to form this expectation. The Board believe that this is an appropriate timeframe to consider as it aligns with its strategic and financial planning horizon; the completion of the major capital project at Desford and having the option to renew the RCF in 2024 given both the time available to do so and informed by the facility renewal in 2020. The Board have reviewed the Group's financial forecasts and any consequential future funding requirements against committed external borrowing facilities regularly through 2020 to confirm ongoing viability. A broad range of scenarios had been presented to support the 2019 viability statement, these were updated as the pandemic emerged, as the Group refinanced in summer 2020 and to reflect a number of projections from this point (each charting a different shape of recovery). To support the viability statement in 2020 the Directors have looked at the base case (which sees a gradual return to 2019 activity levels) and then a number of scenarios which cause a breach in financial covenants if steps are not taken to reduce the Group's cost base in tandem with a fall in demand. The downside scenarios have been prepared so that they cause a breach at the next scheduled covenant review date, the subsequent covenant review date and the following covenant review date. Management are comfortable confirming that the Group remains viable as each scenario, though plausible, is felt to be remote and there remains an option to flex the cost base where downside scenarios are faced. The initial lockdown which was announced in spring 2020 saw operations halted at most Group facilities, through subsequent lockdowns the Group has continued to trade and has traded relatively strongly in comparison to Management's prior expectations. This gives Management some room for optimism when facing the downside scenarios and the Directors can confirm that they have a reasonable expectation that the Group will continue in operation, meet liabilities as they fall due, will not breach banking covenants within the four year period, will conclude the development at Desford and be likely to refinance on similar or improved terms.

GOVERNANCE



BOARD OF DIRECTORS

1 Justin Atkinson

Non-Executive Chairman

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

Skills, experience and qualifications
Justin has a proven track record of driving performance with over 25 years of experience at senior management or director level of businesses, across a range of disciplines including engineering and construction. Justin provides the Board with strong leadership skills having spent 11 years as Chief Executive Officer of Keller Group plc the international ground engineering contractor, having previously served as Chief Financial Officer and Chief Operating Officer. Over the past 5 years Justin has also gained a wealth of Non-Executive Director experience. Justin trained as a Chartered Accountant at Deloitte Haskins & Sells (Scotland) (now part of PwC). Justin is a Chartered Accountant, holds a Bachelor's degree in Accountancy from Glasgow University and the advanced management programme qualification from INSEAD.

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

2 Stephen Harrison

Chief Executive Officer

Appointment
Stephen was appointed Chief Executive of Forterra plc in April 2016.

Skills, experience and qualifications
He successfully steered the business through a divestment process from former owner HeidelbergCement into private equity ownership in 2015 and led the IPO onto the London Stock Exchange as a listed company in 2016.

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

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

3 Ben Guyatt

Chief Financial Officer

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

Skills, experience and qualifications
Prior to his appointment as CFO, Ben held the role of Director of Finance and Company Secretary, playing a key role in the separation of the business from HeidelbergCement and the subsequent listing on the London Stock Exchange drawing upon his previous experience working for the business and financial acumen which are also used to help keep the Board updated and to enable them to make informed decisions. Ben joined Hanson plc in 2006 and held a variety of senior finance and strategy roles within Hanson and HeidelbergCement. Previously Ben held financial management roles at insurance broker, Heath Lambert. Ben is a Chartered Accountant and holds a Bachelor of Arts degree with honours in Accounting and Finance from the University of the West of England.

4 Katherine Innes Ker

Senior Independent Non-Executive Director

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

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

Other Directorships
Non-Executive Chairman of Mortgage Advice Bureau plc and Non-Executive Director at Vistry Group plc.

5 Vince Niblett
Independent Non-Executive Director

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

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

During his career at Deloitte, he served some of the firm's most significant public company clients, working with them on commercial and strategic issues as well as providing audit services. Vince uses his significant financial experience to both guide and challenge the Board on important decisions as well as offering advice on governance and compliance matters.

Vince is a Chartered Accountant and holds a Bachelor of Arts degree in Economics from Reading University.

Other Directorships
Non-Executive Director at Big Yellow Group plc.

6 Martin Sutherland
Independent Non-Executive Director

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

Skills, experience and qualifications
Martin has over 20 years of international experience at senior management or director level in technology and manufacturing businesses focused on the government and commercial sectors. Martin is currently the Chief Executive officer of Reliance acsn who are specialists in IT security management. He held the position of Chief Executive Officer at De La Rue plc from 2014 to 2019. Previously he held various roles at Detica plc, becoming Managing Director in 2008 on its acquisition by BAE Systems plc, Andersen Consulting and British Telecom. Martin brings his experience as a CEO in both public and private companies to Board discussions on operational and strategic matters, as well as providing practical advice based on his expertise in the application of technology. As the Non-Executive Director responsible for employee engagement he attends and feeds back from the Employee Forum. Martin holds a Masters degree in Physics from Oxford University, and a Masters degree in Remote Sensing from University College and Imperial College London.

7 Divya Seshamani
Independent Non-Executive Director

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

Skills, experience and qualifications
Over a career spanning 21 years, Divya has experience at senior management or director level across a diverse range of businesses including those in infrastructure, energy, sustainability and manufacturing and is currently Managing Partner of Greensphere Capital LLP, a global sustainable investment private equity firm. Divya has a particular strength and interest in the environment and sustainability – in 2019, she was appointed by the Secretary of State to Her Majesty's Government Council of Sustainable Business where she leads the Net-Zero Carbon initiative and is advising the Board on this increasingly important topic. Previously, Divya was an Independent Non-Executive Director at Marine Current Turbines Limited, a Council Member of the Royal Institute of International Affairs (Chatham House) and was a Partner at the global private equity house, TPG. Divya has also held investment roles at Singapore's sovereign wealth fund (GIC), Unilever Ventures and the Parthenon Group.

Divya holds a Bachelor of Arts degree and Masters of Arts degree in Politics, Philosophy and Economics from Oxford University and a Master of Business Administration degree from Harvard University.

8 Ashley Thompson
Company Secretary

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

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

Committee membership

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

EXECUTIVE COMMITTEE

Stephen Harrison
Chief Executive Officer

See Stephen Harrison's biography on page 76.

Ben Guyatt
Chief Financial Officer

See Ben Guyatt's biography on page 76.

Matthew Day
IT Director

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

Shahbaz Idriss
Human Resources Director

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

Darren Rix
Strategy and Development Director

Darren joined Hanson plc in 2007 and held a number of senior finance roles, including Financial Controller for the Building Products and Cement divisions. Darren previously held the role of Group Controller at Forterra and was appointed Strategy and Development Director in 2017. Darren is a Chartered Management Accountant and holds a Bachelor of Arts Degree with honours in Economics from the University of Leicester.

Adam Smith
Commercial Director

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

George Stewart
Operations Director

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

Peter Varnsverry
Managing Director, Bison Precast

Peter joined Forterra in January 2019 but had previously worked with the business in interim and consulting roles. Prior to joining Forterra, Peter held senior positions in a number of businesses with manufacturing at their core including Airbus, Federal-Mogul and more recently Triumph Aerospace. Peter has prior experience in the precast concrete and off-site manufacturing industry as Head of Manufacturing with Laing O'Rourke and holds Masters degrees in Management and Strategic Change from Coventry and Huddersfield universities.

CORPORATE GOVERNANCE STATEMENT
CHAIRMAN'S INTRODUCTION

"I am pleased to present, on behalf of the Board, the corporate governance report for the year ended 31 December 2020. Here we describe governance at Forterra and the principal activities of the Board and its Committees during the 2020 financial year."

Justin Atkinson
Non-Executive Chairman

INTRODUCTION FROM THE CHAIRMAN

As a Board we continue to recognise our accountability to shareholders and responsibility for ensuring good corporate governance. The Board, to meet these responsibilities, has monitored changes to corporate governance requirements, following the publication of The UK Corporate Governance Code 2018 (the Code), which we applied for the first time in 2019 and have further developed in 2020 making changes to embed best practice governance throughout the business. Our purpose, culture, strategy, values, commitment to stakeholders and our commitment to delivering long-term sustainable value remain unchanged since listing but the articulation of these areas and linkage throughout this Annual Report are clearer as a result of considering the Code.

COVID-19

The pandemic brought with it additional challenges of remote working for many and social distancing resulted in a number of our Board meetings throughout the year being held remotely, and for the first time our AGM was held behind closed doors at our head office. Although responding to the pandemic was a priority for the Board, the basic principles of strong governance still remained along with continued adherence to the Code.

In addition, the Remuneration Committee also considered the impact of the pandemic on remuneration decisions to ensure Executive remuneration properly reflected the year's events, and this is discussed in more detail in the Remuneration Report found on pages 97 to 118.

SUSTAINABILITY

We have always been committed to protecting the environment and have demonstrated strong progress minimising our impact in this area over the last decade. Since our first set of 10 year targets were set in 2010, sustainability has become increasingly important to all of our stakeholders, and the new challenging targets we have set this year fully support the UK Government's commitment to achieving net zero by 2050. As part of the process of setting these targets, we have also taken significant steps to better inform our stakeholders, with further detailed information and disclosure included in the Sustainability Report on page 38. Governance and responsibility for climate related risks sits with the Board, whom have provided oversight to ensure the sustainability agenda and targets are appropriate. This has been achieved through changes made to the remit of the Risk Committee, which as from 1 January 2021, has been renamed the Risk and Sustainability Committee. Our ongoing commitment in this area is supported through adoption of the recommendations of the Task Force on Climate Related Financial Disclosure (TCFD) for reporting.

BOARD EFFECTIVENESS

We monitor Board effectiveness in accordance with the Code and conducted an internal evaluation exercise towards the end of the year. The Board's focus this last year has been directed towards dealing with the impact of the pandemic and securing the funding for the Desford project. However, with this now in place and the necessary equipment manufacture contracts awarded, the Board recognises that it must now refocus on matters of longer term strategy and capital allocation. Later this year we will conduct an externally facilitated Board effectiveness review in accordance with the requirement of the Code to have one every three years.

CORPORATE GOVERNANCE STATEMENT
CONTINUED

CULTURE

The Board sets the culture of the business and leads by example. These behaviours are filtered down through to the Executive Team and their direct reports to become embedded within the business as evidenced in our Safety First approach, "Golden Rules" and core values. To monitor our culture within the business and to ensure compliance with the revised code Martin Sutherland has continued as the designated Non-Executive Director responsible for employee engagement attending meetings of the Employee Forum and reporting back to the Board following each meeting. The Forum meets quarterly to discuss subject matters raised by our colleagues to their forum constituency representatives including the Company's culture, as well as topics including our response to the pandemic, supporting charitable work and mental health awareness.

Justin Atkinson
Chairman

9 March 2021

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE 2018

The UK Corporate Governance Code 2018 (the Code) builds upon the provisions of the 2016 Code with an updated set of principles that emphasise the value of good corporate governance to long-term sustainable success. The relationships between companies, shareholders and stakeholders are critical to this, as is a focus on culture, through alignment of purpose, strategy, integrity and diversity.

The contents of the Code are:

- Leadership and purpose;
- Division of responsibilities;
- Board composition, succession and evaluation;
- Audit, risk and internal control; and
- Remuneration.

Within each of these areas a number of principles apply, each of these principles then links with a number of provisions. The application of these principles and provisions and the outcomes achieved are disclosed in the Annual Report as required for companies with a UK premium listing and the Board believes that Forterra plc remains fully compliant with the Code at 31 December 2020.

The Corporate Governance Statement, together with the reports of the Audit, Nomination, Risk and Remuneration Committees on pages 88 to 118 set out in greater detail how the principles and provisions of the Code have been fulfilled and how the Board and its Committees have discharged their responsibilities for ensuring that robust governance practices continue to operate across the Group.

CORPORATE GOVERNANCE STATEMENT
1. BOARD LEADERSHIP AND COMPANY PURPOSE

PROMOTING LONG-TERM SUSTAINABLE SUCCESS

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

MONITORING CULTURE

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

STAKEHOLDER ENGAGEMENT

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

ADDRESSING STAKEHOLDER CONCERNS IN BOARD DECISION MAKING

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

ENGAGING WITH SHAREHOLDERS

The Chief Executive Officer and Chief Financial Officer meet regularly with major shareholders and work together with the joint Brokers to ensure there is effective communication with shareholders on matters such as governance and strategy.

As part of the Group's investor relations programme, meetings with major shareholders are scheduled to discuss the Group's interim and full year results. The Chairman wrote to major shareholders in the year offering to meet them and held a number of virtual meetings as a result; covering topics including our response to the pandemic, capital allocation and sustainability. The Chairman and Senior Independent Non-Executive Director are always available to meet major shareholders on request.

Although Covid-19 has changed the way in which we interact with our shareholders, engagement has been fully maintained with results presentations delivered virtually and subsequent investor roadshows held using video conferencing. In addition, investor conferences, events which facilitate engagement with large numbers of current and potential shareholders in a short period of time, have also been attended remotely.

ENGAGING WITH EMPLOYEES

Engagement with our employees is an area which we have continued to develop throughout the year, enabled directly via the Employee Forum which met four times in 2020. The Chief Executive Officer has presented regular podcasts to keep employees updated in a period where many were working from home or without access to normal information streams.

CORPORATE GOVERNANCE STATEMENT
1. BOARD LEADERSHIP AND COMPANY PURPOSE
CONTINUED

How the Group engages with its stakeholders is detailed on pages 35 to 37 alongside the Directors' statement in relation to their statutory duty in accordance with S172 (1) of the Companies Act, however engagement specifically from a Board perspective is detailed in the below table:

Stakeholder	Key concerns	Board engagement
Employees	▪ Health, safety and wellbeing ▪ Culture, equality and diversity ▪ Talent development	▪ Board approved updated "Golden Rules of Safety" ▪ Board undertake regular health and safety walks ▪ Martin Sutherland attends the Employee Forum held up to four times per year ▪ Defining culture and leading from the top is core to the Board's activities
Customers	▪ Customer service and satisfaction ▪ New Product Development	▪ The Executive Directors regularly meet with customers ▪ Corporate events are held where Non-Executive Directors meet with key customers
Suppliers	▪ Sustainable and ethical sourcing ▪ Maintaining supply chain	▪ Sustainability is a key priority for the Board and as of January 2021 the Risk Committee has become the Risk and Sustainability Committee ▪ Risks to the supply chain such as Brexit are regularly discussed at Risk Committee meetings
Community	▪ Being a good neighbour	▪ Setting new challenging sustainability targets approved by the Board which will improve the environment we live in
Shareholders and Lenders	▪ Group performance ▪ ESG matters ▪ Strategy	▪ Executive Directors, along with the Chairman and Senior Independent Directors regularly meet with large shareholders and lenders ▪ The Board have approved new sustainability targets with a full Sustainability Report included within this Annual Report

CONFLICTS OF INTEREST

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

The Company maintains a conflict register to be reviewed by the Nomination Committee at least twice a year. Currently the only situations authorised and listed on the register are the Directors holding directorships and other similar appointments in companies or organisations not connected with the Company where no conflict of interest has been identified.

SETTING OUR SUSTAINABILITY PRIORITIES

This year marks the end of our current ten-year environmental targets, which coincides with increased interest from all our stakeholders on this important topic. To that end we have set ourselves challenging new targets and committed to reporting in accordance with the TCFD which is covered in more detail in the Sustainability Report on pages 38 to 65.

TAKING DECISIVE ACTION ON COVID-19 RISKS

Following the Prime Minister's first lockdown announcement on 23 March 2020, the Board closely monitored and actively managed the impact of Covid-19 on the business and our employees, customers and suppliers. The Board took immediate measures to manage the Group's cost base and cash flows to ensure resilience whilst ensuring the health and safety of our employees, customers and suppliers. The governance measures implemented by the Board during the pandemic included:

- approving an equity placing raising net funds of £53m;
- approval of a refinancing of the Group's banking facilities increasing the facility by £20m and extending by two years;
- cancellation of the 2019 final dividend, which was due to be paid in July 2020;
- a voluntary 20% reduction in base salary and fees for the Board and Executive Committee from April-June 2020;
- supporting the recommendation of the Chief Executive Officer and the decision of the Remuneration Committee that there would be no payments FY20 annual bonus scheme;
- review and approval of Group participation in the Government Coronavirus Job Retention Scheme (CJRS); and
- monitoring the establishment of extensive Covid-19 working practices and protocols, to enable site operations to gradually restart from May 2020.

CORPORATE GOVERNANCE STATEMENT
2. DIVISION OF RESPONSIBILITIES

THE BOARD

NOMINATION COMMITTEE
Oversees the composition of the Board and Committees and considers succession planning and diversity, making recommendations to the Board.
see page 88

AUDIT COMMITTEE
Oversees the Group's corporate financial reporting, the internal control system, risk management and the relationship with the external auditor.
see page 90

REMUNERATION COMMITTEE
Responsibility for recommending overall remuneration policy and the setting of executive and senior management remuneration.
see page 97

RISK AND SUSTAINABILITY COMMITTEE
Ensures that all risks, including health, safety, environmental, operational and commercial are managed effectively and proactively throughout the Group.
see page 95

EXECUTIVE COMMITTEE

There is a clear division of responsibilities between the roles of Chairman and Chief Executive Officer and these roles are not exercised by the same individual. The Chairman, Justin Atkinson, leads the Board and is responsible for its overall effectiveness. The Chairman sets the Board's agenda, encourages the Directors to contribute openly to debate and ensures the Directors receive accurate, timely and clear information to stimulate this debate. The Chief Executive Officer, Stephen Harrison, assisted by the Executive Committee is responsible for the day-to-day operational and commercial management of the Group including embedding the purpose, values and strategic objectives established by the Board.

SUMMARY OF MATTERS RESERVED FOR THE BOARD

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

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

To assist in discharging its responsibilities the Board is supported by specialist Committees. The Board has established four such Committees, the Audit Committee, the Risk Committee (which became the Risk and Sustainability Committee from the beginning of 2021 recognising the need for increasing Board oversight in this area), the Remuneration Committee and the Nomination Committee. The terms of reference of each of these Committees are each reviewed on an annual basis. The Board believes each of the Committees has the necessary skills and resources to fulfil its brief and each of the Committees has access to appropriate legal and professional advice where necessary.

The Audit Committee Report on pages 90 to 94 outlines how the Board has applied the Code in respect of financial reporting and internal controls. The Risk Committee Report on pages 95 and 96 explains how the Board has applied the Code in respect of risk management. The Nomination Committee Report on pages 88 and 89 outlines the Board's approach to succession planning. The Remuneration Committee Report on pages 97 to 118 provides details of the Directors' remuneration received in the year.

Day-to-day management and implementation of strategies approved by the Board is delegated to the Executive Committee which comprises eight senior managers including the two Executive Directors. Membership of the Executive Committee along with biographies is detailed on page 78.

SENIOR INDEPENDENT DIRECTOR

The Board identifies one of the Independent Non-Executive Directors as the Senior Independent Non-Executive Director. Katherine Innes Ker currently serves in this role.

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

CORPORATE GOVERNANCE STATEMENT
2. DIVISION OF RESPONSIBILITIES
CONTINUED

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

NON-EXECUTIVE DIRECTORS

Given the size of the Company and its Board, it is thought appropriate and beneficial that each Non-Executive Director sits on each Committee. This allows the Non-Executive Directors to effectively fulfil their responsibilities in providing constructive challenge, strategic guidance, specialist advice and holding management to account for the Group's and their personal performance. All Non-Executive Directors have the required time to devote to Forterra which was evidenced by them all being able to attend an increased number of virtual calls between Board meetings early in the pandemic.

COMPANY SECRETARY

Ashley Thompson was appointed Company Secretary on 1st January 2020 when Ben Guyatt was appointed as Chief Financial Officer. Ashley has ensured that policies, processes, information, time and resources were available to the Board to allow it to function effectively and efficiently.

INDEPENDENCE OF THE BOARD

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

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

i. have not been employed by the Company or Group;

ii. have no material business relationship with the Company or Group;

iii. do not participate in the Company's employee share plans or pension scheme;

iv. have not received additional remuneration beyond the Director's fee reported in this Annual Report;

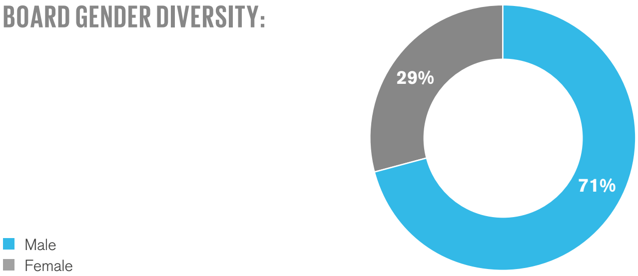
v. have no close family ties with any of the Company's Directors, Executive Management or advisers;

vi. have no significant links with other Directors through involvement in other companies;

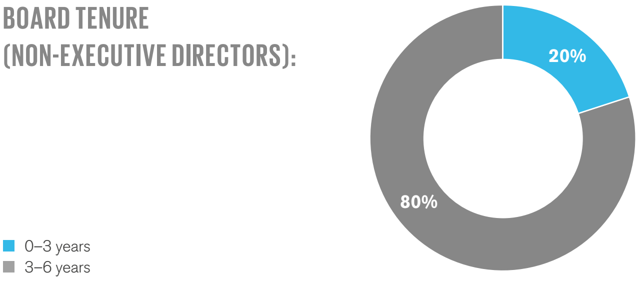
vii. do not represent a significant shareholder; and

viii. have not served on the Board for more than nine years from the date of their first appointment.

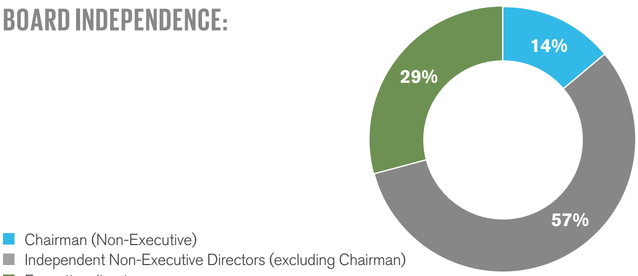
BOARD GENDER DIVERSITY:



BOARD TENURE (NON-EXECUTIVE DIRECTORS):



BOARD INDEPENDENCE:



BOARD MEETINGS

It is the intention of the Board to meet on at least eight occasions a year. In 2020 the Board met on eight scheduled occasions.

The Directors regularly communicate and exchange information regardless of the timing of meetings and should the need arise, a meeting of the Directors can be convened at short notice. In addition to the scheduled meetings the Board also held a number of regular updates and briefings by telephone and or video conference during the year in response to the demands of the pandemic and the Board adapted quickly to the use of this technology.

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

The table below only includes attendance where each Director attended as a member rather than as an invitee or an observer.

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

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

CORPORATE GOVERNANCE STATEMENT
3. COMPOSITION, SUCCESSION AND EVALUATION

Following the Board effectiveness exercise, the Board are satisfied that it not only meets the requirements of the Code in terms of composition but that the Board has a combination of skills, experience, and knowledge to fulfil its duties.

The Board recognises that the future success of the business is reliant upon succession planning and to that extent it has been a consistent agenda item where individuals with potential are recognised. Given the importance of this topic the HR Director has been specifically tasked to assist in this process.

BOARD EVALUATION

We conduct an external Board evaluation every three years, most recently in 2018, with the next therefore due in 2021. The Board identified a number of topics in our 2019 Annual Report which were identified as part of the last evaluation exercise for further consideration in 2020; details and progress against these is detailed in the table below:

Areas of improvement	Actions in 2020
The purpose and culture being consistently observed through the business	The Employee Forum was refreshed with Martin Sutherland as the designated Non-Executive Director and the Chief Executive Officer both attending. This has created an additional avenue from which the Board can receive feedback as to how culture is embedded throughout our business.
Stakeholder expectations and strategic plans more explicitly linked and aligned	Feedback is received from results presentations and Management's subsequent meetings with Shareholders twice a year and this together with feedback from the Chairman's meetings with shareholders is fed into the strategic plans. We plan to update stakeholders on our strategy later in the year.
Further progress mitigating risks in relation to health and safety, plant performance, succession planning and disaster recovery	We commissioned an external review of our health and safety strategy, adopting the recommendations of the report.
Opportunistic horizon scanning that focuses on technological advancements, sustainability and modern methods of construction	We continually assess opportunities to expand our product offering, with an increased focus on sustainability.

As a result of the regular evaluations, the Board can confirm that it continues to understand its strengths and weaknesses and can respond accordingly to each. Further, the Board can also conclude that its composition and that of its Committees is appropriate, procedures in place are effective, responsibilities are divided clearly, and the Directors have the skills, experience, independence and knowledge to allow the Board and its Committees to successfully and effectively discharge their duties.

Finally, the Senior Independent Non-Executive Director met the other Directors without the Chairman being present; and the Chairman met with each Director separately. These meetings allowed a full discussion of each Board member's contribution, any feedback from the Board evaluation and adequate focus on personal development.

BOARD FOCUS FOR 2021:

- Strategy and Innovation, including product development;
- Sustainability, working towards meeting new targets set out in this Annual Report;
- Culture, to assess, monitor and take corrective action where required; and
- Succession planning, to ensure a pipeline of candidates for key positions.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company's Articles of Association contain certain powers of removal, appointment, election and re-election of Directors and provide that each Director should retire at the Annual General Meeting if they had been a Director at each of the two preceding Annual General Meetings and are not reappointed by the Company in general meeting at or since such meeting. A retiring Director shall be eligible for reappointment. In practice it is intended that all Executive and Non-Executive Directors will retire and put themselves forward for re-election annually at each Annual General Meeting and as such all Directors will stand for re-election at the 2021 Annual General Meeting.

On appointment, Board members disclose their other commitments and agree to allocate sufficient time as necessary to the Company in order to discharge their duties effectively. The current disclosable external commitments of the Board are shown on pages 76 and 77. Any conflicts of interest are dealt with in accordance with the Board's conflict procedures, however this situation has not arisen this year.

INDUCTION

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

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

No inductions were required in 2020. Ben Guyatt joined the Board at the beginning of the year but had previously served with the Company and its predecessor organisations, including serving as Company Secretary since the IPO in 2016. Ben received support and guidance from all of the Board members as he adapted to his new role.

INTERNAL CONTROLS AND RISK MANAGEMENT

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

The Committee requested that the Internal Audit function carry out an annual review of the effectiveness of the Group's risk management and internal control systems. This monitoring and review process covered all material controls including financial, operational and compliance controls.

The Committee confirms that:

- there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Group;
- the systems have been in place for the year under review and up to the date of the approval of the Annual Report and Accounts;
- they are regularly reviewed by the Board along with the Risk and the Audit Committees where appropriate; and
- the systems accord with the Financial Reporting Council (FRC) guidance on risk management, internal control and related financial business reporting.

The key risks faced by the Group together with their potential impact and mitigating actions are laid out in the Risk Management section of the Strategic Report on pages 66 to 74.

DIRECTORS' AND OFFICERS' INSURANCE

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

SHARE DEALING CODE

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

Approved by the Board and signed on its behalf:

Justin Atkinson
Chairman

9 March 2021

GOVERNANCE

NOMINATION COMMITTEE REPORT

Justin Atkinson
Chairman of the Nomination Committee

"We are delighted to have appointed Shahbaz Idriss, our new HR Director as the first woman to sit on the Executive Committee."

MEMBERSHIP

The members of the Committee are appointed by the Board. At 31 December 2020 the members of the Committee were as follows:

Justin Atkinson (Chairman);

Katherine Innes Ker;

Divya Seshamani;

Martin Sutherland; and

Vince Niblett.

DEAR SHAREHOLDER,

I am pleased to present the report of the Nomination Committee (the Committee) for 2020. The content below describes the main responsibilities of the Committee. I chair Nomination Committee meetings but would not participate when the Committee is dealing with my own position as Chairman.

RESPONSIBILITIES

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

The terms of reference of the Nomination Committee are approved by the Board and are reviewed annually to ensure they remain appropriate, and the only change to the Board in the year was the appointment of Ben Guyatt, Chief Financial Officer, on 1 January 2020.

The principal responsibilities of the Committee are as follows:

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

ACTIVITIES DURING THE YEAR

The Committee has two standing meetings a year and then others as and when necessary to deal with appointments. Board composition and succession planning are the two key responsibilities of the Committee.

In January the Committee discussed succession planning and potential candidates for the Executive Committee and how those candidates could develop into the role over time with the appropriate training and support.

In September on behalf of the Board, the Committee approved the appointment of Shahbaz Idriss as a member of the Executive Committee, the first woman to serve on the Committee, and statutory director of Forterra Building Products Limited in her position as HR Director.

The conflicts register is also reviewed at each meeting to ensure that all the Non-Executive Directors remain independent for their role and that they have sufficient time to commit to the position and discharge their duties.

Further to the board effectiveness exercise outlined in more detail in the Corporate Governance Statement the Committee also reviewed the composition of the Board to ensure that it is appropriate and relevant to the Group in both structure and size including having the skills and knowledge to deliver the agreed strategy which are further described below. In addition, the same exercise also identified succession planning as an area for improvement which falls under the remit of the Committee and this will be an area of increased focus for 2021.

EXECUTIVE SKILLS AND SUCCESSION PLANNING

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

DIVERSITY AND EQUALITY

The Group has an Equality and Diversity Policy and is committed to encouraging diversity across the business at all levels and to being inclusive. At the end of the year, the Board contained two female Directors (representing 29% of the Board) and 10% of the Group's total workforce is female. Whilst these figures are reflective of the nature of the business and the industry in which the Group operates, we are doing all we can to address this imbalance and as a result. We are delighted to have appointed Shahbaz Idriss, our new HR Director as the first woman to sit on the Executive Committee in 2020.

Justin Atkinson
Chairman of the Nomination Committee

9 March 2021

AUDIT COMMITTEE REPORT

Vince Niblett
Chairman

"At the request of the Board, the Audit Committee has considered whether the 2020 Annual Report is fair, balanced and understandable and whether it provides the necessary information for the Group's shareholders to assess the Group's position, performance, business model and strategy."

MEMBERSHIP

The members of the Committee as at 31 December 2020 were as follows:

Vince Niblett (Chairman);

Katherine Innes Ker;

Divya Seshamani; and

Martin Sutherland.

DEAR SHAREHOLDER,

I am pleased to present my Audit Committee Report for the year ended 31 December 2020.

The Audit Committee (the Committee) has been delegated responsibility by the Board for protecting the interests of shareholders. Key features of the Committee terms of reference are detailed below, these terms allow the Committee to meet the needs of shareholders and the requirements of the Corporate Governance Code:

- satisfying itself on the integrity of all financial reports;
- ensuring that financial reporting presents a fair, balanced and understandable assessment of the Group's position and prospects;
- establishing formal and transparent policies and procedures to ensure the independence and effectiveness of both internal and external audit; and
- establishing procedures that manage risk, oversee the internal control framework and determine the nature and extent of the principal risks the Group is willing to take in pursuit of its long-term objectives.

The Internal Audit function, which operates on a co-sourced basis with PwC, have conducted audits across 2020 and these have been reported to the Committee along with recommendations for improvement. All of these recommendations have been accepted and have either been implemented or are in progress. Further details of the work undertaken by our Internal Audit function are set out on pages 92 and 93.

The Board has asked the Committee to review the Group's Financial Statements contained within this Annual Report and, following its review, the Committee is able to provide assurance to the Board that they present a fair, balanced and understandable assessment of the Group's position and prospects.

The following report demonstrates how the Committee has discharged its responsibilities during the year.

RESPONSIBILITIES

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

The terms of reference of the Audit Committee are approved by the Board and are reviewed annually to ensure they remain appropriate.

The principal responsibilities of the Committee are to:

- monitor the integrity of the Financial Statements, half year report, and any other announcements relating to the Group's financial performance or position and to assess whether management has made appropriate estimates and judgements;

RESPONSIBILITIES CONTINUED

- review and challenge where necessary the consistency of and any changes to significant accounting policies;
- keep under review the adequacy and effectiveness of the Group's internal financial control and risk management systems;
- evaluate the effectiveness of the Group's Internal Audit function;
- review the effectiveness and independence of the external auditors, negotiate and agree their remuneration and make recommendations to the Board in respect of their appointment; and
- monitor the effectiveness of the Group's procedures on whistleblowing, anti-bribery and corruption and anti- money laundering.

ACTIVITIES DURING THE YEAR

During 2020 the Committee formally met on four occasions. In addition to the members of the Committee, other members of the Board, including the Chief Financial Officer, the Head of Internal Audit, representatives from co-sourced internal audit service provider PwC, and the external auditor Ernst & Young joined the Committee meetings by invitation. The external auditor was invited to and attended each meeting of the Committee in 2020. The Company Secretary provided secretarial services to the Committee and attended meetings in this capacity.

During the year under review and to the date of this Annual Report the principal activities of the Committee were as follows:

- review of the Group's annual and half-year financial statements and preliminary results announcements including review of significant financial reporting issues and matters of judgement inherent within the above;
- review of the content of the Annual Report and Accounts and advising the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's financial position and performance, business model and strategy;
- monitor and review the Group's internal control and risk management systems including the regular review and monitoring of the progress of improvement and enhancement actions identified;
- monitor and review the performance of the co-sourced Internal Audit function confirming that its operating charter remains appropriate;
- review of the audit reports prepared by the Internal Audit function with subsequent oversight of the implementation of recommended improvements;
- review the impact of any changes in financial reporting standards;
- review and approval of the Group's tax strategy;
- review and update of the Committee's terms of reference ensuring they remain in line with best practice;
- review of the documents in respect of the equity raise;
- review of the documents in respect of the refinancing and reviewing the assumptions used by Management;
- selection of a replacement for the external auditors' engagement partner with the incumbent partner required to rotate of the engagement upon the conclusion of the 2020 audit;
- monitoring of progress against the 2019/20 internal audit programme following consideration of the risks facing the Group;
- consideration of the external auditor's 2020 audit plan including the scope of audit work and the agreement of the 2020 audit fee; and
- consideration of the annual letter to those charged with governance and other reports prepared by the external auditor.

SIGNIFICANT FINANCIAL REPORTING RISKS AND JUDGEMENT AREAS CONSIDERED

The following judgement areas and significant estimates were considered by the Committee in the review and approval of the 2020 Financial Statements:

REVENUE RECOGNITION

The Group recognises revenue when performance obligations are met, which may differ for different products and under different agreements. Under all arrangements the Committee is satisfied that the point that control passes to the customer has been suitably considered and reflected. Further, a number of contracts also contain volume driven rebate mechanisms. Management are required to make judgements regarding the expected rebate achievement and make appropriate allowance for these uncertain liabilities in the Consolidated Financial Statements. The Committee have reviewed the Group's policies and procedures covering the recognition of revenue and the recording of rebate obligations and is satisfied that the balances as at 31 December 2020 are appropriately recorded.

AUDIT COMMITTEE REPORT
CONTINUED

SIGNIFICANT FINANCIAL REPORTING RISKS AND JUDGEMENT AREAS CONSIDERED CONTINUED

RESTORATION AND DECOMMISSIONING PROVISIONS

The Group makes provisions for liabilities in respect of restoration and decommissioning based upon both third-party advice and Management's judgement of the appropriate level of liability likely to arise in the future. The Committee has reviewed the basis and amounts of such provisions as at 31 December 2020 and is satisfied that they are appropriately stated.

INVENTORY VALUATION AND PROVISIONING

The Committee has critically reviewed the Group's valuation of its finished goods inventory including the level of provisions recognised against potential obsolescence. This allowed the Committee to concur with Management's assessment that the carrying value of the Group's inventories is appropriately stated.

IMPAIRMENT

The Committee has critically reviewed the processes adopted by Management in assessing whether, in their judgement, any indicators of impairment existed and whether any detailed impairment testing should be undertaken. Across all areas of the Group, performance was below the original 2020 plan and this in itself is an impairment indicator. As such Management reviewed performance against a number of criteria before determining where full impairment assessments were required. The Committee have carefully considered these reviews and associated impairment assessments as well as the assumptions and sensitivities applied by Management in undertaking the impairment testing. Following this review, the Committee concurred with Management's conclusion that impairments should be recognised in relation to impairments of tangible and intangible assets in the Bison business unit, and intangible assets within the Formpave business unit as well as in relation to central HR software. After reviewing management reports and consulting where necessary with the external auditor, the Committee is satisfied that the estimates adopted and the accounting treatments applied in the preparation of the Financial Statements are appropriate.

DEBT AND EQUITY REFINANCING

The Group was planning to reassess its debt facilities in 2020 ahead of refinancing in 2021 or 2022. The onset of the pandemic changed this forward plan and necessitated a refinancing ahead of schedule in summer 2020. The Committee were appraised of the revisions to forward plans, had sight of re-forecasted financial information and were able to assess potential risks to covenant compliance and ultimately going concern on a timely basis. Management also recognised the potential accounting implications associated with issuing new equity shares and amending debt facilities and drew upon external expertise to ensure that all relevant accounting implications were considered and addressed. The Committee remained informed and were able to conclude that the approach was appropriate.

EXCEPTIONAL ITEMS

The scale and nature of certain elements of Group expenditure in 2020 has led to this expenditure being classified as exceptional when presented in the financial statements. The Committee has been able to critically review the classification of this expenditure and conclude that the presentation is appropriate. In particular, the following areas of expenditure have been reviewed and agreed: debt refinancing costs, costs incurred restructuring the Group's activities in response to the pandemic and impairment charges associated with lower forecasts of future cash flows from the use of some Group assets.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Audit Committee is focused upon financial risks and controls. Operational risk management is contained within the terms of reference of the Risk Committee. The Audit Committee and the Risk Committee work closely together, and members of the Audit Committee now also serve on the Risk Committee. In addition, key members of the Internal Audit function may, by invitation, also attend meetings of the Risk Committee.

INTERNAL AUDIT

The Internal Audit function exists to provide the Board and Management with independent assurance that internal controls and risk management processes are both appropriate and operating effectively.

A co-sourced Internal Audit function is in place, this is headed by an in-house Head of Internal Audit and supplemented by auditing resource and expertise from PwC where required. The Committee continues to believe that this operating model is the most suitable as it combines strong internal business knowledge and understanding with a wide pool of external experience and specialist skillsets to deliver the most effective and responsive solution possible.

INTERNAL AUDIT CONTINUED

During 2020 the Committee reviewed audit reports prepared by the Internal Audit function covering areas, including: the Desford project, Brexit readiness, payroll key controls and distribution and fleet management.

The Internal Audit function operates to an agreed internal audit programme which is set by the Committee after considering recommendations from the Internal Audit function as well as Executive Management. The Internal Audit function have now completed an 18 month audit programme which commenced in mid-2019, despite the interruptions caused by Covid-19. Future internal audit programmes will run for 12 months and will be coterminous with the year-end. This change is being made to allow the programme to better reflect current risks and also ensure the review of the Internal Audit function's performance over the last audit programme and the review and approval of the future programmes can be timetabled for the same time each year. The current audit programme has been designed after an assessment of risk; from this assessment the resource will focus on reviewing key financial processes and major projects.

The Chairman of the Audit Committee regularly meets with the Head of Internal Audit. Other members of the Committee and the Board will also meet with the Head of Internal Audit on a periodic basis. The Head of Internal Audit and the co-sourced provider PwC have regular and confidential access to the Chairman of the Committee.

COMMITTEE EXPERIENCE AND COMPETENCE

Provision 24 of the revised Code requires that the Board should satisfy itself that at least one member of the Audit Committee has recent and relevant financial experience. The Committee as a whole shall have competence relevant to the sector in which it operates.

The Board have concluded that Vince Niblett meets the recent and relevant financial experience requirement. Vince Niblett was previously a Partner at international professional services firm Deloitte, where he held a number of senior roles including membership of the UK Board of Directors and Global Managing Director, Audit & Enterprise Risk Services before retiring in 2015. Vince is a Chartered Accountant and also a Non-Executive Director and Chairman of the Audit Committee at Big Yellow Group plc.

The Board also considers the wider Committee to have the required competence, skills and experience and that it is operating effectively and is providing robust challenge to the Executive Directors and the wider business.

FINANCIAL AND BUSINESS REPORTING PROCESSES

The Group has in place established and comprehensive financial review processes which are both forward and backward looking. These processes allow the Board to conclude that published information including the Annual Report and Accounts, interim financial information, and preliminary financial information along with other price sensitive public reports and other published financial information taken as a whole is fair, balanced and understandable.

These processes include:

- employing appropriately qualified and experienced professional staff;
- seeking advice from external professional advisers on complex matters where appropriate;
- formal sign-off procedures from executive management;
- tracking a range of performance indicators on a daily, weekly and monthly basis as appropriate;
- comprehensive review and where appropriate challenge, from the Executive Committee and other senior management;
- regular preparation of comprehensive budgets, forecasts and business plans and monitoring of performance against these;
- membership of trade associations providing access to industry statistics and trends;
- a transparent process to ensure full disclosure of information to the external auditors; and
- oversight provided by the Audit Committee and the Internal Audit function which ensures controls and processes are functioning as intended and that key assumptions and estimates made by Management are subjected to formal review.

FAIR, BALANCED AND UNDERSTANDABLE

At the request of the Board, the Audit Committee has considered whether the 2020 Annual Report is fair, balanced and understandable and whether it provides the necessary information for the Group's shareholders to assess the Group's position, performance, business model and strategy.

AUDIT COMMITTEE REPORT
CONTINUED

VIABILITY STATEMENT AND GOING CONCERN

Ahead of the publication of the full year financial results for 2020, the Committee undertook a detailed review of the prospects of the Group to ensure ongoing viability. A viability statement was prepared and scenarios modelled which carefully considered the impact of the pandemic to support a recommendation to the Board that the Directors can justifiably state that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities to the end of 2024. The viability statement is included in the risk management and key risks section of the Strategic Report.

The Committee also reviewed the going concern statement included in the Directors' Report along with the underlying assessment prepared to support this statement.

EXTERNAL AUDIT, AUDITOR INDEPENDENCE AND OBJECTIVITY

The Committee is responsible for making recommendations to the Board regarding the appointment, reappointment and removal of the external auditor. It keeps under review the scope of the audit, the audit findings, its cost effectiveness and the independence and objectivity of the auditor.

The Company has complied with the Competition and Markets Authority final order on mandatory tendering and the requirements of the Audit Directive (2014/56/EU). It is the Company's intention to put the audit out to tender at least once every 10 years.

The Committee receives the formal letter addressed to those charged with governance provided by the external auditors on completion of the annual external audit which summarises the key findings and observations arising from the audit along with how management have responded to these findings. In addition, the external auditors provide confidential feedback to the Committee as to how members of the management team have conducted themselves during the audit process.

Also, the Chairman of the Committee regularly meets with the external audit partner outside of the formal committee meetings.

NON-AUDIT SERVICES POLICY

The Group's non-audit services policy restricts the external auditor from performing certain non-audit services in accordance with the Revised Ethical Standard 2016 issued by the Financial Reporting Council. These regulations did not formally apply until 2019 but the Group committed to applying best practice and applied the regulations from the start of 2017. The Revised Ethical Standard 2019 introduced further restrictions on services not closely linked to the audit, law or regulation and the Group is in compliance with these regulations.

The amounts paid to Ernst & Young for non-audit services during the year are disclosed in note 5 of the Financial Statements. The only non-audit service provided in the year was in respect of the review of the interim financial statements and results announcement. Ernst & Young also has its own policies and procedures in place to ensure it maintains its independence and objectivity and regularly reports to the Committee on its independence.

WHISTLEBLOWING, FRAUD AND THE BRIBERY ACT

The Board has reviewed and approved the Group's policies and procedures covering whistleblowing, anti-bribery and corruption including the controls in place to detect fraud and to ensure compliance with both competition and anti-bribery legislation. The Group maintains a zero-tolerance approach to breaches of this legislation and certain employees in commercial roles, selected using a risk-based approach, are provided with dedicated training and guidance appropriate to their roles.

The Group operates a MySafeWorkplace anonymous incident reporting system, allowing employees to report any wrongdoing or concerns with confidentiality assured. There were no concerns notified to the Group that required the attention of the Committee during the year and up to the date of this report.

The Report of the Audit Committee has been approved by the Board and signed on its behalf by:

Vince Niblett
Chairman of the Audit Committee

9 March 2021

RISK COMMITTEE REPORT

Divya Seshamani
Chairman

"Effective from 1 January 2021, in recognition of our increasing focus on sustainability we have renamed the Committee as the Risk and Sustainability Committee, expanding its remit as we formalise our governance and risk management framework in respect of climate related risks and opportunities."

MEMBERSHIP

As at 31 December 2020 the members of the Committee were as follows:

Divya Seshamani (Chairman);

Justin Atkinson;

Stephen Harrison;

Ben Guyatt;

Katherine Innes Ker;

Vince Niblett; and

Martin Sutherland.

In addition to the Committee members, other members of the management team with responsibilities covering health and safety, environmental compliance, commercial and operations functions along with representatives of the Internal Audit function regularly attend and actively contribute to meetings.

DEAR SHAREHOLDER,

I am pleased to present the report of the Risk Committee for 2020. The purpose of the Committee is to assist the Board in ensuring that all risks, including health, safety, environmental, operational and commercial are managed effectively and proactively throughout the Group.

RESPONSIBILITIES

The Board elected to establish a dedicated Risk Committee in addition to the Audit Committee to ensure that the management of more operationally focused risks, of which health and safety is of paramount importance, get sufficient and detailed Board level consideration.

The Committee operates under terms of reference approved by the Board which are summarised as follows:

- review health and safety policy considering whether it complies with legislation and best practice and recommending improvements as appropriate;
- implement changes in health and safety policy as necessary;
- review the effectiveness of risk management processes in determining whether all risks are being identified, evaluated, monitored and managed appropriately;
- review of the Group risk register and consider its appropriateness and completeness along with reviewing the appropriateness of the mitigating actions being taken; and
- review the effectiveness of the Group's Risk Management functions including health and safety ensuring that sufficient resources are devoted to this area and that these resources are appropriately skilled.

In response to the increased focus on climate change and the UK Government's commitment to achieving net zero by 2050, the Board effective from the beginning of 2021 expanded the remit of the Risk Committee in recognition of our increasing focus on Sustainability. We have renamed the Committee as the Risk and Sustainability Committee to help define our ambitions to reduce our environmental impact and oversee our approach to sustainability. In addition, recent improvements in risk management awareness throughout the Group will give the Committee greater visibility of emerging risks. The Committee's increased responsibilities will now include:

- defining the level of the Group's ambitions with regard to reducing environmental impact and addressing climate risk;
- overseeing the development of the Group's sustainability policies;
- considering emerging risks which have the potential to impact the business;

RISK COMMITTEE REPORT
CONTINUED

RESPONSIBILITIES CONTINUED

- overseeing the development of the Group's sustainability policies;
- setting challenging environmental targets and monitoring progress against these;
- monitor the Group's reporting under the TCFD and other protocols as appropriate; and
- ensuring that the Group's sustainability policy still satisfies its desired outcomes and monitoring achievement against the targets set.

The full terms of reference are available on the Company's website.

ACTIVITIES DURING THE YEAR

During 2020 the Risk Committee's work has focused on ensuring that the specific risks associated with the Covid-19 pandemic and the end of the Brexit transitional period were fully understood and suitably managed, whilst also ensuring that other risks were being given sufficient time and attention and that strategy and decision making in the organisation in general stems from an in-depth understanding of thresholds of acceptable risk. Management have had to take to care to effectively prioritise rapidly emerging risks without neglecting other pre-existing / known risks. Risk Management is now embedded in senior management decision making and risk management practices are rolled-out throughout the organisation. The key areas of the Risk Committee attention in 2020 are set out further below:

- reviewed crisis management risk registers and mitigating actions as the Covid-19 pandemic emerged;
- considered recommendations from an independent health and safety review and monitored the implementation of these across the business, including the launch of our new "Golden Rules of Safety";
- considered the level of preparedness of the Group for the end of the Brexit transitional period and management actions in relation to identified risks;
- received updates from Management on pre-existing / known key risks, mitigation measures and consideration of changes in key risks over the year;
- considered the sufficiency of business continuity planning; and
- received updates on emerging business risks from the Risk Steering Group, a group consisting of the Executive Committee and selected senior managers.

Further information regarding the risks faced by the Group is included in the Risk Management section of Strategic Report on pages 66 to 74.

HEALTH AND SAFETY WALKS

Each member of the Board is expected to undertake at least two safety focused site visits, 'safety walks', at the Group's operating facilities during the year; where they take the opportunity to engage directly with employees on matters relating to health, safety and wellbeing. The Committee considers the feedback from each of these safety walks and regularly reviews progress against identified actions.

These safety walks have been well received by our employees and demonstrate the Board's commitment towards visible felt leadership. Unfortunately, due to the pandemic the target number of safety walks has not been met in the current year, however each member of the Board has again committed to undertaking at least two safety walks during the course of 2021 once restrictions have been lifted. In addition, consistent with the objective of fostering a greater awareness of, and responsibility for risk management at an operating site level, the visits also consider wider site-specific risks and mitigations without diminishing the importance placed on health and safety.

Divya Seshamani
Chairman of the Risk and Sustainability Committee

9 March 2021

REMUNERATION COMMITTEE REPORT

Katherine Innes Ker
Chairman

"The Committee took note of shareholder views, ensuring the impact of the Coronavirus pandemic was properly reflected in remuneration outcomes."

MEMBERSHIP

The members of the Committee as at 31 December 2020 were as follows:

Katherine Innes Ker (Chairman);

Justin Atkinson;

Martin Sutherland;

Divya Seshamani; and

Vince Niblett.

STRUCTURE OF THE REPORT

DEAR SHAREHOLDER,

I am pleased to present, on behalf of the Board, the 2020 Directors' Remuneration Report.

Our Remuneration Policy (the 'Policy') is designed with the objective to allow the Group to attract, retain, motivate and develop the best talent and to align the interests of the Executive Directors, senior management and employees with the strategic goals of the Group and the long-term interests of our shareholders. Alongside this, our Policy is designed to support a culture of high achievement and delivery, with appropriate reward for performance without incentivising the taking of unnecessary risks, and to be both transparent and understandable.

The Policy was approved by shareholders at the 2020 AGM and received 95.68% of the votes in favour. Full details of the Policy can be found on pages 101 to 108.

REMUNERATION COMMITTEE ACTIVITY

The Committee operates under terms of reference approved by the Board, a copy of which is available on the Company's website. During 2020 and to the date of this report, the key activities of the Committee are laid out below with full details set out in the relevant sections of this report.

During a year dominated by the Coronavirus pandemic, the health, safety and wellbeing of our employees remained our primary concern. The Executive Directors and Senior Management responded quickly to the outbreak of Coronavirus taking decisive action to protect our employees. Though Government advice at the start of the first lockdown in March 2020 had been that manufacturing could continue, we took the decision to cease production at 16 of our 18 factories to protect the safety of our employees. As a consequence, approximately three quarters of our employees were furloughed under the Government's Coronavirus Job Retention Scheme. The Company applied for and received Government grants under the scheme. The two facilities that remained in operation continued to manufacture products for three key Government construction contracts, and strict adherence to the Government guidelines for safe working were observed.

In response to the impacts of the pandemic on trading and cash flow, we took the difficult decision to cancel the 2019 dividend and, acknowledging the difficulties and the uncertainty that colleagues who were placed on furlough faced, we cancelled staff and management bonuses. In addition, the Board and Executive Committee took a 20% reduction in salary for 3 months. In April, the planned grant of awards under the 2020 Performance Share Price (PSP) was deferred.

REMUNERATION COMMITTEE REPORT
CONTINUED

During June 2020, the number of employees on furlough leave reduced to circa 30% of our workforce as the factories were reopened, and by end of August almost all employees were fully employed and on full salary. The Board and Executive Committee returned to full salary / fees in July.

The PSP award for 2020 was granted in September 2020. Further details can be found opposite.

2021 SALARY

Base salaries for the Executive Directors, Stephen Harrison (CEO), Ben Guyatt (CFO) and all other employees will remain unchanged . This decision was based on the uncertain economic outlook for 2021, which is impacted by the pandemic, Brexit, the potential impact on the housebuilding market of the tapering of the Stamp Duty holiday from 30 June and its withdrawal on 30 September 2021, and the Help to Buy scheme. This will be reviewed in June 2021.

CHAIRMAN'S FEE

In line with the salary freeze for all employees of the Group, the Committee recommended that the fee payable to the Chairman remain unchanged.

2020 PERFORMANCE AND INCENTIVE OUTCOMES

No bonus will be paid to the Executive Directors in respect of 2020. The lost trading during the period the factories were closed due to the pandemic meant that the profit targets were not met. Furthermore, the Committee took note of shareholders' views that bonuses would not be expected to be paid where, as a result of the pandemic, companies had received direct government or shareholder support. In response to the impact on trading of the pandemic, the Company cancelled the 2019 dividend; in July 2020 completed a £55m equity placing to secure the funding of the new Desford factory; received Government support under the Coronavirus Job Retention Scheme; and agreed short term tax deferments with HMRC.

PERFORMANCE SHARE PLAN AWARDS (PSP) VESTING

The 2017 PSP award vested in April 2020. This award was granted with half subject to an earnings per share (EPS) performance condition measured over three financial years and the other half subject to a total shareholder return (TSR) performance condition measured over three years from grant. The EPS performance condition vested at 43.57% of the maximum (as reported in the 2019 Remuneration Report) and the TSR performance condition vested at 90.01% of the maximum.

The 2018 PSP award will vest in March 2021. Half of the award is subject to an EPS condition measured over three financial years. As the EPS condition has not been met, this element of the award will not vest in March 2021 and accordingly is excluded from the single figure of remuneration for the year ended 31 December 2020. The other half of the award, which is subject to a relative TSR condition measured over three years from grant, the outcome of which will not be known until the vesting date of 28 March 2021, will be included in next year's single figure of remuneration.

PERFORMANCE SHARE PLAN (PSP) AWARDS GRANTED DURING THE YEAR

The 2020 grant of awards under the PSP was made in accordance with the Policy at 150% of salary for Stephen Harrison and 125% of salary for Ben Guyatt. The award ensures that Directors' interests remain aligned to those of shareholders through an appropriate weighting of long-term variable share-based remuneration and provides the opportunity to receive competitive rewards if stretching performance goals are met.

The considerable uncertainty surrounding the pandemic meant that the award was delayed until September 2020. As stated in last year's Remuneration Report, during 2019, the Committee reviewed the PSP performance targets for the 2020 grant and had concluded at that time that earnings per share (EPS) growth and relative total shareholder return (TSR) remained appropriate. However, at the time of the 2020 grant, the prospect of continuing Government interventions affecting the economy and specific measures impacting the housebuilding sector meant that setting meaningful targets for EPS growth was not possible. The period over which the performance for this award would be measured, from 2020-22, matched the build and commissioning programme for the new factory at Desford. This investment is aimed to produce an uplift in production and profitability, which should be reflected in the shareholder returns. The Committee therefore determined that the 2020 PSP awards would be subject to a single performance measure, of TSR relative to the unweighted index of 20 comparator companies, as disclosed in last year's Remuneration Report. The Committee recognises that share price volatility during the pandemic raises potential concerns about undeserved windfalls at the time of vesting and therefore retains the discretion to reduce the vesting outcome if it considers a windfall gain would otherwise be delivered. The determination of whether the awards at vesting are considered to be excessive will necessarily be subjective and the Committee will take account of shareholders' views in coming to its determination. All awards are subject to malus and clawback provisions and a two-year holding period on vesting will apply.

2021 ANNUAL BONUS

The Committee reviewed the operation of the Annual Bonus Plan during the year. The objective is to achieve a balance between financial performance and, through a clear link with objectives and reward, ensure that the right behaviours are being driven. It was agreed that financial performance and personal business objectives would form the basis of the 2021 annual bonus, and the second financial performance metric, cash generated from operations, would be removed. This better aligns the annual bonus with the strategy during a period of significant investment including at the new factory at Desford.

The following metrics and weighting will apply for the 2021 annual bonus:

- 75% of maximum opportunity: profit before tax (previously 50%); and
- 25% of maximum opportunity: non-financial / strategic objectives.

EMPLOYEE INCENTIVISATION AND REWARD

Forterra is committed to the provision of an inclusive working environment and ensuring the fair reward of all employees, regardless of seniority across the business. In addition to the Executive Directors and Senior Management, the Committee considers wider workforce remuneration and conditions.

We have included further content to this report providing more information in respect of wider workforce remuneration including disclosures related to gender pay reporting.

SHARE INCENTIVE PLAN (SIP)

At the IPO in April 2016 all employees were offered free shares to the value of £500 under the SIP. To receive the shares, employees had to remain employed for three years, and if they removed their shares from the Trust after three years but before five years, they would be liable for income tax and national insurance on the lower of the current market price of the shares or the price at grant. After five years, the shares can be awarded free from income tax and national insurance.

In recognition of the Forterra brand's fifth birthday and the approaching fifth anniversary of our IPO and in order to recognise the commitment of employees in 2020 and encourage greater employee engagement and share ownership, a second free award of shares under the SIP, to the value of £500, was awarded to employees in February 2021.

SHARESAVE PLAN

The Committee also continued its commitment to encouraging employee share ownership by approving the offer and subsequent grant of share options under the Forterra Sharesave Plan. There was a strong uptake of this offer from employees such that over half of our workforce continue to save by investing in the Forterra Sharesave Plan.

SHAREHOLDER ENGAGEMENT

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

This Remuneration Committee Report will be subject to an advisory vote at the 2021 AGM. Our goal has been to be clear and transparent in the presentation of this report and I look forward to your support on this resolution.

Katherine Innes Ker
Chairman of the Remuneration Committee

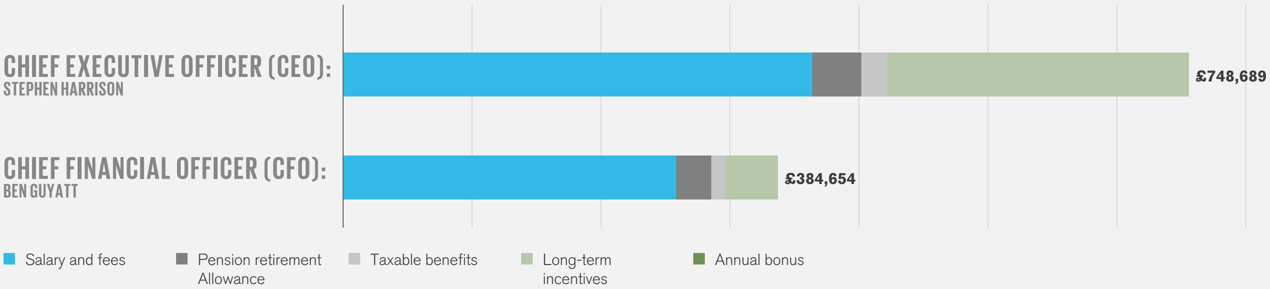
9 March 2021

Notes:

This report has been prepared in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, the provisions of the UK Corporate Governance Code and the Listing Rules.

REMUNERATION COMMITTEE REPORT
REMUNERATION AT A GLANCE

SINGLE TOTAL FIGURE OF REMUNERATION



ANNUAL BONUS

PROFIT BEFORE TAX + CASH GENERATED FROM OPERATIONS + STRATEGIC / NON-FINANCIAL OBJECTIVES = TOTAL OUTCOME

CEO: STEPHEN HARRISON

Total outcome: 0%

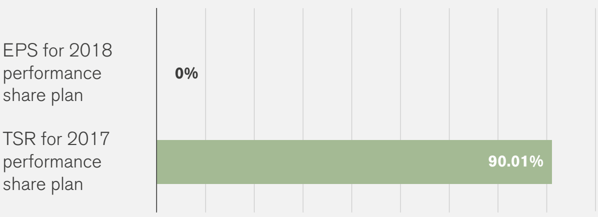
CFO: BEN GUYATT

Total outcome: 0%

No bonus will be paid to the Executive Directors in respect of 2020. The lost trading during the period the factories were closed due to the pandemic meant that the profit targets were not met.

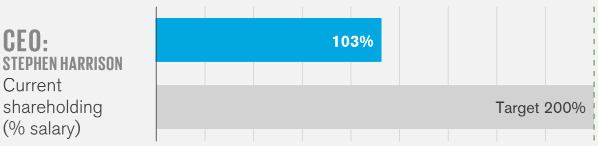
PERFORMANCE SHARE PLAN (PSP)

EPS GROWTH + TSR = TOTAL OUTCOME



DIRECTORS' SHAREHOLDINGS

Share ownership plays a key role in aligning the interests of our Executive Directors with the interests of shareholders. Our Executive Directors are expected to build up and maintain a 200% of salary shareholding in Forterra.



REMUNERATION COMMITTEE REPORT
SUMMARY OF REMUNERATION POLICY

INTRODUCTION

This Directors' Remuneration Policy provides an overview of the Company's policy on Directors' pay that was applied in 2020 and will continue to apply until the 2023 AGM. It sets out the pay structures that the Company will operate and summarises the approach that the Committee will adopt in certain circumstances such as the recruitment of new Directors and / or the making of any payments for loss of office.

POLICY OVERVIEW

The Committee has responsibility for determining the remuneration of the Chairman, Executives and Non-Executive Directors (NEDs) and other senior management. The Committee's terms of reference are available on the Company's website.

The Company's Remuneration Policy has been designed based on the following key principles:

- to promote the long-term success of the Group, with stretching performance targets which are rigorously applied;
- to provide appropriate alignment between the Group's strategic goals, shareholder returns and executive reward; and
- to have a competitive mix of base salary and short and long-term incentives, with an appropriate proportion of the package determined by stretching targets linked to the Group's performance.

The remuneration arrangements have been structured with due consideration of the UK Corporate Governance Code and both best practice and market practice for UK listed companies.

Factor	How our remuneration policy aligns
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	▪ Martin Sutherland remains the designated Non-Executive Director to represent the views of employees to the Board, and when appropriate this will include decisions on remuneration across the business. This is facilitated through the existing Employee Forum. ▪ We proactively consult our shareholders on any changes to the Remuneration Policy and seek their views.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	▪ The Remuneration Policy includes a single annual bonus plan and a single long-term incentive plan (the Performance Share Pan) which are clearly communicated. ▪ The rationale for each element of the policy is clearly explained in the Remuneration Policy tables.
Risk Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	▪ The Committee has discretion to override formulaic out-turn of performance incentives and scale back if it considers it appropriate to do so. ▪ Awards made under long-term incentive plans are subject to malus and clawback provisions. ▪ Post-vesting holding periods and shareholding requirements align the interests of management and shareholders and promote a long-term approach to performance and risk management. ▪ Performance metrics are aligned with the Company's strategy, incentivising delivery of sustained performance over the long-term. ▪ Defined limits are set on the maximum awards which can be earned.
Predictability The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	▪ The Remuneration Policy sets out potential levels of vesting available for varying degrees of performance. ▪ The Remuneration Report illustrates the total remuneration opportunity for Executive Directors under various performance scenarios. ▪ There is full and transparent retrospective disclosure of targets within the Remuneration Report and the degree to which long-term incentive awards were achieved.
Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.	▪ The Committee retains the flexibility to vary the mix of metrics for long-term incentive plans, considering the business priorities at the time, or to introduce new measures to support the long-term business strategy. ▪ The use of post-vesting holding periods and long-term incentive plans ensure focus on sustained performance over the long-term. ▪ The Committee has discretion to override formulaic out-turn of performance incentives and scale back if it considers it appropriate to do so to ensure poor performance is not rewarded.
Alignment to culture Incentive schemes should drive behaviours consistent with company purpose, values and strategy.	▪ The performance objectives applying to the incentives are aligned with the Company's strategy which in turn is supported by Company values. ▪ The Remuneration Policy places a focus on share ownership through shareholding requirements and incentive plans, incentivising delivery of sustained, long-term performance in the Company.

REMUNERATION COMMITTEE REPORT
SUMMARY OF REMUNERATION POLICY
CONTINUED

THE REMUNERATION POLICY FOR DIRECTORS

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

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Salary	Salary is a fixed payment that reflects an individual's experience and role and may be increased to reflect capability and performance. To recruit and retain executives.	Salaries are paid monthly and are normally reviewed annually with changes effective from 1 January but by exception may be reviewed more frequently if the Committee determines this is appropriate. In reviewing salaries, the Committee considers: ▪ remuneration practices within the Group; ▪ market benchmarks based on companies of broadly comparable size and / or operating in similar sectors; ▪ role, competence and performance; and ▪ the general increase awarded to salaried employees. Higher increases may be awarded to new Executive Directors who were hired at below market rates but with the intention to move to a market competitive rate over time, subject to individual performance.	It is anticipated that salaries will generally be increased in line with increases awarded to salaried employees. However, in certain situations such as where there has been an increase in the scope, responsibility or complexity of the role or there has been a significant change in the size, value or complexity of the Group, increases may be higher to remain market competitive.	Individual and Group performance is taken into account when determining the annual increase. The rationale for any such increase will be disclosed in the Annual Report on Remuneration.
Benefits	The Company's aim is to offer competitive and cost-effective benefits valued by participants and to help recruit and retain executives.	A range of benefits are provided to Executive Directors that may include a company car (or car allowance), private medical and permanent health insurance, business travel insurance and life assurance / death in service cover. Relocation (or other related expenses) and tax equalisation arrangements may be offered as appropriate to ensure Directors are no worse or better off in a case of relocation. Any reasonable business-related expenses (including tax thereon) may be reimbursed if determined to be a taxable benefit. Executive Directors are eligible for other benefits which are introduced for the wider workforce on broadly similar terms.	The cost of providing market competitive benefits may vary from year-to-year depending on the cost to the Company from third party providers. The Committee will continue to monitor the cost of benefits to ensure that the overall benefit costs do not increase by more than the Committee considers appropriate in the circumstances.	No performance metrics apply.
Pension	To provide a market-competitive cost-effective contribution towards post-retirement benefits.	Executive Directors receive a contribution towards their retirement provision which may be paid as a contribution to a personal pension scheme or a cash allowance in lieu of pension or a mix of both.	The Company contribution to retirement allowances is up to 10% of salary, which is aligned to that offered to all employees.	No performance metrics apply.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Annual bonus	Annual Bonus Plan is to incentivise Executive Directors to achieve annual financial and / or strategic targets. Bonus deferral provides a retention mechanism and provides further alignment with shareholders' interests.	Bonus payments are determined by the Committee after the year-end, based on performance against the targets set around the start of the year. The Committee aims to set out in the Annual Report on Remuneration the nature of the targets and their weighting for the forthcoming financial year and details of the performance conditions, the weightings and targets applied and the level of achievement against these targets for the financial year being reported on. The first 10% of salary is payable in cash. Up to half of any remainder of the bonus may then be deferred into shares as either conditional awards or nominal cost options under the Deferred Annual Bonus Plan (DABP). Such awards vest after a period of three years subject to continued employment. No further performance conditions apply. In line with good practice, recovery and withholding provisions apply (see note 1). An additional payment (in the form of cash or shares) may be made in respect of shares that vest to reflect the value of dividends that would have been paid on those shares during the vesting period.	The maximum opportunity under the annual bonus scheme is 100% of salary. Bonus starts to be earned at the threshold level (up to 25% of the maximum depending on the performance metric).	The bonus may be based on the achievement of an appropriate mix of challenging financial, operational or strategic measures. Typically, financial measures will account for the majority of the bonus opportunity and may include measures such as profit or cash flow. Other financial measures that support the key short-term priorities of the business may be used. The targets applying to financial metrics will take into account the internal plan and external expectations of the business at the time they are set. If operational, individual or strategic measures are included, where possible a performance range will be set although this will depend on the measure chosen. The measures, targets and weightings may be varied by the Committee year on year based on the Company's strategic priorities at the time (see note 2). The payment of any bonus is at the absolute discretion of the Committee which may scale-back the formulaic out-turn of the bonus if it considers it appropriate to do so.
Long-term incentives	The Performance Share Plan (PSP) incentivises Executive Directors and selected senior management to deliver sustained performance over the long-term. The Plan also acts as a method of retaining key management over the medium-term. Aligns the interests of the Executive Directors and shareholders and assists Executive Directors in building up a substantial shareholding.	Awards are granted annually in the form of nominal or nil cost options under the PSP and vest after no less than three years. Stretching performance conditions measured over a period of three years determine the extent to which awards vest. A holding period may apply to vested PSP awards under which Executive Directors will be required to retain the net of tax number of vested awards for at least two years from the date of vesting. In exceptional circumstances, the Committee may, at its discretion, allow participants to sell or dispose of some or all of these vested shares before the end of the holding period. Details of performance conditions for grants made in the year will be set out in the Annual Report on Remuneration. Award levels are reviewed annually (subject to the PSP individual limits) taking into account matters such as market practice, overall remuneration, the performance of the Company and the Executive Director being made the award. In line with good practice, recovery and withholding provisions may apply (see note 1). Dividends may accrue based on the value of dividends paid during the three-year vesting period and two-year holding period (if applicable).	The maximum annual award under the PSP that may be granted to an individual in any financial year is 200% of salary in normal circumstances (250% of salary in exceptional circumstances). The Committee expects to retain the current grant levels of 150% of salary for the CEO and 125% of salary for the CFO and these will be kept under review over the life of the policy. For each measure, up to 25% of the relevant part of the award would vest for achieving the threshold level of performance, normally increasing on a straight-line basis to 100% for achieving maximum performance.	Vesting is based on the achievement of one or more challenging performance targets set by the Remuneration Committee at the time of grant and measured over a three-year period. Measures may include EPS growth (or another financial metric) or TSR. TSR will apply for at least part of each award under the life of this policy. In determining the target range for any financial measures that may apply, the Committee ensures they are challenging by taking into account current and anticipated trading conditions, the long-term business plan and external expectations. The Committee retains the flexibility to vary the mix of metrics for each year's award in light of the business priorities at the time or to introduce new measures to support the long-term business strategy (see note 3). In respect of awards granted in 2020 and beyond, the Committee has the discretion to override the formulaic out-turn of the award and scale-back if appropriate to do so.

REMUNERATION COMMITTEE REPORT
SUMMARY OF REMUNERATION POLICY
CONTINUED

THE REMUNERATION POLICY FOR DIRECTORS CONTINUED

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
All-employee share plans	To increase alignment between employees and shareholders in a tax efficient manner.	All-employee share schemes may be operated. Current schemes include: ▪ Sharesave Plan (SAYE); ▪ Share Incentive Plan (SIP); ▪ Other HMRC approved all-employee schemes may be introduced at the Committee's discretion.	Consistent with prevailing HMRC limits.	No performance metrics apply.
Share ownership policy	To align interests of management and shareholders and promote a long-term approach to performance and risk management.	**In-post** Executive Directors are required to build up a shareholding in the Company equal to 200% of salary. Half of the net of tax number of vested PSP and DABP awards are expected to be retained until the guideline is met. The value of vested but unexercised awards subject to a two-year holding period will count towards the guideline on a net of tax basis. **Post-cessation** Leavers will be required to hold the lower of 100% of their in-post share ownership requirement or their actual holding on departure for one year post-cessation, reducing to 50% of their in-post share ownership requirements for the second year. Shares acquired by or granted to an Executive Director prior to 1 January 2020 will not be counted towards the requirement. Shares purchased by an Executive Director, along with shares granted or acquired prior to appointment to the board will also not be counted towards the requirement.	Not applicable.	No performance metrics apply.
Non-Executive Directors' fees	To attract and retain high quality and experienced Non-Executive Directors.	The fees of the Non-Executive Directors are set by the Board and the Chairman's fee is set by the Committee (the Chairman does not take part in any discussion regarding his own fees). Fees are reviewed periodically. Non-Executive Directors receive a fee for carrying out their duties. Additional fees may be payable in relation to extra responsibilities undertaken such as chairing a Board Committee and / or a Senior Independent Director or other designated Non-Executive Director role. The Chairman and Non-Executive Directors are entitled to reimbursement of reasonable business-related expenses (including any tax thereon). They do not participate in any incentive arrangements and they do not receive a pension contribution. The level of fees reflects the time commitment and responsibility of their respective roles.	Details of current fees are set out in the Annual Report on Remuneration. As set out in the Company's Articles of Association, the total fees paid to Non-Executive Directors must not exceed £1 million a year or any higher amount agreed by ordinary resolution at a general meeting.	No performance metrics apply.

Note 1: **Recovery and withholding provisions**. Recovery and withholding provisions apply to the Annual Bonus Plan, the DABP and the PSP. If, within three years of the payment of a bonus, grant of a deferred bonus award and / or vesting of a PSP award, it transpires that payment or vesting should not have occurred as a result of a material misstatement, error in calculation, gross misconduct has been discovered, corporate failure, material damage to the Company's reputation, failure of risk management, or any other circumstances that the Board considers to have a similar nature or effect the payment or vesting can be recovered or withheld, in part or in full, as appropriate.

Note 2: **Annual bonus performance metrics**. The annual bonus measures are reviewed annually and reflect key financial, strategic and operational priorities of the Group. Stretching financial targets are set by the Committee by taking account of the Company's business plan and external expectations. For 2021, it is intended that these will be based on profit and non-financial / strategic objectives reflecting the short-term priorities of the Group.

Note 3: **Performance Share Plan metrics**. For 2021 awards it is intended that the performance condition will be relative TSR and EPS. The use of relative TSR provides a measure of the long-term success of the Company relative to appropriate peer or index comparators. EPS growth is a measure of the overall profitability of the business for investors over the longer term and therefore helps align the interests of management with shareholders.

INCENTIVE PLAN DISCRETIONS

The Committee will operate the Annual Bonus Plan, including the Deferred Annual Bonus Plan, and the Performance Share Plan according to their respective rules and summarised in the policy set out above. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans. These include, but are not limited to, the following:

- who participates in the plan;
- the timing of grant and / or payment;
- the size of an award and / or payment;
- the choice of performance measures and targets for each incentive plan in accordance with the policy set out above and the rules of each plan;
- the ability to vary any performance conditions if circumstances occur which cause the Remuneration Committee to determine that the original conditions have ceased to be appropriate provided that any change is fair and reasonable and in the Committee's opinion, not materially less difficult to satisfy than the original condition;
- discretion to override formulaic outcomes and scale-back outcomes under the annual bonus and PSP;
- discretion relating to the measurement of performance in the event of a change of control or reconstruction; and
- determination of a good leaver (in addition to any specified categories) for incentive plan purposes based on the rules of each plan and the appropriate treatment under the plan rules.

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

REMUNERATION POLICY FOR OTHER EMPLOYEES

The policy described above applies specifically to the Company's Executive and Non-Executive Directors and is designed with regard to the policy for employees across the Group as a whole. The Company aims to apply similar principles to the design of the remuneration arrangements for all employees. Executive Directors are entitled to receive a similar package of benefits and participate in the pension plan at the same level as other employees. However, differences do exist between the Company's policy for the remuneration of the Executive Directors and its approach to the payment of employees generally, reflecting market practice and different levels of seniority:

- there are differences in salary levels and in the levels of potential reward depending on seniority and responsibility, although a key reference point for executive salary increases is the average increase across the general workforce;
- a lower level of maximum annual bonus opportunity (or zero bonus opportunity) may apply to employees; and
- performance metrics attached to the annual bonus may differ to reflect the precise roles and responsibilities of the employee; and participation in the PSP is limited to the Executive Directors and certain selected senior employees.

In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of employee. They also reflect that, in the case of the Executive Directors and selected senior employees, a greater emphasis is placed on performance related pay reflecting their influence over the Company's performance.

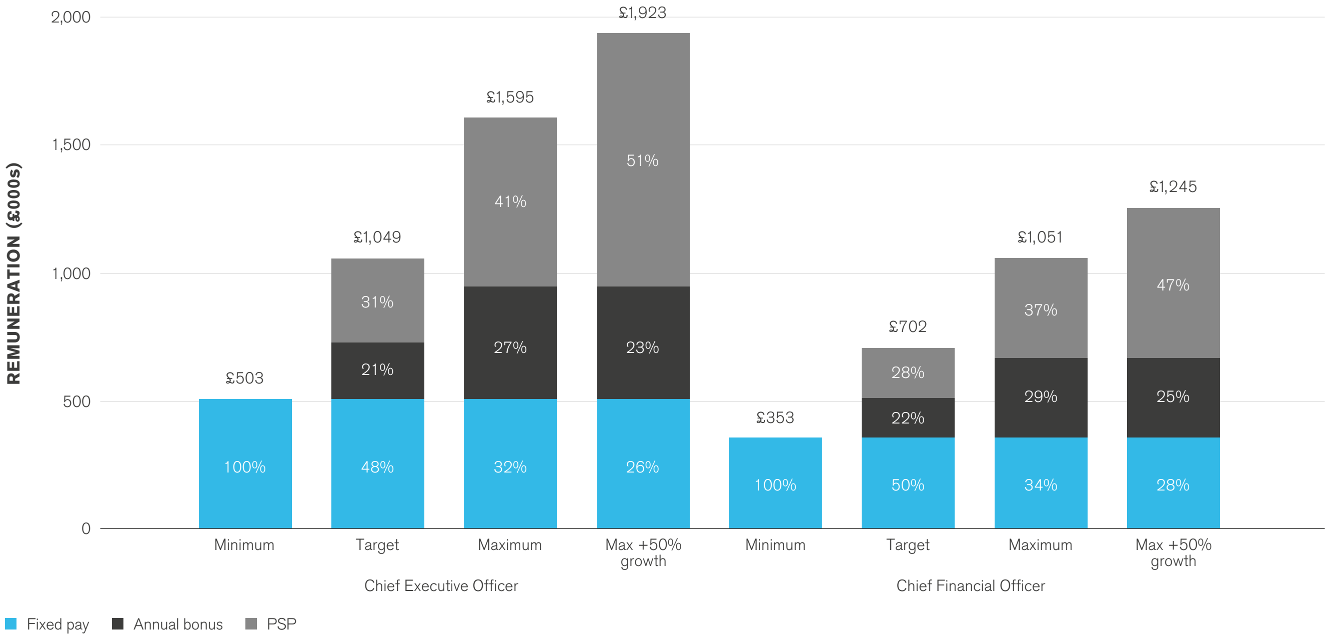
HOW THE VIEWS OF SHAREHOLDERS AND EMPLOYEES ARE TAKEN INTO ACCOUNT

In setting the remuneration for the Executive Directors, the Committee takes note of the overall approach to reward for employees in the Group and salary increases will ordinarily be (in percentage of salary terms) in line with those of the wider workforce. The Committee does not formally consult directly with employees on executive pay, but does receive periodic updates on employee remuneration within the Group as necessary. In line with the UK Corporate Governance Code, Martin Sutherland remains the designated Non-Executive Director to represent the views of employees to the Board, and when appropriate this will include decisions on remuneration across the business. This is facilitated through the existing Employee Forum.

REMUNERATION COMMITTEE REPORT
SUMMARY OF REMUNERATION POLICY
CONTINUED

ILLUSTRATIONS OF APPLICATION OF REMUNERATION POLICY

TOTAL REMUNERATION OPPORTUNITY



Notes:

- Minimum is equivalent to fixed pay which comprises salary levels applying for 2021, the value of benefits in 2020 and a 10% pension contribution.
- Target comprises fixed pay plus the value of the on-target bonus at 50% of the maximum bonus opportunity (100% of salary) plus the value of the on-target level of vesting under the PSP which is taken to be 50% of the expected 2021 grant level.
- Maximum comprises fixed pay plus maximum bonus plus the maximum value of the PSP (equal to 100% of the face value of the award at grant using the 2021 grant policy of 150% of salary for the CEO and 125% of salary for the CFO).
- Maximum + 50% share price growth comprising fixed pay plus maximum bonus plus the maximum value of the PSP at a 50% higher share price than when the PSP award was granted.

SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Service contracts and letters of appointment are available for inspection at the Company's registered office.

SERVICE CONTRACTS

The service contracts for the Executive Directors are terminable by either the Company or the Executive on 12 months notice. The Company can terminate either Executive Director's service contract by payment of a cash sum in lieu of notice equivalent to the base salary and the cost that would have been incurred in providing the Executive Director with contractual benefits for any unexpired portion of the notice period (or alternatively the Company can choose to continue providing the contractual benefits). The payment in lieu may be paid as one lump sum or in monthly equal instalments over the notice period. If the Company chooses to pay in instalments the Executive Directors are obliged to seek alternative income over the relevant period and the payment of each monthly instalment will be reduced by the amount of such income earned. There are no enhanced provisions on a change of control.

At the discretion of the Committee, a contribution to reasonable outplacement costs in the event of termination of employment due to redundancy may also be made. The Committee also retains the ability to reimburse reasonable legal costs incurred in connection with a termination of employment and may make a payment for any statutory entitlements or to settle or compromise claims in connection with a termination of employment of any existing or future Executive Director as necessary. Relevant details will be provided in the Annual Report on Remuneration should such circumstances apply.

SERVICE CONTRACTS CONTINUED

The table below sets out, for variable pay elements, the Company's policy on payment for loss of office in respect of Executive Directors. In general, treatment will depend on the circumstances of departure and in particular whether a leaver is a 'good leaver'. Good leaver reasons include:

- death;
- injury;
- retirement;
- disability;
- redundancy;
- the employing company being sold outside the Group; or
- other circumstances at the discretion of the Committee.

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

POLICY ON PAYMENT FOR LOSS OF OFFICE

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

Element	Treatment
Annual Bonus Plan	No automatic or contractual right to bonus payment. Good leavers: a pro-rata bonus may become payable at the normal payment date for the period of employment and based on full-year performance. With rationale set out in the Annual Report on Remuneration. Bad leavers: no bonus is payable for the year of cessation. Discretions: ▪ To determine whether to pro-rate the bonus for time. It is the Committee's normal policy to pro-rate for time, however, there may be circumstances where this is not appropriate. Where this is the case it will be fully disclosed to shareholders.
Deferred Annual Bonus Plan	Good leaver: all deferred shares vest at the date of cessation. Bad leavers: awards lapse. Discretions: ▪ To vest deferred shares at the end of the original deferral period or to defer vesting in connection with a potential clawback event.
Performance Share Plan	Good leaver: awards vest at normal vesting date and pro-rated for time and tested for performance in respect of each subsisting PSP award. Bad leaver: awards lapse. Discretions: ▪ To vest and measure performance over the original performance period or vest and measure performance at the date of cessation or to defer vesting in connection with a potential clawback event. ▪ To determine whether to pro-rate the maximum number of shares for the time from the date of grant to the date of cessation (the Committee may need to round up to the nearest whole year). Normal policy is to pro-rate for time, however there may be circumstances where this is not appropriate. Where this is the case it will be fully disclosed to shareholders.
Shareholding requirements	▪ All leavers will be required to hold the lower of 100% of their in-post share ownership requirement or their actual holding on departure for one year post-cessation, reducing to 50% of their in-post share ownership requirements for the second year. Shares acquired by or granted to an Executive Director prior to 1 January 2020 will not be counted towards the requirement. Shares purchased by an Executive Director along with any shares granted or acquired prior to appointment to the Board, will also not be counted towards the requirement.

REMUNERATION COMMITTEE REPORT
SUMMARY OF REMUNERATION POLICY
CONTINUED

CHANGE OF CONTROL

The Committee's policy on the vesting of incentives on a change of control is summarised below:

Element	Treatment
Annual Bonus Plan	Pro-rated for time and performance to the date of the change of control.
Deferred Annual Bonus Plan	Subsisting DABP awards will vest on a change of control.
Performance Share Plan	The number of shares subject to existing PSP awards will vest on a change of control pro-rated for time and performance to the date of the change of control. Discretions: ▪ To determine whether to pro-rate the maximum number of shares from the time from the date of grant to the date of the change of control (the Committee may round-up to the nearest whole year). Normal policy is to pro-rate for time, however there may be circumstances where this is not appropriate.

LETTERS OF APPOINTMENT

The Chairman and Non-Executive Directors have letters of appointment and are subject to annual re-election at the AGM. The appointment letters for the Non-Executive Directors provide that no compensation is payable on termination. The appointments are terminable by the Company on not less than 30 days' notice or immediately in the event that the appointment is terminated by the shareholders (or where shareholder approval is required but not forthcoming).

APPROACH TO RECRUITMENT AND PROMOTIONS

The recruitment package for a new Executive Director would be set in accordance with the terms of the Company's approved Remuneration Policy. Currently, this would facilitate a maximum annual bonus payment of no more than 100% of salary and PSP award of up to 200% of salary (other than in exceptional circumstances (including recruitment) where up to 250% of salary may be made).

On recruitment, salary may (but need not necessarily) be set below the normal market rate, with phased increases as the Executive Director gains experience. The rate of salary should be set so as to reflect the individual's experience and skills. The pension offered to new Executive Directors will be set in line with the current policy and in alignment with the majority of employees in the Group.

In addition, on recruitment the Company may compensate for amounts foregone from a previous employer (using the exemption to the requirement for prior shareholder approval under Listing Rule LR 9.4.2R if necessary) taking into account the quantum foregone and, as far as reasonably practicable, the extent to which performance conditions apply, the form of award and the time left to vesting.

For an internal appointment, any variable pay element awarded in respect of their prior role should be allowed to pay-out according to its outstanding terms. Any other ongoing remuneration obligations existing prior to appointment may continue, provided that, if they are outside the approved policy, they are put to shareholders for approval at the earliest opportunity.

For all appointments, the Committee may agree that the Company will meet appropriate relocation costs.

For the appointment of a new Chairman or Non-Executive Director, the fee arrangement would be set in accordance with the approved Remuneration Policy in force at that time.

POLICY ON EXTERNAL APPOINTMENTS

Subject to Board approval, Executive Directors are permitted to take on a single paid non-executive position with an unconnected company and to retain their fees in respect of such position. Where appropriate, details of outside directorships held by the Executive Directors and any fees that they received are provided in the Annual Report on Remuneration. Stephen Harrison holds outside appointments held in the capacity of representing the Group on trade associations and similar bodies and receives no remuneration in respect of these.

LEGACY ARRANGEMENTS

For the avoidance of doubt, any remuneration or loss of office payments that are not in line with this policy may be made if the terms were agreed before the approval of this policy, including those disclosed in the Prospectus. In addition, authority is given to the Company to honour any commitments entered into at a time when the relevant employee was not a Director of the Company.

REMUNERATION COMMITTEE REPORT
ANNUAL REPORT ON REMUNERATION

IMPLEMENTATION OF THE REMUNERATION POLICY FOR THE YEAR ENDING 31 DECEMBER 2021

A summary of how the Directors' Remuneration Policy will be applied during the year ending 31 December 2021 is set out below:

BASE SALARY

The January 2021 review of Executive Directors' salaries will be delayed until June 2021, together with the review for all employees. Salaries for 2021, as detailed below, are currently unchanged from 2020.

	2021 £m	2020[1] £m	% Increase
Stephen Harrison	**£436,820**	£436,820	–
Ben Guyatt	**£310,000**	£310,000	–

1. The base salaries detailed for 2020 do not include the three month 20% reduction in salary taken by the Executive Directors in the year.

PENSION AND BENEFITS

The Committee intends that the implementation of its policy in relation to pension and benefits will be in line with the Policy disclosed on page 102 of this report. The Executive Directors receive a retirement allowance equal to 10% of salary which is in line with the Company pension contribution available to all employees subject to the employee making a specified level of employee pension contribution.

ANNUAL BONUS

The maximum annual bonus for the year ending 31 December 2021 will be 100% of salary for Executive Directors. Awards will be determined based on a combination of the Group's financial results, being profit before tax (75%) and strategic performance (25%).

The specific financial targets will be confirmed in Q1 2021. These are considered commercially sensitive. However, the Committee intends to disclose these retrospectively in next year's Annual Report on Remuneration along with details as to their achievement to the extent that they do not remain commercially sensitive. The strategic objectives for 2021 are also considered commercially sensitive. Stretching targets aligned to the Group's strategy have been set.

In determining the level of any bonus award to be deferred into shares under the Deferred Annual Bonus Plan, the first 10% of salary of any bonus and 50% of any further bonus earned will be paid in cash with the balance deferred in shares for three years.

PERFORMANCE SHARE PLAN (PSP)

The Committee intends to make awards under the PSP to Executive Directors during the 2021 financial year. Consistent with the previous year and the Policy, these awards will be at 150% of salary for the Chief Executive Officer and 125% of salary for the Chief Financial Officer. Half of the awards will vest by reference to the Company's earnings per share (EPS) performance and the remaining half will vest subject to the Groups' total shareholder return (TSR) against an appropriate index of over the three-year period.

The performance targets and comparator index to be applied to the 2021 awards are being reviewed by the Committee and will be disclosed at the time of grant. Awards will be subject to clawback / malus provisions and a two-year holding period on vested shares will apply.

REMUNERATION COMMITTEE REPORT
ANNUAL REPORT ON REMUNERATION
CONTINUED

FEES FOR CHAIRMAN AND NON-EXECUTIVE DIRECTORS

The Company's approach to Non-Executive Directors' remuneration is set by the Board with account taken of the time and responsibility involved in each role, including where applicable the chairmanship of Board Committees. A summary of current fees is shown below:

	2021	2020[1]	% Increase
Non-Executive Chairman	**£146,370**	£146,370	–
Non-Executive Director base fee	**£53,530**	£53,530	–
Additional fees:			
Senior Independent Director	**£10,000**	£10,000	–
Audit Committee Chairman	**£7,000**	£7,000	–
Remuneration Committee Chairman	**£7,000**	£7,000	–
Risk and Sustainability Committee Chairman	**£4,000**	£4,000	–

1. The fees detailed for 2020 do not include the three month 20% reduction taken by the Non-Executive Directors in the year.

The January 2021 review of Chairman's fee and Non-Executive Director base fee will be delayed to June 2021, in line with the review for Executive Directors and all employees. The fees payable to the Chairman and the Non-Executive Directors are reviewed on an annual basis, such review will not necessarily lead to an increase.

SINGLE FIGURE OF REMUNERATION (AUDITED)

EXECUTIVE DIRECTORS

		Fixed			Variable				
	Period	Salary and fees	Taxable benefits[1]	Pension / retirement allowance	Annual bonus[2]	Long-term incentives[3, 4]	Total	Total fixed remuneration	Total variable remuneration
Stephen Harrison	**2020**	**£414,979**	**£22,678**	**£43,682**	**–**	**£267,350**	**£748,689**	**£481,339**	**£267,350**
	2019	£428,250	£22,793	£42,825	–	£558,731	£1,052,599	£493,868	£558,731
Ben Guyatt	**2020**	**£294,500**	**£12,369**	**£31,000**	**–**	**£46,785**	**£384,654**	**£337,869**	**£46,785**

1. Taxable benefits in the year comprised a company car / allowance and private medical insurance.
2. Details of the bonus targets and their level of satisfaction and resulting bonus earned are set out below. The bonus paid in 2019 has been restated to reflect that, as a result of the pandemic, no bonuses were paid out in relation to 2019.
3. The long-term incentive reported against 2020 comprises the total amount vested under the TSR condition of the 2017 PSP grant which vested on 25 April 2020. The EPS condition of the 2018 PSP condition is calculated over the three year reporting period to 31 December 2020 and is therefore known at the year-end date, however this performance condition has vested at nil. The 2020 PSP figures above include £12,881 for Stephen Harrison, attributable to the movement in the share price between the grant date and the end of the performance period. Likewise, the 2020 PSP figures above include £2,254 for Ben Guyatt, attributable to the movement in the share price between the grant date and the end of the performance period.
4. The long-term incentive recognised for 2019 has been restated for actual share price on the date of vesting of £2.23 and includes dividend equivalents. The 2019 PSP figures above include £195,818 for Stephen Harrison, which are attributable to the movement in share price between grant date and the end of the performance period.

The Group operates a defined contribution personal pension plan. Both Executive Directors receive a 10% retirement allowance which they may use to make contributions into the Group personal pension scheme should they wish. The Group does not operate a defined benefit pension scheme. Details of the value of pension contributions received in the year under review are provided in the pensions column of the single total figure of remuneration table.

ANNUAL BONUS (AUDITED)

2020 annual bonus was based on 50% profit before tax, 25% cash generated from operations and 25% strategic performance.

STRATEGIC OBJECTIVES

No bonus will be paid to the Executive Directors in respect of 2020. The impact of the pandemic and the lost trading during the period of the factory closures meant that the financial targets for the 2020 bonus had not been met, and the change in priorities during the year meant that personal business objectives could not be fairly assessed. Furthermore, the Committee took note of shareholders' views that bonuses would not be expected to be paid where, as a result of the pandemic, companies had received direct government or shareholder support. In response to the impact on trading of the pandemic, the Committee took account of the fact that the company had cancelled the 2019 dividend; completed a £55m equity raise in July 2020; received Government grants under the Coronavirus Job Retention Scheme; and agreed tax deferments with HMRC.

STRATEGIC OBJECTIVES CONTINUED

Detailed performance assessment of the financial targets is provided in the table below.

					Percentage of maximum value achieved		Bonus £ value achieved	
	Weighting	Threshold performance required	Actual performance achieved	Maximum performance required	Stephen Harrison	Ben Guyatt	Stephen Harrison	Ben Guyatt
PBT (before exceptional items)	50%	£60.0m	£17.4m	£63.5m	0%	0%	–	–
Operating cashflow (before exceptional items)	25%	£65.0m	£53.9m	£75.0m	0%	0%	–	–
Strategic objectives	25%				0%	0%	–	–
Total (% of maximum)	100%				0%	0%	–	–
Total					**0%**	**0%**	**–**	**–**

LONG-TERM INCENTIVES (AUDITED)

The 2018 PSP awards have a vesting date of 28 March 2021, although the vesting criteria of the part of the award subject to an EPS performance condition can now be measured and as such is included in the 2020 Single Figure Table shown opposite, along with the 2017 PSP award TSR vesting value and dividend equivalent.

	Performance condition	Threshold (25% vesting)	Maximum (100% vesting)	Actual	% of this award element vesting
2018 (50% of award)	Annual EPS growth	5%	11%	(64.6)%	0.00%
2017 (50% of award)	Relative TSR vs sector comparator group	Equal to index	Index + 50%	50.6%	90.01%

	2018 PSP Performance condition	Weighting	% vesting (max. 100%)	Date of end of performance period	Date of vesting	Share price at end of performance period	Total shares vesting	Value of vesting shares
Stephen Harrison	EPS Growth	50%	0.00%	31-Dec-20	28-Mar-21	£2.44	–	–
Ben Guyatt	EPS Growth	50%	0.00%	31-Dec-20	28-Mar-21	£2.44	–	–

The 2017 PSP awards vested on 25 April 2020. The TSR element of this award is included in this year's single figure along with the value of dividend equivalents earned in respect of this. The EPS condition for this award was measurable over a three year performance period to 31 December 2019 and reported in the 2019 Annual Report and Accounts, its value has been restated in this year's Single Total Figure of Remuneration based on actual share price on vesting.

	2017 PSP Performance condition	Weighting	% vesting (max. 100%)	Date of end of performance period	Date of vesting	Share price on vesting	Total shares vesting	Value of vesting shares
Stephen Harrison	EPS growth	50%	43.57%	31-Dec-19	25-Apr-20	£2.23	52,618	£117,338
	Dividend equivalent on EPS						5,416	£12,078
	Total Shareholder Return	50%	90.01%	25-Apr-20	25-Apr-20	£2.23	108,702	£242,405
	Dividend equivalent on TSR						11,186	£24,945
							177,922	**£396,766**
Ben Guyatt	EPS growth	50%	43.57%	31-Dec-19	25-Apr-20	£2.23	9,208	£20,534
	Dividend equivalent on EPS						947	£2,112
	Total Shareholder Return	50%	90.01%	25-Apr-20	25-Apr-20	£2.23	19,023	£42,421
	Dividend equivalent on TSR						1,957	£4,364
							31,135	**£69,431**

REMUNERATION COMMITTEE REPORT
ANNUAL REPORT ON REMUNERATION
CONTINUED

SINGLE FIGURE OF REMUNERATION (AUDITED)

NON-EXECUTIVE DIRECTORS

The table below sets out the single total figure for remuneration and breakdown for each Non-Executive Director.

	Roles	Period	Fees[1]	Total
Justin Atkinson	Non-Executive Chairman	**2020**	**£139,051**	**£139,051**
		2019	£112,658	£112,658
Divya Seshamani[2]	Independent Non-Executive Director	**2020**	**£54,653**	**£54,653**
		2019	£56,480	£56,480
Martin Sutherland	Independent Non-Executive Director	**2020**	**£50,853**	**£50,853**
		2019	£52,480	£52,480
Katherine Innes Ker	Senior Independent Non-Executive Director	**2020**	**£67,003**	**£67,003**
		2019	£65,313	£65,313
Vince Niblett[2]	Independent Non-Executive Director	**2020**	**£57,502**	**£57,502**
		2019	£47,817	£47,817

1. In April, May and June 2020, the Chairman and Non-Executive Directors voluntarily waived 20% of their fee in recognition of the salary reductions experienced by employees placed on furlough.
2. Overpayments of £1,918 and £2,018 were erroneously made to Divya Seshamani and Vince Niblett respectively in the year. At the year-end these balances were receivable by the Company. Both balances were repaid in full in February 2021 and the amounts are excluded from the figures above.

PERFORMANCE SHARE PLAN AWARDS MADE DURING THE YEAR

On 17 September 2020 the following awards were granted to Executive Directors.

	Type of award	Basis of award granted	Share price used to determine no. of options granted[1]	Number of shares over which award was granted	Face value of award	% of face value that would vest at threshold performance	Vesting determined by performance over
Stephen Harrison	Nominal (1p) cost option	150% of salary of £436,820	£1.90	344,858	£655,230	25%	three years to 17 September 2023
Ben Guyatt	Nominal (1p) cost option	125% of salary of £310,000	£1.90	203,947	£387,500	25%	three years to 17 September 2023

1. The number of options was determined using a share price of £1.90 being an amount equal to the average mid-market closing price for the five days prior to grant.

Performance condition	% of award subject to condition	Annual growth in EPS	% of PSP award which will vest
Company's total shareholder return (TSR) against Index TSR	100%	<Index TSR	0%
		At Index TSR	25%
		Between Index TSR and Index TSR plus 25 percentage points	On a straight line basis between 25% and 100%
		Equal to Index TSR plus 25 percentage points	100%

The Index comprises the following companies: Barratt Developments, Bellway, Berkeley Group Holdings, Countryside Properties, Crest Nicholson Holdings, Grafton Group, Grainger, Howden Joinery Group, Ibstock, Kingspan Group, Marshalls, Michelmersh Brick Holdings, Persimmon, Polypipe Group, Redrow, SIG, St. Modwen Properties, Taylor Wimpey, Travis Perkins, and Vistry Group.

Awards are subject to malus and clawback provisions and a two-year holding period will apply. The Committee retains the discretion to reduce the vesting outcome if it considers a windfall gain would otherwise be delivered.

DEFERRED ANNUAL BONUS PLAN AWARDS MADE DURING THE YEAR

In 2020, no awards were made to Executive Directors under the Deferred Annual Bonus Plan.

DIRECTORS' SHAREHOLDING AND SHARE INTERESTS

Share ownership plays a key role in the alignment of our Executive Directors with the interests of shareholders. Our Executive Directors are expected to build up and maintain a 200% of salary shareholding in Forterra. Where an Executive Director does not meet this guideline, then they are required to retain at least 50% of the net of tax vested shares under the Company's share plans until the guideline is met. The number of shares held by the Directors as at 31 December 2020 are as follows:

	Shareholding requirement (% salary)	Current shareholding[1] (% salary)	Beneficially owned[2]	Deferred Shares not subject to performance conditions[3]	Unvested PSP (nominal cost options subject to performance conditions)[4]	Vested PSP (nominal cost options not subject to performance conditions)	Unvested DABP (nominal cost options not subject to performance conditions)[5]	Outstanding Sharesave awards[6]	Shareholding requirement met
Executive Directors									
Stephen Harrison	200%	103%	183,502	277	778,281	161,321	77,819	12,080	No
Ben Guyatt	200%	28%	35,085	277	298,759	28,232	–	12,080	No
Non-Executive Directors									
Justin Atkinson	n/a	–	35,256	–	–	–	–	–	n/a
Divya Seshamani	n/a	–	7,538	–	–	–	–	–	n/a
Martin Sutherland	n/a	–	10,064	–	–	–	–	–	n/a
Katherine Innes Ker	n/a	–	3,564	–	–	–	–	–	n/a
Vince Niblett	n/a	–	11,946	–	–	–	–	–	n/a

1. As at 31 December 2020. This is based on a closing share price of £2.44 and the year-end salaries of the Executive Directors. Values are not calculated for Non-Executive Directors as they are not subject to shareholding requirements.
2. Includes shares owned by connected persons.
3. This relates to shares awarded granted under the Forterra All-Employee Share Incentive Plan (SIP).
4. This relates to PSP awards granted in the form of nominal (1p) cost options and subject to performance criteria.
5. This relates to DABP awards relating to the partial deferral of the 2018 annual bonus granted in the form of nominal (1p) cost options which are not subject to performance criteria.
6. During 2020, grants were made under the 2020 Sharesave Scheme with an exercise price of £1.49, resulting in a 20% discount and an exercise date of 1 December 2023.

	Type of award	Date granted	At 1 January 2020	Awarded during the year	Vested during the year	Lapsed / cancelled during the year	At 31 December 2020
Stephen Harrison	PSP	Sep-20	–	344,858	–	–	**344,858**
	PSP	Mar-19	223,824	–	–	–	**223,824**
	PSP	Mar-18	209,599	–	–	–	**209,599**
	PSP	Apr-17	241,534	–	(161,321)[2]	(80,213)	**–**
	DABP	Mar-19	35,652	–	–	–	**35,652**
	DABP	Mar-18	42,167	–	–	–	**42,167**
	DABP	Mar-17	43,556	–	(43,556)	–	**–**
	SAYE	Oct-20	–	12,080	–	–	**12,080**
	SAYE[1]	Oct-19	8,108	–	–	(8,108)	**–**
Total							**868,180**
Ben Guyatt	PSP	Sep-20	–	203,947	–	–	**203,947**
	PSP	Mar-19	48,962	–	–	–	**48,962**
	PSP	Mar-18	45,850	–	–	–	**45,850**
	PSP	Apr-17	42,269	–	(28,232)[2]	(14,037)	**–**
	SAYE	Oct-20	–	12,080	–	–	**12,080**
	SAYE[1]	Oct-19	8,108	–	–	(8,108)	**–**
Total							**310,839**

1. Executive Directors Stephen Harrison and Ben Guyatt cancelled their 2019 sharesave options in order to participate in the 2020 scheme.
2. PSP shares vested in year were not exercised until after the year end.

REMUNERATION COMMITTEE REPORT
ANNUAL REPORT ON REMUNERATION
CONTINUED

PAYMENTS TO PAST DIRECTORS / PAYMENTS FOR LOSS OF OFFICE (AUDITED)

There were no payments to past directors or for loss of office during 2020 beyond those disclosed in Annual Report on Remuneration in the prior year in relation to Shatish Dasani.

CHIEF EXECUTIVE OFFICER'S REMUNERATION HISTORY

The table below sets out the total Chief Executive Officer's remuneration for 2020, together with the percentage of maximum annual bonus awarded in that year. A summary of remuneration paid will be provided and built up over time until 10 years of data is shown.

Chief Executive Officer	**2020**	2019	2018	2017	2016
Single total figure	**£748,689**	£1,052,599[5]	£893,054[5]	£762,476	£985,806[4]
Annual bonus (% of maximum)	**–**	–	60.50%	72.00%	50.25%
PSP award (% of maximum)	**45.0%[3]**	72.0%[2]	36.9%[1]	–	–

1. Relates to element of 2016 PSP award subject to an EPS growth performance measure with a measurement period ending 31 December 2018.
2. Relates to the element of 2017 PSP award subject to an EPS growth performance measure with a measurement period ending 31 December 2019 and the element of the 2016 PSP award subject to the TSR measure with the period ending 26 April 2019.
3. Relates to the average of 2018 PSP award subject to an EPS growth performance measure with a measurement period ending 31 December 2020 and the element of the 2017 PSP award subject to the TSR measure with the period ending 26 April 2019.
4. Includes one off bonus agreed prior to IPO of £400,000.
5. This figure has been restated to reflect the actual share price on the vesting of the long-term incentive for 2019.

CHANGE IN EXECUTIVE & NON EXECUTIVE DIRECTORS REMUNERATION COMPARED WITH EMPLOYEES

	Changes 2019 to 2020		
	Salary change[3]	Benefits change	Annual bonus
Stephen Harrison (CEO)[1]	(3.1)%	–	–
Ben Guyatt (CFO)[1]	–	–	–
Martin Sutherland (NED)	(3.1)%	–	–
Katherine Innes Ker (NED)	(3.1)%	–	–
Justin Atkinson (NED)	(3.1)%	–	–
Vince Niblett (NED)	(3.1)%	–	–
Divya Seshamani (NED)	(3.1)%	–	–
Average for all other employees[4]	2.1%	–	100.0%[5]

1. No bonus was payable in 2019 or 2020.
2. Ben Guyatt was appointed as Chief Financial Officer on 1 January 2020 and has therefore no movement has been presented within this table in relation to his remuneration.
3. The figures used for the Board are the actual salary and fees paid as per the Single Figure of Remuneration table on page 110, this also reflects a 20% drop in salary and fees in April, May and June 2020 due to the Covid-19 pandemic.
4. The average for all other employees is based on the average increase awarded in January 2020.
5. As no bonus was paid for the period ended 31 December 2019 the base is zero. As bonus will be paid out for the year ended 31 December 2020 this is presented as a 100% change.

PERFORMANCE GRAPH

The graph opposite illustrates the Company's Total Shareholder Return (TSR) performance relative to the constituents of the FTSE Small Cap index excluding investment companies and against the FTSE All-Share Construction and Materials index both of which the Company is a constituent of, from the start of conditional share dealing on 20 April 2016. The graph shows performance of a hypothetical £100 invested and its performance over that period.

PERFORMANCE GRAPH CONTINUED

TOTAL SHAREHOLDER RETURN

This graph shows the value, by 31 December 2020, of £100 invested in Forterra plc on 20 April 2016, compared with the value of £100 invested in the FTSE SmallCap (excl. Investment Trusts) and the FTSE All Share Construction & Materials on a daily basis. The other points plotted are the values at intervening financial year-ends.

Source: Datastream

CHIEF EXECUTIVE OFFICER PAY RATIO

The CEO to average employee pay ratio in 2020 was 19.1 times. This is measured as the ratio of the CEO single figure pay earned in the year to average (mean) employee pay. The Remuneration Committee is steadfastly committed to ensuring that the reward of the CEO and other senior executives is commensurate with performance. Accordingly, as laid out graphically in the Remuneration Policy, a significant element of the Chief Executive's total pay is variable and is determined based on the performance of the Company and is dependent on share price performance.

	2020	2019
Ratio of CEO single figure total remuneration to average employee remuneration	**19.1**	26.1

The Regulations require us to disclose the ratio of the Chief Executive's pay, using the amount set out in the single total figure table, to that of the median, 25th and 75th percentile total remuneration of full-time equivalent UK employees.

The table below shows the relevant data for Forterra's employees for 2020, calculated using Option B as set out in the legislation.

Year	Method of calculation adopted	25th percentile pay ratio (Chief Executive: UK employees)	Median pay ratio (Chief Executive: UK employees)	75th percentile pay ratio (Chief Executive: UK employees)
2020	**Option B**	**19:1**	**19:1**	**18:1**
2019	Option B	40:1	26:1	21:1

Pay details for the individuals whose 2020 remuneration is at the median 25th percentile and 75th percentile amongst UK based employees are as follows:

	Chief Executive	25th percentile	Median	75th percentile
Salary	£414,979	£36,418	£29,331	£40,650
Total pay and benefits	£748,689	£40,099	£40,273	£42,683

1. The employee selected as the median comparison has a low base salary with a guaranteed minimum earning level closer to the total pay and benefits.

The median, 25th percentile and 75th percentile employees used to determine the above ratios were identified by using gender pay gap data and full-time equivalent annualised remuneration (comprising salary, benefits, pension, annual bonus and long-term incentives) of all UK based employees of the Group as at 31 December 2020 (i.e. Option B) under the Regulations. The Committee selected this calculation methodology as it was felt to produce the most consistent result.

REMUNERATION COMMITTEE REPORT
ANNUAL REPORT ON REMUNERATION
CONTINUED

GENDER PAY REPORTING

As explained in the Remuneration Committee Chair's letter, 2020 was dominated by the Coronavirus pandemic. The health and safety of our employees remained our primary concern. The Executive Directors and Senior Managers responded quickly to the outbreak of Coronavirus and we ceased production at 16 of our 18 factories, with over 1,500 employees being placed on furlough leave.

In addition, the Executive Directors' bonus payments due for 2019 performance were cancelled and, from April to June 2020, the Board and Executive Committee waived 20% of their salaries and fees, respectively.

As a result of this decisive action, our April 2020 gender pay gap calculations do not include approximately 75% of our employees who were on furlough leave, or employees at work whose salaries were voluntarily reduced. (The rules specify that employees on leave or at work with reduced pay cannot be included in the calculations). This means only 464 employees have been included in the gender pay gap calculations which will distort the results.

Although our mean and median gender pay gaps appear to be significantly lower, around three quarters of our employees were on furlough leave in April 2020. This gives a misleading view, making year-on-year comparisons difficult. In addition, no annual bonuses were paid in April 2020. Year-on-year mean, and median bonuses are not comparable since these prior year figures are based on the full population. The group of employees who were factored into the calculations were only those who were at work receiving their normal full pay.

2020 MANDATORY METRICS

From the following table, 2020 results show that versus males, a woman's:

- mean hourly rate is 7.8% lower;
- median hourly rate is 7.6% lower;
- mean bonus pay is 46.7% lower; and
- median bonus pay is 59.2% lower.

Metric[1]	2020	2019
Mean gender pay gap (%)	**7.8%**	17.7%
Median gender pay gap (%)	**7.6%**	19.7%
Mean gender bonus gap (%)	**46.7%**	54.6%
Median gender bonus gap (%)	**59.2%**	56.0%

1. The mean and median gender pay gap has been calculated using April 2020 pay, allowances, bonuses, share exercises, recognition awards and other relevant metrics.

In addition, the percentage of males and females receiving bonuses were closer in 2020 (11% more women than men received a bonus).

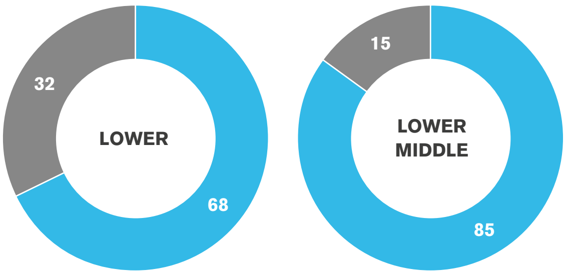
Metric[1]	2020	2019
Male employees receiving bonus (%)	**70.7%**	63.0%
Female employees receiving bonus (%)	**81.8%**	90.0%

1. The mean and median gender bonus gap has been calculated using April 2019 to March 2020 bonuses, share exercises, recognition awards and other relevant metrics.

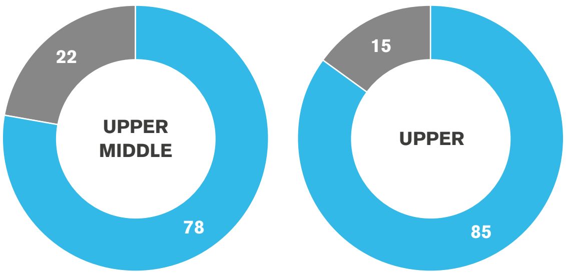
GENDER PAY REPORTING CONTINUED

THE GENDER PAY SPLIT WITHIN EACH QUARTILE (%):

2020

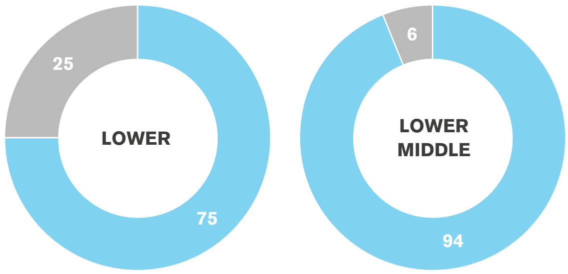


- Male %
- Female %

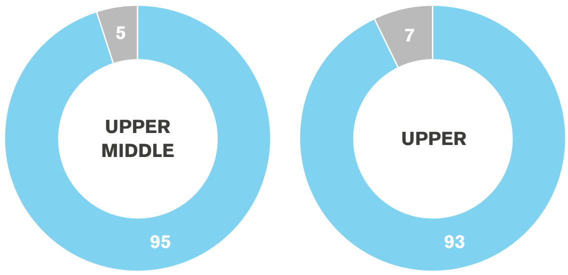


- Male %
- Female %

2019



- Male %
- Female %



- Male %
- Female %

RELATIVE IMPORTANCE OF TOTAL SPEND ON PAY

The following table shows the Company's actual spend on pay for all employees compared to distributions to shareholders in 2020.

	Disbursements from profit	
	2020 £m	2019 £m
Total spend on pay, including Directors	**90.1**[2]	96.9
Distributions to shareholders by way of dividend	**–**	22.0[1]

1. Final 2018 dividend of £0.072 per share paid in July 2019 and interim dividend of £0.04 per share paid in October 2019.
2. The balance for total spend on pay, including Directors is presented gross of proceeds received under the Coronavirus Job Retention Scheme of £9.9m.

REMUNERATION COMMITTEE REPORT
ANNUAL REPORT ON REMUNERATION
CONTINUED

CASCADE OF INCENTIVES

The remit of the Remuneration Committee includes not only the remuneration of the Executive Directors but also the members of the Executive Committee. In making remuneration decisions in respect of the Executive Directors and senior management the Committee also monitors and considers the remuneration of the wider workforce to ensure that pay is fair throughout the Group.

Level	Participation in PSP	Participation in Bonus	Participation in SAYE
Executive Directors	✓	✓	✓
Executive Committee	✓	✓	✓
Senior managers	✓	✓	✓
Managers		✓	✓
Employees		✓[1]	✓

1. All salaried staff participate in the Forterra staff bonus scheme. Arrangements for hourly paid staff vary by location with a number of facilities offering production related bonuses as part of a total remuneration package. Other facilities may have a higher level of base pay and no bonus arrangements.

ADVISERS TO THE REMUNERATION COMMITTEE

The Remuneration Committee has access to independent advice where it considers it appropriate. During the year, the Committee received advice relating to executive remuneration from the Executive Compensation practice of Alvarez & Marsal Taxand UK LLP (A&M) and Aon plc. Aon plc also provides other remuneration and benefits services to the Group and the Committee is satisfied that no conflict of interest exists in the provision of these services.

The Committee is satisfied that the advice received by A&M and Aon in relation to executive remuneration matters during the year was objective and independent. Both A&M and Aon are members of the Remuneration Consultants Group and abide by the Remuneration Consultants Group Code of Conduct, which requires its advice to be objective and impartial. The fees paid to A&M and Aon during the year totalled £13,519 and £34,013 respectively.

STATEMENT OF SHAREHOLDER VOTING

A high level of shareholder support was received for our Remuneration Policy and Remuneration Report at our 2020 AGM, as summarised below:

	Votes for	Votes against	Votes withheld
A binding vote on the approval of the Directors Remuneration policy in 2020	163,767,520 (95.68%)	7,398,365 (4.32%)	25,244
An advisory vote on the approval of the 2019 Annual Report on Remuneration	168,900,783 (98.67%)	2,268,217 (1.33%)	23,790

APPROVAL

This Remuneration Committee Report, comprising the Annual Statement, Remuneration Policy Summary and Annual Report on Remuneration has been approved by the Board of Directors.

Signed on behalf of the Board of Directors.

Katherine Innes Ker
Chair of the Remuneration Committee

9 March 2021

DIRECTORS' REPORT

The Directors present their report for the financial year ended 31 December 2020. The information required by the Listing Rules (DTR 4.1.8R) is contained in the Strategic Report and the Directors' Report. Forterra plc is incorporated in England and Wales with company number 09963666.

NON-FINANCIAL INFORMATION STATEMENT

The following information that would otherwise be presented in this Directors' Report is included in other appropriate sections of this Annual Report and Accounts. The table below additionally identifies the pages of this Annual Report where we discuss the information required to comply with the Non-Financial Reporting Regulations set out in sections 414CA and 414CB of the Companies Act 2006.

Subject matter	Section and page reference
Likely future developments in the business	Strategic Report, pages 18 to 21
Risk management	Strategic Report, pages 66 to 74
Financial instruments	Consolidated Financial Statements, pages 155 to157
Employees	Strategic Report, pages 36, 56 to 59, and Governance, page 82
Environmental issues	Strategic Report, pages 38 to 55
Non-financial KPIs	Strategic Report, pages 22 and 23
Social matters	Strategic Report, pages 36 and 38 to 59
Human rights	Strategic Report, page 59
Anti-bribery and corruption	Strategic Report, page 53, and Governance, page 94
Research and development activities	Strategic Report, pages 18 to 19

The following disclosures required under LR 9.8.4R can be found elsewhere in the Annual Report as laid out below:

Subject matter	Section and page reference
Directors' long-term incentive schemes	Annual Report on Remuneration, pages 111 and 112
Emoluments waived by Directors	Annual Report on Remuneration, pages 110 and 112

DIVIDENDS

Subject to securing shareholder approval at the 2021 AGM, the Directors are proposing a final dividend for the financial year ended 31 December 2020 of 2.8 pence per ordinary share. If approved at the AGM, payment of the final dividend will be made to shareholders registered at the close of business on 18 June 2021 and will be paid on 9 July 2021. No interim dividend was paid in the year.

DIRECTORS

The Directors of the Company who served during the year and to the date of this report are listed on pages 76 and 77. Details of the Directors' interests in the share capital of the Company are set out on page 113 of the Annual Report on Remuneration.

ARTICLES OF ASSOCIATION

The Company's Articles of Association give powers to the Board to appoint Directors. Newly appointed Directors are required to retire and submit themselves for re-election by the shareholders at the first Annual General Meeting following their appointment. In practice however, all Directors are expected to retire and seek re-election on an annual basis.

The Board of Directors may exercise all of the powers of the Company subject to the provisions of relevant laws and the Company's Memorandum and Articles of Association. These include specific provisions and restrictions regarding the Company's ability to borrow money and to issue and repurchase shares.

The Articles of Association may be amended in accordance with the provisions of the Companies Act 2006 by way of a special resolution of the Company's shareholders.

SHARE CAPITAL AND CONTROL

Details of the Company's share capital are included within note 24 of the Consolidated Financial Statements on page 159 and 160.

As at 31 December 2020 there were 228,647,196 ordinary shares of 1p nominal value in issue. The Company has one class of shares, ordinary shares of 1p nominal value, which carry equal rights to dividends, voting and return of capital on winding up of the Company. There are no restrictions on the transfer of securities in the Company and there are no restrictions on any voting rights other than those prescribed by law, nor is the Company aware of any arrangement which may result in restrictions on the transfer of securities or voting rights nor any arrangement whereby a shareholder has waived or agreed to waive dividends.

DIRECTORS' REPORT
CONTINUED

SHARE CAPITAL AND CONTROL CONTINUED

The Company has established two separate employee benefit trusts for the purposes of satisfying awards under the Company's share-based incentive schemes. The Company has established a Trust in connection with the Group's Share Incentive Plan (SIP) which holds ordinary shares in trust for the benefit of employees of the Group. The Trustees of the SIP Trust may vote in respect of Forterra shares held in the Trust but only as instructed by participants in the SIP in accordance with the deed and rules governing the scheme. The Trustees will not otherwise vote in respect of the shares held in the SIP Trust.

The Company has also established The Employee Benefit Trust (EBT) to satisfy awards vesting under the Performance Share Plan (PSP), the Deferred Annual Bonus Plan (DABP) and the Sharesave Scheme. On 24 November the EBT announced a planned programme of share purchases, acquiring ordinary shares of 1p each to the value of £100,000 per month. As at 31 December 2020 the EBT held a total of 686,177 shares in the Company, with a nominal value of 6,861p and at a weighted average purchase consideration of 286p per share.

SUBSTANTIAL SHAREHOLDINGS

At 31 December 2020 the Company, in accordance with the Disclosure Guidance and Transparency Rules, has been notified of the following interests of greater than 3% in its ordinary share capital. This information is correct at the date of notification and it should be noted that these holdings may have changed since they were notified to the Company.

		31 December 2020		9 March 2021	
	Nature of holding	**Number of shares disclosed**	**% interest in voting rights**	Number of shares disclosed	% interest in voting rights
Vulcan Value Partners	Indirect	**31,389,616**	**13.73**	19,645,891	8.59
Aberforth Partners	Indirect	**12,901,931**	**5.64**	10,961,931	4.79
Jupiter Asset Mgt	Indirect	**12,120,505**	**5.30**	12,120,505	5.30
AXA Investment Mgrs	Indirect	**11,440,570**	**5.00**	11,317,222	4.95
MFS Investment Mgt	Indirect	**10,550,158**	**4.61**	10,550,158	4.61
Lansdowne Partners	Indirect	**10,043,585**	**4.39**	10,043,585	4.39
Mondrian Investment Partners	Indirect	**–**	**–**	12,102,837	5.29

Information provided to the Company in accordance with the Disclosure Guidance and Transparency Rules is publicly available via the Regulatory News Service and on the Company's website.

SIGNIFICANT AGREEMENTS (CHANGE OF CONTROL)

The Company's committed credit facilities as described in note 19 of the Consolidated Financial Statements on page 154 are subject to provisions that require the mandatory prepayment of the facilities on a change of control. For this purpose, a change of control is defined as any person or group of persons acting in concert gaining direct or indirect control of the Company. For the purposes of this definition, control of the Company means the holding beneficially (directly or indirectly) of the issued share capital of the Company having the right to cast more than 30% of the votes capable of being cast in general meetings of the Company.

There are no agreements between the Group and its Directors and employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) in the event of a takeover bid.

POST BALANCE SHEET EVENTS

There have been no significant events affecting the Group since the end of the year. Details of developments in the year under review are contained within the Strategic Report.

POLITICAL DONATIONS

The Group made no donations during the year to any political party or other political organisation.

GOING CONCERN

At the balance sheet date the cash balance stood at £31.5m with £15.0m borrowed against £170.0m of available borrowing facilities leaving headroom of £155.0m. The Group meets its working capital requirements through these cash reserves and borrowings; with no dependence on government grants at the year end. The Group closely manages working capital to ensure sufficient daily liquidity and prepares financial forecasts and stress tests to ensure sufficient liquidity over the medium-term. In spring 2020, responding to potential short to medium-term liquidity needs identified in the financial forecasts and stress tests prepared at that time, the Group secured a refinancing of its existing bank facilities by way of amendment and restatement of existing documentation on 7 July 2020. The amended and restated facility provided (i) an extended maturity by two years to July 2024; (ii) an increase in the facility of £20.0m to £170.0m; and (iii) a package of covenant relaxations. Along with this refinancing, the Group carried out a placing of new ordinary shares of £0.01 each in its share capital to raise gross proceeds of £55.0m on 1 July 2020.

We have modelled financial scenarios for the 12-month period from the date that the Consolidated Financial Statements are signed that reflect the uncertainty of the Covid-19 pandemic continuing to impact performance of both the Bricks and Blocks and Bespoke Products divisions. These financial scenarios also stress-test the Group's resilience. Sales volumes are adjusted in each scenario as this variable is considered the most sensitive at present; with the shape of recovery differing from lower sales levels over a prolonged period to further sharp shocks without notable recovery. Each scenario is tested to determine if there are covenant breaches at each forthcoming covenant test date review. The most severe but plausible downside scenario reflects 2021 sales volumes falling 18% below 2019 levels and beginning to recover 13% of this in 2022. 2019 has been used as the reference period in developing these scenarios rather than 2020, given the volatility in 2020 and the lack of a normal seasonal pattern of sales and production.

All of the sensitivity analysis were modelled over the period to 31 March 2022 (going concern review period) to support the going concern assessment. These same models have also been extended through to December 2024 to support the Directors' viability assessment. In all the scenarios modelled, the Group had significant headroom in both its banking covenants and existing bank facilities.

Covid-19 safe working practices remain firmly in place and the business has been able to continue, uninterrupted, since operations restarted in summer 2020. Although the majority of factories closed during the first lockdown, neither the second nor third lockdown affected the continuation of operations. With operations continuing after fully reopening in summer 2020 the recovery has been sustained and as such Management are confident that i) the severe stress test scenarios are unlikely and ii) the further mitigation that could be applied in a stress scenario would see the business remain resilient in any case.

Taking account of all reasonably possible changes in trading performance, the current financial position of the Group following the refinancing and equity placing, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the going concern period to March 2022. The Group therefore adopts the going concern basis in preparing these Accounts.

The Directors are also required to provide a broader assessment of viability over a longer period which can be found on page 74.

In making the going concern statement and the viability statement the Directors have taken into account the Guidance on Risk Management, Internal Controls and Related Financial and Business Reporting issued by the Financial Reporting Council in September 2014.

STATEMENT OF DISCLOSURE OF INFORMATION TO THE AUDITOR

Each Director of the Company confirms that as far as they are aware, there is no relevant audit information of which the Company's auditors are unaware and that each of the Directors has taken all the steps they ought to have taken individually as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

ANNUAL GENERAL MEETING

The 2021 AGM will be held on 18 May 2021. Full details are contained in the Notice convening the AGM, which is being sent to shareholders with this Annual Report.

Approved by the Board and signed on its behalf by:

Ashley Thompson
Company Secretary

9 March 2021

GOVERNANCE

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by the Companies Act 2006 to prepare Financial Statements for each financial year that give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year, and of the profit or loss of the Group for the financial year. Under that law, the Directors are required to prepare the Consolidated Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and with international financial reporting standards adopted pursuant to Regulation (EC) No 16/06/2002 as it applies in the European Union and have elected to prepare the Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and applicable law.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- in respect of the Consolidated Financial Statements, state whether IFRSs, in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 16/06/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- in respect of the Company Financial Statements, state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS (and in respect of the Company Financial Statements, FRS 102) are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy, at any time, the financial position of the Group and the Company, and which enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Consolidated Financial Statements, Article 4 of the IAS Regulation. They also have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and the Company's performance, business model and strategy.

Each of the Directors, whose names and functions are set out on pages 76 and 77 confirm that, to the best of their knowledge:

- the Consolidated Financial Statements of the Group, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and with international financial reporting standards adopted pursuant to Regulation (EC) No 16/06/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report contained within this document includes a fair review of the development and performance of the business and the position of the Group together with a description of principal risks and uncertainties that the Group faces.

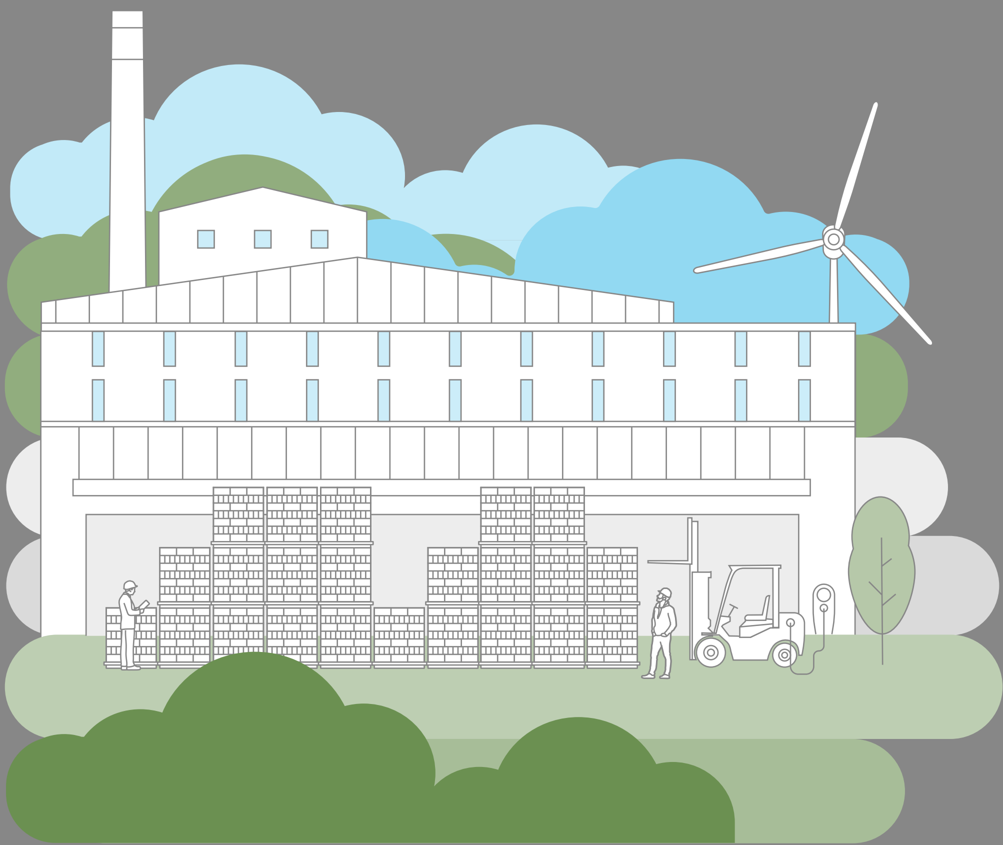
Approved by the Board and signed on its behalf by:

Stephen Harrison
Chief Executive Officer

Ben Guyatt
Chief Financial Officer

9 March 2021

FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORTERRA PLC

OPINION

In our opinion:

- Forterra plc's Consolidated Financial Statements and Company Financial Statements (the Financial Statements) give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Consolidated Financial Statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union;
- the Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice FRS 102; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements of Forterra plc (the Company) and its subsidiaries (the Group) for the year ended 31 December 2020 which comprise:

Group	Company
Consolidated Balance Sheet as at 31 December 2020	Balance Sheet as at 31 December 2020
Consolidated Statement of Total Comprehensive Income for the year then ended	Statement of Changes in Equity for the year then ended
Consolidated Statement of Changes in Equity for the year then ended	Related notes 1 to 12 to the Financial Statements including a summary of significant accounting policies
Consolidated Statement of Cash Flows for the year then ended	
Related notes 1 to 27 to the Financial Statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the Consolidated Financial Statements is the applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards to the Group Consolidated Financial Statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. The financial reporting framework that has been applied in the preparation of the Company Financial Statements is applicable law and United Kingdom Accounting Standards, FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate. Our evaluation of the Directors' assessment of the Group and Company's ability to continue to adopt the going concern basis of accounting included:

- We have obtained an understanding of Management's basis for use of the going concern assumption of accounting. In conjunction with our walkthrough of the Group's financial statement close process, we confirmed our understanding of Management's going concern assessment process. We engaged with Management early to ensure all key factors were considered in their assessment.
- We obtained Management's going concern assessment, including the cash forecast and covenant calculations for the going concern period which covers a year from the date of signing this audit opinion. The Group has modelled base case and downside scenarios in their cash forecasts and covenant calculations in order to incorporate unexpected changes to the performance and liquidity of the Group.
- Using our understanding of the business, we evaluated the appropriateness of the forecasting method by considering past historical accuracy of Management's forecasting and comparison of actual results with the revised forecasts prepared to incorporate the impact of Covid-19.
- We have tested the main assumptions included in each modelled scenario. For underlying assumptions, we agreed the reasonableness to the supporting evidence, including comparison of those to historical performance.
- We evaluated Management's reverse stress testing to understand how severe the downside scenarios would have to be to result in the elimination of liquidity headroom or a covenant breach during the going concern period. We assessed the plausibility of Management's downside scenarios by evaluating the actual impact of the past 12 months on the Group to date.
- We performed a detailed review of all borrowing and other financing facilities included in the cash forecasts and covenant calculations. This included obtaining evidence of the renegotiated terms of the bank loan facilities and evidence of the financing raised through equity. We performed a detailed review of all the borrowing facilities to assess their continued availability to the Group through the going concern period and reviewed the forecast covenants compliance.
- We evaluated mitigating actions that are within the control of the Group and can be taken to reduce the cash flow spend in the going concern period, this mainly related to spend on capital projects.
- We also reviewed the Group's going concern disclosures included in the Annual Report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

We have observed that the business experienced a high degree of disruption from the impact of the Covid-19 pandemic and the trading activity declined significantly due to the shutdown of most sites from the last week of March to the end of June 2020. Revenue decreased significantly during this period. However, there was a steady improvement in trading through the second half of 2020. We noted that the impact of subsequent lockdowns were reduced when compared to the first national lockdown and the business was able to continue to operate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Company's ability to continue as a going concern for a period of twelve months from when the Financial Statements are authorised for issue. The Financial Statements of the Group and the Company for the year ended 31 December 2020 were approved for issue by the Board of Directors on 9 March 2021.

In relation to the Group and Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

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

OVERVIEW OF OUR AUDIT APPROACH

Key audit matters	▪ Revenue recognition. ▪ Estimation of decommissioning and restoration provision. ▪ Impairment of tangible and intangible assets.
Audit scope	▪ We have selected the three components which represent the principal business units within the Group. We performed a full scope audit of the complete financial information for the main trading component and full scope audit procedures for the Company. For the other remaining component we have performed review procedures. ▪ The components where we performed full audit procedures accounted for 100% of profit before taxation, 100% of revenue and 100% of total assets.
Materiality	▪ Overall Group materiality of £2.7m which represents 1% of revenue.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

TAILORING THE SCOPE

Our assessment of audit risk, our evaluation of materiality and allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the Consolidated Financial Statements. We take into account size, risk profile, the organisation of the Group and effectiveness of group-wide controls, changes in the business environment and other factors when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Consolidated Financial Statements, and to ensure we had adequate quantitative coverage of significant accounts in the Financial Statements, we have selected the three components (2019: three components), which represent the principal business units within the Group.

Of the three components, we performed an audit of the complete financial information ("full scope components") for two of them (2019: two components). For the other component we have performed review procedures over the specific accounts within that component.

The components where we performed audit procedures accounted for 100% (2019: 100%) of the Group's profit before tax, 100% (2019: 100%) of the Group's revenue and 100% (2019: 100%) of the Group's total assets.

The remaining component did not contribute to the Group's profit before tax. For this component, we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Consolidated Financial Statements.

INVOLVEMENT WITH COMPONENT TEAMS

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements in the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition (Revenue net of rebates £291.9 million, 2019: £380.0 million) Refer to the Audit Committee Report (page 91); Accounting policies (page 137); and Note 4 of the Consolidated Financial Statements (pages 143 to 145). We believe that there may be an incentive for Management to manipulate revenue. This continues to be the case in the light of the Covid-19 environment whereby revenues and overall performance has been adversely impacted due to the shutdown of the sites for a period during the year. There is therefore a risk that Management may override controls to overstate revenue by recording fictitious revenue transactions through inappropriate manual journals posted to revenue.	We have understood the accounting for revenue recognition which included identifying key controls over the process and reviewing the revenue recognition policy. We also assessed that the policy for all revenue streams is in compliance with IFRS 15. We performed data analytics techniques over the full amount of revenue recognised in the year through to invoice settlement in cash. Where the process did not follow our expectations, we investigated and tested these entries to ensure their validity by agreeing back to source documentation. We have tested journal entries posted to revenue throughout the year, applying a number of parameters designed to identify and test entries that were not in accordance with our expectations. This included analysing and selecting journals for testing due to size, preparer or manual posting. We verified the journals to originating documentation to confirm that the entries were valid. We performed full scope audit procedures over this risk area, which covered 100% of the risk amount.	Based on our procedures we have confirmed that the revenue recognised is materially correct and the revenue has been recognised in accordance with IFRS 15.
Estimation of the decommissioning and restoration provision (£12.4 million, 2019: £11.1 million) Refer to the Audit Committee Report (page 92); Accounting policies (page 142); and Note 22 of the Consolidated Financial Statements (page 158). The Group recognises a provision for liabilities in respect of the restoration and decommissioning of their sites based upon both third-party advice and Management's judgement of the appropriate level of liability likely to arise in the future. The estimation of the inflation and discount rates are judgemental and have the most significant impact on net present value. The decommissioning and restoration provision is subject to a risk of Management bias relating to the inflation rate and discount rate included in the provision calculation.	We have obtained the Group accounting policy, Management's accounting paper and supporting analysis setting out the accounting treatment applied in preparing the calculation of the decommissioning and restoration provision (including the underlying assumptions) and walked through key controls within the process. Our valuation specialists have independently evaluated the discount and inflation rates used by Management. We independently developed a range of appropriate outcomes for both assumptions. We concluded that the rates used by Management were within our independently developed range. We performed sensitivity analysis on the discount and inflation rates to ascertain the impact on the provision. We have performed procedures to ensure the accuracy and completeness of inputs related to cost and scrappage value provided. We obtained Management's cost calculation for each site, which is based on an independent third party consultant's assessment. We have evaluated the competence and objectivity of the consultants. We assessed the appropriateness of the methodology used which included holding calls with Management's consultants, confirming the completeness and the appropriateness of the cost calculated. We have also performed hindsight analysis to compare the provision to sites which have been decommissioned to assess the appropriateness of the provision. Where differences have been identified we have investigated and obtained evidence for the differences to support the scrap recovery and cost assumptions used. We challenged the recalculation of the useful lives based on the level of mineral of reserves held at each site and the clay usage for each site. We further vouched the level of minerals used in the calculation to third party survey reports. Using this information, we have compared the year on year movement, where a material movement has occurred, we have obtained evidence to support the change in the year. We performed full scope audit procedures over this risk area, which covered 100% of the risk amount.	The assumptions used in the valuation of the decommissioning and restoration provision are within our independently developed range. Based on our procedures performed and audit evidence obtained we conclude that: ▪ our assessment of the risks of material misstatement remain appropriate; ▪ the recognition, measurement and presentation and disclosures are in accordance with the applicable financial reporting framework; and ▪ we have identified no evidence of Management bias in the estimation of the decommissioning and restoration provision.

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

KEY AUDIT MATTERS CONTINUED

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Impairment of tangible and intangible assets **At 31 December 2020 property, plant and equipment totalled £187.1m (2019: £182.6m) and intangibles were £11.0 (2019: £18.2m). There is a risk that these assets could be overstated.** Refer to the Audit Committee Report (page 92; Accounting policies (page 142); and Notes 13 and 14 of the Consolidated Financial Statements (pages 150 to 152). Tangible and intangibles assets are maintained between 15 identified CGUs. Those CGUs which are allocated intangible assets with indefinite useful lives are subject to annual impairment tests and remaining CGUs are assessed for indicators of impairment annually. During the year, an impairment charge of £10.2m in respect of Swadlincote hollowcore facility, the £6.0m in respect of the goodwill relating to the Formpave business and the £0.8m write-off of an IT system has been recorded. The Group has been impacted in the year by the temporary closure of all sites due to the Covid-19 pandemic. Given the uncertainty that the current macroeconomic environment presents to forecasting on which the impairment assessment relies, this risk has increased in the year. Significant judgment is required in identifying the indicators for impairment of the 15 CGUs and forecasting the estimated cash flows, the future growth rates and WACC where appropriate. As such, there is a risk that the identified CGUs may not achieve the anticipated business performance to support their carrying value and therefore the value of these assets could be overstated.	We assessed whether Management's identification of cash generating units was in accordance with IAS 36 by comparing the identified CGUs to internal Management reporting. We understood the methodology applied by Management in performing its impairment test for each of the relevant CGUs and walked through the key controls over the process. We obtained Management's assessment for each CGU determining whether there are any indicators of impairment such as under-performance against budget and prior year. We have challenged the identified indicators of impairment using market data and our own knowledge of the business to confirm the completeness of the identified indicators of impairment. We obtain Management's value in use calculation for the CGU's which have been identified as having indicators of impairment or have indefinite useful life assets and challenged Management's assumptions by obtaining the market data and other available evidence to determine whether the assumptions for the estimated cash flows, the future growth rates and WACC are reasonable. We engaged EY specialists to assess the appropriateness of the WACC used and calculate an appropriate range based on their independent assessment. We performed sensitivity analysis on the estimated cash flows, future growth rates and WACC to ascertain the extent of change in those assumptions that either individually or collectively would result in an impairment. We performed full scope audit procedures over this risk area, which covered 100% of the risk amount.	Management has performed a review to assess the risk that impairment arises in relation to Swadlincote Hollowcore facility (£10.2m), Formpave business (£6.0m) and the write-off of an IT system (£0.8m). Based on audit procedures and our independently developed assessment, we have not identified any risk of material misstatement. We believe Management appropriately describes the sensitivity of key assumptions in note 3 'Significant Accounting Estimates and Judgements' to the Consolidated Financial Statements. Therefore, we conclude that: ▪ our assessment of the risks of material misstatement remain appropriate; ▪ we have identified no evidence of Management bias in impairment assessment; ▪ for the assets where Management's impairment assessment resulted in an impairment charge, the charges were within an acceptable range; and ▪ Based on the findings from our audit procedures we are satisfied that no additional impairment charges are required in accordance with the requirements of IAS 36.

The key audit matters set out in the table above are consistent with those reported in 2019, with the exception of the addition of 'Impairment of tangible and intangible assets'. During the current year, risk of impairment of tangible and intangible assets has been exacerbated due to challenging market conditions triggered by the Covid-19 pandemic. Based on the change in risk profile, we consider this to be a key audit matter.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

MATERIALITY

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

The materiality for the Group is determined on the basis of the total revenue of the Group. This is a change from prior year which was based on 5% of profit before tax and exceptional items. In determining the basis of our materiality, we considered the relevant performance measures that are focused on by the main users of the Consolidated Financial Statements. Under the current operating environment where the business of the Group was impacted by the Covid-19 pandemic, temporary lockdown of sites, the focus of the users has shifted towards the ability of the Group to operate successfully in the current environment and towards the normalised levels of trading. We consider total revenue to be the most appropriate benchmark for the year ended 31 December 2020 (compared to profit before tax and exceptional items for the year ended 31 December 2019), as it provides a more stable measure following the impact of Covid-19 on the Group's performance during the year and is the most relevant performance measure to the users of the Consolidated Financial Statements.

We determined materiality for the Group to be £2.7 million (2019: £3.1 million), which is based on 1% of the total Group revenue (2019: 5% of profit before tax and exceptional items).

We determined materiality for the Company to be £1.7 million (2019: £1.5 million), which is 0.5% of total assets (2019: 0.5% of total assets).

During the course of our audit, we have reassessed initial materiality and as the actual revenue of the Group did not differ significantly from forecasted revenue, we maintained materiality at £2.7 million.

PERFORMANCE MATERIALITY

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality should be set at 75% (2019: 75%) of our planning materiality, namely £2.0m (2019: £2.3m). We have set performance materiality at this percentage due to our understanding of the entity and past experience with the audit, which indicates a lower risk of misstatements.

Audit work of the components for the purpose of obtaining audit coverage over significant Financial Statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £2.3m to £1.3m (2018: £2.4m to £1.9m).

REPORTING THRESHOLD

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.14m (2019: £0.16m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

OTHER INFORMATION

The other information comprises the information included in the Annual Report set out on pages 1 to 122, including the Strategic report, set out on pages 1 to 74, Governance, set out on pages 75 to 122 and additional information set out on page 133, other than the Financial Statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the Consolidated Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements themselves. If, based on the work performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORTERRA PLC

CONTINUED

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion: the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements or knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 121;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 74;
- Directors' statement on fair, balanced and understandable set out on page 93;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 96;
- The section of the Annual Report that describes the review of effectiveness of risk Management and internal control systems set out on pages 66 and 67; and
- The section describing the work of the audit committee set out on pages 90 to 94.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Statement of Directors' Responsibilities set out on page 122, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD CONTINUED

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and Management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the Financial Statements are those that relate to the reporting framework (IFRS, FRS 102, the Companies Act 2006 and UK Corporate Governance Code) and the relevant tax compliance regulations in the UK. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the Financial Statements being the Listing Rules of the UK Listing Authority, and those laws and regulations relating to occupational health and safety and data protection.
- We understood how Forterra plc is complying with those frameworks by making enquiries of Management, internal audit and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of Board minutes, papers provided to the Audit Committee and any correspondence received from regulatory bodies.
- We assessed the susceptibility of the Financial Statements to material misstatement, including how fraud might occur by meeting with Management from various parts of the business to understand where it considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by Management to manage earnings or influence the perceptions of analysts. We considered the programs and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior Management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures, as mentioned in the key audit matters section for revenue recognition and decommissioning and restoration, included testing manual journals and assessing the reasonableness of key assumptions and were designed to provide reasonable assurance that the Financial Statements were free from fraud or error.

Based on our understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraphs above. Our procedures involved: understanding the process and controls to identify non-compliance, identifying journals indicating large or unusual transactions, enquiries of legal counsel, Group Management, internal audit, divisional Management, performing an analysis of announcements on these matters, understanding the fact patterns in each case and documenting the positions taken by Management, and using specialists to support us in concluding on the matters identified.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

OTHER MATTERS WE ARE REQUIRED TO ADDRESS

- We were re-appointed as auditors by the company at the AGM on 14 May 2020. The engagement letter was signed on 23 February 2021 to audit the Financial Statements for the year ending 31 December 2020 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 5 years, covering the years ending 31 December 2016 to 31 December 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company and we remain independent of the Group and the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter McIver (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

9 March 2021

1. The maintenance and integrity of the Forterra plc web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £m	2019 £m
Revenue	4	**291.9**	380.0
Cost of sales		**(225.8)**	(243.8)
Gross profit		**66.1**	136.2
Distribution costs		**(44.1)**	(54.4)
Administrative expenses		**(20.8)**	(21.8)
Other operating income	6	**0.2**	0.7
Operating profit	5	**1.4**	60.7
EBITDA before exceptional items		**37.9**	82.7
Exceptional items	8	**(19.4)**	(4.3)
EBITDA		**18.5**	78.4
Depreciation and amortisation	13, 14, 25	**(17.1)**	(17.7)
Operating profit		**1.4**	60.7
Finance expense before exceptional items	9	**(3.4)**	(2.5)
Exceptional finance expense	8, 9	**(3.4)**	–
Finance expense		**(6.8)**	(2.5)
(Loss) / profit before tax		**(5.4)**	58.2
Income tax expense	10	**(0.2)**	(11.4)
(Loss) / profit for the year attributable to equity shareholders		**(5.6)**	46.8
Total comprehensive (loss) / income for the year attributable to equity shareholders		**(5.6)**	46.8
(Loss) / earnings per share		**Pence**	(Restated) Pence
Basic earnings per share[1]	12	**(2.6)**	23.6
Diluted earnings per share[1]	12	**(2.6)**	23.6

1. As required by IAS 33, earnings per share for 2019 has been restated to reflect the bonus factor adjustment resulting from the 2020 equity issue (see note 12).

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2020

	Note	2020 £m	2019 £m
Assets			
Non-current assets			
Intangible assets	13	**11.0**	18.2
Property, plant and equipment	14	**187.1**	182.6
Right-of-use assets	25	**9.0**	13.7
		207.1	214.5
Current assets			
Inventories	15	**33.0**	47.8
Trade and other receivables	16	**35.7**	40.4
Income tax asset		**0.6**	–
Cash and cash equivalents	17	**31.5**	26.6
		100.8	114.8
Total assets		**307.9**	329.3
Current liabilities			
Trade and other payables	18	**(63.8)**	(71.5)
Income tax liabilities		**–**	(3.5)
Loans and borrowings	19	**(0.5)**	(0.1)
Lease liabilities	25	**(3.4)**	(5.1)
Provisions for other liabilities and charges	22	**(5.0)**	(4.3)
		(72.7)	(84.5)
Non-current liabilities			
Loans and borrowings	19	**(15.0)**	(69.7)
Lease liabilities	25	**(6.0)**	(9.0)
Provisions for other liabilities and charges	22	**(9.2)**	(8.1)
Deferred tax liabilities	23	**(0.9)**	(1.8)
		(31.1)	(88.6)
Total liabilities		**(103.8)**	(173.1)
Net assets		**204.1**	156.2
Capital and reserves attributable to equity shareholders			
Ordinary shares	24	**2.3**	2.0
Retained earnings		**162.3**	157.8
Other reserve	24	**41.5**	–
Reserve for own shares	24	**(2.0)**	(3.6)
Total equity		**204.1**	156.2

The notes on pages 136 to 164 are an integral part of these Consolidated Financial Statements.

Approved by the Board of Directors on 9 March 2021 and signed on their behalf by:

Stephen Harrison
Chief Executive Officer

Ben Guyatt
Chief Financial Officer

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £m	2019 £m
Cash flows from operating activities			
Operating profit before exceptional items		**20.8**	65.0
Adjustments for:			
– Depreciation and amortisation	13, 14, 25	**17.1**	17.7
– Movement on provisions	22	**1.7**	(0.3)
– Share-based payments	26	**0.9**	1.3
– Other non-cash items		**(0.9)**	(1.6)
Changes in working capital:			
– Inventories		**14.8**	(10.4)
– Trade and other receivables		**4.6**	(2.9)
– Trade and other payables		**(5.1)**	(3.9)
Cash generated from operations before exceptional items		**53.9**	64.9
Cash flows relating to operating exceptional items		**(5.6)**	(1.1)
Cash generated from operations		**48.3**	63.8
Interest paid		**(2.8)**	(2.4)
Tax paid		**(5.2)**	(8.8)
Net cash inflow from operating activities		**40.3**	52.6
Cash flows from investing activities			
Purchase of property, plant and equipment		**(23.5)**	(22.5)
Purchase of intangible assets		**(1.4)**	(1.8)
Net cash used in investing activities		**(24.9)**	(24.3)
Cash flows from financing activities			
Reduction in lease liabilities		**(5.2)**	(5.9)
Dividends paid	11	**–**	(22.0)
Drawdown of borrowings		**80.0**	17.0
Repayment of borrowings		**(135.0)**	(12.0)
Purchase of shares by Employee Benefit Trust		**(1.0)**	(9.7)
Proceeds from sales of shares by Employee Benefit Trust		**0.9**	4.9
Proceeds from share issue		**55.0**	–
Transaction costs on share issue		**(2.0)**	–
Exceptional finance payments		**(3.2)**	–
Net cash used in financing activities		**(10.5)**	(27.7)
Net increase in cash and cash equivalents		**4.9**	0.6
Cash and cash equivalents at the beginning of the period		**26.6**	26.0
Cash and cash equivalents at the end of the period	17	**31.5**	26.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Share capital £m	Reserve for own shares £m	Other reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2019		**2.0**	**(5.8)**	**–**	**137.4**	**133.6**
Total comprehensive income for the year		–	–	–	46.8	46.8
Dividend paid	11	–	–	–	(22.0)	(22.0)
Purchase of shares by Employee Benefit Trust		–	(9.7)	–	–	(9.7)
Proceeds from sale of shares by Employee Benefit Trust		–	4.9	–	–	4.9
Share-based payments charge		–	–	–	1.5	1.5
Share-based payments exercised		–	7.0	–	(7.0)	–
Tax on share-based payments	23	–	–	–	1.1	1.1
Balance at 31 December 2019		**2.0**	**(3.6)**	**–**	**157.8**	**156.2**
Total comprehensive income for the year		–	–	–	(5.6)	(5.6)
Dividend paid	11	–	–	–	–	–
Issue of shares	24	0.3	–	41.5	11.2	53.0
Purchase of shares by Employee Benefit Trust		–	(1.0)	–	–	(1.0)
Proceeds from sale of shares by Employee Benefit Trust		–	0.9	–	–	0.9
Share-based payments charge		–	–	–	0.8	0.8
Share-based payments exercised		–	1.7	–	(1.7)	–
Tax on share-based payments	23	–	–	–	(0.2)	(0.2)
Balance at 31 December 2020		**2.3**	**(2.0)**	**41.5**	**162.3**	**204.1**

The other reserve amount of £41.5m is net of £2.0m in relation to transaction costs associated with the share issue as detailed within note 24.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Forterra plc ('Forterra' or the 'Company') and its subsidiaries (together referred to as the 'Group') are domiciled in the United Kingdom. The address of the registered office of the Company and its subsidiaries is 5 Grange Park Court, Roman Way, Northampton, England, NN4 5EA. The Company is the parent of Forterra Holdings Limited and Forterra Building Products Limited, which together comprise the Group. The principal activity of the Group is the manufacture and sale of bricks, dense and lightweight blocks, precast concrete, concrete block paving and other complementary building products.

Forterra plc was incorporated on 21 January 2016 for the purpose of listing the Group on the London Stock Exchange. Forterra plc acquired the shares of Forterra Building Products Limited on 20 April 2016, which to that date held the Group's trade and assets, before admission to the main market of the London Stock Exchange.

The Consolidated Financial Statements of the Group for the year ended 31 December 2020 were approved for issue by the Board of Directors on 9 March 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

The accounting policies used in the preparation of the Consolidated Financial Statements of the Group are set out below. These accounting policies have been used consistently in all material respects across the periods presented. The Consolidated Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and with international financial reporting standards adopted pursuant to Regulation (EC) No 16/06/2002 as it applies in the European Union. The Consolidated Financial Statements are presented in Pounds Sterling and all values are rounded to the nearest hundred thousand unless otherwise indicated.

The preparation of the Consolidated Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements, are disclosed in note 3.

(B) GOING CONCERN

The Group sets out on pages 24 to 28 of its Strategic Report the financial position, performance, cash flows and borrowing facilities and on page 74 its Viability Statement. In addition, note 21 to the Consolidated Financial Statements includes the Group's objectives, policies and procedures for financial risk management, including details of exposure and response to foreign exchange, interest rate, credit and liquidity risks.

At the balance sheet date the cash balance stood at £31.5m with £15.0m borrowed against £170.0m of available borrowing facilities leaving headroom of £155.0m. The Group meets its working capital requirements through these cash reserves and borrowings; with no dependence on government grants at the year end. The Group closely manages working capital to ensure sufficient daily liquidity and prepares financial forecasts and stress tests to ensure sufficient liquidity over the medium-term. In spring 2020, responding to potential short to medium-term liquidity needs identified in the financial forecasts and stress tests prepared at that time, the Group secured a refinancing of its existing bank facilities by way of amendment and restatement of existing documentation on 7 July 2020. The amended and restated facility provided (i) an extended maturity by two years to July 2024; (ii) an increase in the facility of £20.0m to £170.0m; and (iii) a package of covenant relaxations. Along with this refinancing, the Group carried out a placing of new ordinary shares of £0.01 each in its share capital to raise gross proceeds of £55.0m on 1 July 2020.

We have modelled financial scenarios for the 12-month period from the date that the Consolidated Financial Statements are signed that reflect the uncertainty of the Covid-19 pandemic continuing to impact performance of both the Bricks and Blocks and Bespoke Products divisions. These financial scenarios also stress-test the Group's resilience. Sales volumes are adjusted in each scenario as this variable is considered the most sensitive at present; with the shape of recovery differing from lower sales levels over a prolonged period to further sharp shocks without notable recovery. Each scenario is tested to determine if there are covenant breaches at each forthcoming covenant test date review. The most severe but plausible downside scenario reflects 2021 sales volumes falling 18% below 2019 levels and beginning to recover 13% of this in 2022. 2019 has been used as the reference period in developing these scenarios rather than 2020, given the volatility in 2020 and the lack of a normal seasonal pattern of sales and production.

All of the sensitivity analysis were modelled over the period to 31 March 2022 (going concern review period) to support the going concern assessment. These same models have also been extended through to December 2024 to support the Directors' viability assessment. In all the scenarios modelled, the Group had significant headroom in both its banking covenants and existing bank facilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(B) GOING CONCERN CONTINUED

Covid-19 safe working practices remain firmly in place and the business has been able to continue, uninterrupted, since operations restarted in summer 2020. Although the majority of factories closed during the first lockdown, neither the second nor third lockdown affected the continuation of operations. With operations continuing after fully reopening in summer 2020 the recovery has been sustained and as such Management are confident that i) the severe stress test scenarios are unlikely and ii) the further mitigation that could be applied in a stress scenario would see the business remain resilient in any case.

Taking account of all reasonably possible changes in trading performance, the current financial position of the Group following the refinancing and equity placing, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the going concern period to March 2022. The Group therefore adopts the going concern basis in preparing these Consolidated Financial Statements.

(C) NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Consolidated Financial Statements for the year ended 31 December 2019. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

(D) BASIS OF CONSOLIDATION

The Group controls an entity when it is exposed to, or has rights to, variable returns and has the ability to affect those returns through its power over the entity. A subsidiary is an entity over which the Group has control. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-Group transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

(E) FOREIGN CURRENCY TRANSLATION

The presentational currency of the Group is Pounds Sterling; the currency of the primary economic environment in which the Group operates.

Foreign currency transactions are translated into the presentational currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions, or from the translation of monetary assets and liabilities denominated in foreign currencies at period end, are recognised in the Group's Consolidated Statement of Total Comprehensive Income.

(F) REVENUE

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts for goods supplied, net of rebates, discounts, returns and value added taxes. The Group recognises revenue when performance obligations are met, as follows:

- Bricks and Blocks – On delivery of goods.
- Bespoke Products – On delivery of goods, or, for supply and fit contracts, on delivery and installation. Delivery and installation are construed as two separate performance obligations however the pattern of installation is in a manner that the obligation is satisfied at the same time as the delivery of products, thus there is no time lag between the two performance obligations and hence revenue is recognised on installation.
- Bill and hold arrangements, for both reporting segments – When the customer obtains control of the goods, which arises when facts and circumstances indicate that control has passed and when all of the following criteria are met: (i) the reason for the arrangement is substantive; (ii) the product has been identified separately as belonging to the customer; (iii) the product is ready for delivery in accordance with the terms of the arrangement; and (iv) the Group does not have the ability to use the product or sell the product to another customer.

The Group provides volume based rebates to certain customers, typically on an annual basis. Revenue is recognised net of rebates paid or accrued. In total £15.5m has been deducted from revenue in relation to rebates in the year.

(G) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting to the Executive Committee which has been identified as the chief operating decision maker.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(H) EXCEPTIONAL ITEMS

The Group presents as exceptional items on the face of the Consolidated Statement of Total Comprehensive Income, those material items of income and expense, which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better elements of financial performance in the period.

(I) PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset, costs attributable to bringing the asset to working condition for intended use, the initial estimate of any decommissioning obligation and associated changes to those estimates. When components of an item of property, plant and equipment have different useful lives, those components are accounted for as separate assets. Subsequent costs are included in the asset's carrying value where they meet the recognition criteria.

Assets are derecognised on disposal. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of an asset and are recognised in the Consolidated Statement of Total Comprehensive Income. Where estimated future economic benefit falls below the carrying value of an asset or group of assets, the asset is impaired.

Land and assets under construction are not depreciated. For the other categories of property, plant and equipment, depreciation is charged to cost of sales, distribution and admin expenses within the Consolidated Statement of Total Comprehensive Income on a straight-line basis over the estimated useful life of the asset. The estimated useful lives of assets are as follows:

- Buildings – up to 40 years
- Plant and machinery – 4 to 25 years

Asset residual values are reviewed, and adjusted if appropriate, at each balance sheet date. The carrying amount of an asset is written down if it is in excess of recoverable amount.

Repairs and maintenance expenses do not meet the recognition criteria and are recognised as an expense in the Consolidated Statement of Total Comprehensive Income.

(J) INTANGIBLE ASSETS

(I) GOODWILL

Goodwill arises on the acquisition of businesses, trade and assets where consideration paid exceeds the fair value at the acquisition date.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs). Each unit to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of fair value less costs to sell and value in use. Any impairment is recognised immediately as an expense in the Consolidated Statement of Total Comprehensive Income and is not subsequently reversed.

(II) BRAND

Intangible assets are not amortised if they have an indefinite useful life but are tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment.

(III) OTHER INTANGIBLE ASSETS

Other intangibles consists of clay rights, merchant relationships and software development costs. These are attributable to both reportable segments. All other intangible assets have finite lives and are carried at cost less accumulated amortisation. Amortisation for all intangible assets, including those internally generated, is charged to administrative expenses within the Consolidated Statement of Total Comprehensive Income on a straight-line basis over the estimated useful lives of the assets.

- Software – up to 7 years
- Clay rights – up to 12 years
- Merchant relationships – up to 8 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(IV) RESEARCH AND DEVELOPMENT COSTS

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility to complete the development so that the asset will be available for use or sale;
- its intention to complete and its ability and intention to use or sell the asset;
- that the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to reliably measure development expenditure.

(K) LEASES

The Group leases various premises, land, fleet vehicles, cars and plant and equipment. With the exception of land and property leases, contracts are typically made for fixed periods of 2 to 7 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Lease assets are recognised as a right-of-use asset with a corresponding liability at the date at which the leased asset is available for use by the Group is also recognised. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

(I) LEASE LIABILITIES

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities for the Group include the net present value of fixed lease payments due over the lease term. The Group remeasures lease liabilities if there is a change in the cash flows resulting in a change in index or rate used to determine lease payments.

Lease payments are discounted using the interest rate implicit in the lease if readily available. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments made in relation to lease interest charges are presented within interest paid within cash flows from operating activities in the Consolidated Statement of Cash Flows. Principal lease repayments made are recognised within cash flows from financing activities.

(II) RIGHT-OF-USE ASSETS

Right-of-use assets for the Group are measured at cost. This is determined as the initial measurement of the lease liability and the balance of any lease payments made at or before the commencement date.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. At the date of transition this ranged as follows:

- Land and buildings – 8–14 years
- Plant, fleet and motor vehicles – 2–7 years

(III) SHORT-TERM LEASES AND LEASES OF LOW VALUE ASSETS

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Low-value assets comprise tools, IT-equipment and small items of office equipment. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the Consolidated Statement of Comprehensive Income and presented within cash flows from operating activities within the Consolidated Statement of Cash Flows.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(L) FINANCIAL INSTRUMENTS

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

Allowances for expected credit losses are made based on the risk of non-payment taking into account ageing, previous experience, economic conditions and forward looking data. Such allowances are measured as either 12-month expected credit losses or lifetime expected credit losses depending on changes in the credit quality of the counterparty.

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

(I) TRADE AND OTHER RECEIVABLES (EXCLUDING PREPAYMENTS)

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. All trade receivables are expected to be settled in one year or less.

Trade receivables are reported net of an allowance for expected credit losses. Losses are calculated by reviewing lifetime expected credit losses using historic and forward-looking data on credit risk. Expected loss allowances are recorded in a separate provision account with the loss being recognised within administrative expenses in the Consolidated Statement of Total Comprehensive Income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

(II) TRADE AND OTHER PAYABLES (EXCLUDING STATUTORY NON-FINANCIAL LIABILITIES)

Trade and other payables are initially stated at fair value and subsequently measured at amortised cost using the effective interest method.

(III) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and short-term deposits.

(IV) LOANS AND BORROWINGS

Loans and borrowings are initially recognised at fair value, net of attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance expense.

(V) DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments, in particular forward foreign exchange contracts and options, to manage the financial risks arising from the business activities and the financing of those activities. The Group does not use derivative financial instruments for speculative purposes. No forward foreign currency exchange contracts and options were designated hedges in 2020.

(M) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less any costs expected to be incurred in production and sale. The Group applies an inventory provision for damaged, obsolete, excess and slow-moving inventory.

Raw materials are measured at the weighted average cost. This method perpetually applies a cost weighting to obtain an average cost of purchased inventory and inventory on hand in proportion to quantity.

Finished goods are measured at standard cost. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

(N) PROVISIONS

Provisions are recognised in the Consolidated Balance Sheet when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle that obligation and the amount can be reliably measured. If the effect is material the provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The change in provisions due to passage of time is recognised as a net finance expense.

Provisions for rebates are included in accrued liabilities and other payables.

Provisions are not made for future operating losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(O) SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

(P) NET FINANCE EXPENSE

FINANCE EXPENSE

Finance expense comprises interest payable on borrowings from external and related parties, direct issue costs, foreign exchange losses, interest paid on lease liabilities and unwinding of discount on long-term provisions. Finance expense is recognised in the Consolidated Statement of Total Comprehensive Income as it accrues using the effective interest method.

FINANCE INCOME

Finance income comprises interest receivable on funds invested and foreign exchange gains.

(Q) CURRENT AND DEFERRED INCOME TAX

Income tax for the periods presented comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Total Comprehensive Income, unless it relates to items recognised directly in equity.

The current income tax charge is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(R) EMPLOYEE BENEFITS

The Group operates a defined contribution pension plan under which the Group pays fixed contributions. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense.

(S) SHARE-BASED PAYMENTS

The Group operates a number of equity-settled share-based compensation plans. The fair value of the employee services received in exchange for the grant of shares or options is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of shares or options granted. At each balance sheet date the Group revises its estimates of the number of shares or options that are expected to vest and recognises the impact of the revision on original estimates, if any, in the Consolidated Statement of Total Comprehensive Income, with a corresponding adjustment to equity.

(T) OWN SHARES HELD BY EMPLOYEE BENEFIT TRUST

The Group has established two separate employee benefit trusts for the purposes of satisfying awards under the Group's share-based incentive schemes. Shares in the Group acquired by the Trusts are deducted from equity until shares are cancelled, reissued or disposed.

(U) GOVERNMENT GRANTS

In the year the Group participated in the Government's Coronavirus Job Retention Scheme (CJRS) to mitigate cash outflows. Participation in this scheme allowed the Group to reclaim an element of employee pay from the Government, offsetting the gross cost. The Group took advantage of an option under IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) to recognise the offset of the reclaimed amount under CJRS against the associated expenditure. The total reclaimed and offset in the period amounted to £9.9m. At 31 December 2020, no balance remained in trade and other receivables in the Consolidated Statement of Financial Position as due under the CJRS. There are no unfulfilled conditions attached to the Group's participation in CJRS.

Additionally, during the year the Group also participated in the Government's VAT deferment scheme which allowed the Group to delay VAT payments that would fall due between 20 March 2020 and 30 June 2020 until 31 March 2021. At the year end, no balance remained within trade and other payables in the Consolidated Statement of Financial Position as due under this scheme. There are no unfulfilled conditions attached to the Group's participation in the VAT deferment scheme.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Consolidated Financial Statements under IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Directors consider that the following estimates and judgements are likely to have the most significant effect on the amounts recognised in the Consolidated Financial Statements.

(A) ACCOUNTING ESTIMATES

(I) PROVISIONS

Provisions for restoration and decommissioning obligations are made based on the best estimate of the likely committed cash outflow. Management seek specialist input from third party experts to estimate the cost to perform necessary remediation work at the reporting date. These experts undertake site visits in years where scoping identifies there is a change in operations in the year which could suggest a change in these estimates, or at sites that have not been visited recently. Desktop reviews are undertaken to inform the estimates for other sites. If the cost estimates increased by 10% the value of provisions could change by c.£1.2m. The useful lives of quarrying sites are based on the estimated mineral reserve remaining and manufacturing facilities linked to the useful life of site property, plant and equipment. Changes to these useful lives do not have a significant impact on the provision.

The estimation of inflation and discount rates is also considered to be judgemental, and can have a significant impact on net present value. Management reference information from the Bank of England when making such estimates. If the discount or inflation rate were changed and the spread between them increased by 1% the value of provisions could change by c.£2.5m.

Provisions for product liability, legal claims and carbon emissions obligations are all made based on the best estimate of the likely committed cash outflow, using relevant information available at the reporting date. Management engage third party valuation experts, as appropriate, when material and complex estimates are required.

(II) IMPAIRMENT OF INTANGIBLE ASSETS

The Group continues to evaluate tangible and intangible assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Judgements have remained consistent with prior periods, however, management have considered the Covid-19 pandemic a trigger event for undertaking an impairment assessment and have therefore reviewed all cash-generating-units to determine if recoverable amounts exceed carrying value.

The recoverable amount is defined as the higher of fair value less costs to sell and value in use, which in turn is the present value of the future cash flows expected to be derived from the asset. The estimate of value in use, and hence the outcome of the impairment test, is sensitive to assumptions and changes in assumptions. Notable changes in assumed revenue growth and the WACC discount rate are sensitive when modelling cash flows across the short-medium term planning horizon. The absence of any forecast cash flows associated with hollowcore manufacture at Swadlincote resulted in an impairment of assets in the Bespoke Products segment. An increase in the WACC discount rate of 2.5% from 31 December 2019 eliminated headroom at Formpave and resulted in an impairment of goodwill in the Bricks and Blocks segment.

Management sensitise value in use models to assess the level of sensitivity to each assumption. Within some individual CGUs reasonably possible changes in assumptions such as a 1% increase in discount rate, decrease in long-term growth rates, or a 10% fall in annual EBITDA could eliminate headroom. In other CGUs headroom is significant under all scenarios.

(B) ACCOUNTING JUDGEMENTS

(I) INVENTORY PROVISIONING

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

(II) EXCEPTIONAL ITEMS

Exceptional items are disclosed separately in the Consolidated Financial Statements where management believes it is necessary to do so to better understand the underlying financial performance of the Group. Management consider the nature, size and incidence of items when judging what should be disclosed separately. Management consider the restructuring, impairment charges and refinancing in 2020 to be exceptional by nature, size and incidence.

4. SEGMENTAL REPORTING

Management has determined the operating segments based on the management reports reviewed by the Executive Committee that are used to assess both performance and strategic decisions. Management has identified that the Executive Committee is the chief operating decision maker in accordance with the requirements of IFRS 8 'Operating segments'.

The Executive Committee considers the business to be split into 3 operating segments: Bricks, Blocks and Bespoke Products. The principal activity of the operating segments are:

- Bricks – Manufacture and sale of bricks to the construction sector
- Blocks – Manufacture and sale of concrete blocks and permeable block paving to the construction sector
- Bespoke Products – Manufacture and sale of bespoke products to the construction sector

The Executive Committee considers that for reporting purposes, the operating segments above can be aggregated into two reporting segments: Bricks and Blocks and Bespoke Products. The aggregation of Bricks and Blocks is due to these operating segments having similar long-term average margins, production processes, suppliers, customers and distribution methods.

The Bespoke Products range includes precast concrete (marketed under the 'Bison Precast' brand), chimney and roofing solutions, each of which are typically made-to-measure or customised to meet the customer's specific needs. The precast concrete flooring products are complemented by the Group's full design and nationwide installation services, while certain other bespoke products, such as chimney flues, are complemented by the Group's bespoke specification and design service.

Costs which are incurred on behalf of both segments are held at the centre and these, together with general administrative expenses, are allocated to the segments for reporting purposes using a split of 80% Bricks and Blocks and 20% Bespoke Products. Management considers that this is an appropriate basis for the allocation.

The revenue recognised in the Consolidated Statement of Total Comprehensive Income is all attributable to the principal activity of the manufacture and sale of bricks, both dense and lightweight blocks, precast concrete, concrete paving and other complementary building products.

Substantially all revenue recognised in the Consolidated Statement of Total Comprehensive Income arose within the UK.

SEGMENT REVENUE AND RESULTS

		2020		
	Note	Bricks and Blocks £m	Bespoke Products £m	Total £m
Segment revenue		223.1	71.7	294.8
Intercompany eliminations				(2.9)
Revenue				291.9
EBITDA before exceptional items		40.3	(2.4)	37.9
Depreciation and amortisation	13, 14, 25	(14.8)	(2.3)	(17.1)
Operating profit / (loss) before exceptional items		25.5	(4.7)	20.8
Exceptional items		(7.2)	(12.2)	(19.4)
Operating profit / (loss)		18.3	(16.9)	1.4
Net finance expense	9			(3.4)
Exceptional finance expense	8, 9			(3.4)
Loss before tax				(5.4)

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

4. SEGMENTAL REPORTING CONTINUED

SEGMENT ASSETS

	Note	2020 Bricks and Blocks £m	2020 Bespoke Products £m	2020 Total £m
Property, plant and equipment	14	**168.3**	**18.8**	**187.1**
Intangible assets	13	**10.2**	**0.8**	**11.0**
Right-of-use assets	25	**7.5**	**1.5**	**9.0**
Inventories	15	**29.1**	**3.9**	**33.0**
Segment assets		**215.1**	**25.0**	**240.1**
Unallocated assets				**67.8**
Total assets				**307.9**

Property, plant and equipment, intangible assets, right-of-use assets and inventories are allocated to segments and considered when appraising segment performance. Trade and other receivables, income tax asset and cash and cash equivalents are centrally controlled and unallocated.

OTHER SEGMENT INFORMATION

	Note	2020 Bricks and Blocks £m	2020 Bespoke Products £m	2020 Total £m
Property, plant and equipment additions	14	**22.6**	**1.3**	**23.9**
Intangible asset additions	13	**1.2**	**0.3**	**1.5**
Right-of-use assets additions	25	**0.3**	**0.3**	**0.6**

CUSTOMERS REPRESENTING 10% OR GREATER OF REVENUES WERE AS FOLLOWS:

	2020 Bricks and Blocks £m	2020 Bespoke Products £m	2020 Total £m
Customer A	**30.3**	**1.6**	**31.9**
Customer B	**28.1**	**1.5**	**29.6**

SEGMENT REVENUE AND RESULTS

	Note	2019 Bricks and Blocks £m	2019 Bespoke Products £m	2019 Total £m
Segment revenue		279.1	103.5	382.6
Intercompany eliminations				(2.6)
Revenue				**380.0**
EBITDA before exceptional items		**80.4**	**2.3**	**82.7**
Depreciation and amortisation	13, 14, 25	(15.0)	(2.7)	(17.7)
Operating profit before exceptional items		**65.4**	**(0.4)**	**65.0**
Allocated exceptional items		(3.3)	(0.3)	(3.6)
Unallocated exceptional items				(0.7)
Operating profit				**60.7**
Net finance expense	9			(2.5)
Profit before tax				**58.2**

4. SEGMENTAL REPORTING CONTINUED

SEGMENT ASSETS

	Note	2019 Bricks and Blocks	2019 Bespoke Products	2019 Total £m
Property, plant and equipment	14	148.6	34.0	182.6
Intangible assets	13	16.6	1.6	18.2
Right-of-use assets	25	11.9	1.8	13.7
Inventories	15	41.5	6.3	47.8
Segment assets		**218.6**	**43.7**	**262.3**
Unallocated assets				67.0
Total assets				**329.3**

Property, plant and equipment, intangible assets, right-of-use assets and inventories are allocated to segments and considered when appraising segment performance. Trade and other receivables and cash and cash equivalents are centrally controlled and unallocated.

OTHER SEGMENT INFORMATION

	Note	2019 Bricks and Blocks	2019 Bespoke Products	2019 Total £m
Property, plant and equipment additions	14	19.7	3.4	23.1
Intangible asset additions	13	1.5	0.2	1.7
Right-of-use asset additions	25	4.2	1.2	5.4

CUSTOMERS REPRESENTING 10% OR GREATER OF REVENUES WERE AS FOLLOWS:

	2019 Bricks and Blocks	2019 Bespoke Products	2019 Total £m
Customer A	40.3	1.9	42.2
Customer B	36.2	2.9	39.1

5. OPERATING PROFIT

PROFIT FROM OPERATIONS IS STATED AFTER CHARGING:

	Note	**2020 £m**	2019 £m
Depreciation and amortisation	13, 14, 25	**(17.1)**	(17.7)
Government grants received through Coronavirus Job Retention Scheme (CJRS)		**(9.9)**	–
Lease expense	25	**(1.7)**	(2.1)
Share-based payments	26	**(0.9)**	(1.5)

Depreciation and amortisation includes depreciation on right-of-use assets recognised through IFRS 16. Operating lease expenses relate to short-term leases and leases of low-value assets outside of the scope of IFRS 16, as detailed within note 25.

AUDITOR REMUNERATION

	2020 £m	2019 £m
Audit services:		
Fees payable for the audit of the Company and Consolidated Financial Statements	**(0.1)**	(0.1)
Fees payable for the audit of the subsidiary Financial Statements	**(0.3)**	(0.3)
	(0.4)	(0.4)

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

6. OTHER OPERATING INCOME

	2020 £m	2019 £m
Profit on sale of property, plant and equipment	**–**	–
Other income	**0.2**	0.7
	0.2	0.7

The other income balance contains amounts relating to rental income, revenue from waste contracts and insurance settlements.

7. EMPLOYMENT COSTS

EMPLOYMENT COSTS FOR THE GROUP DURING THE YEAR

	Note	2020 £m	2019 £m
Wages and salaries		**(66.7)**	(81.5)
Pension costs		**(5.5)**	(6.1)
Social security costs		**(7.1)**	(7.8)
Share-based payments	26	**(0.9)**	(1.5)
		(80.2)	(96.9)

The total share-based payment cost in the year includes national insurance contributions of £0.1m (2019: £0.2m).

The above total for employment costs includes an offset of £9.9m which was claimed under the Coronavirus Job Retention Scheme (CJRS).

AVERAGE NUMBER OF EMPLOYEES

	2020 Number	2019 Number
Administration	**213**	227
Production and distribution	**1,672**	1,721
	1,885	1,948

The decrease in employee numbers in the period is the result of the restructuring entered into to minimise the impact of Covid-19.

PENSION COSTS

Throughout the period under review the Group provided pension benefits to employees through defined contribution schemes and by way of a retirement allowance to some members of the senior management.

8. EXCEPTIONAL ITEMS

	2020 £m	2019 £m
Exceptional operating items		
Restructuring costs	**(2.4)**	(3.6)
Aborted transaction costs	**–**	(0.7)
Asset impairment charged	**(17.0)**	–
	(19.4)	(4.3)
Exceptional finance items		
Debt refinancing costs	**(3.4)**	–
	(3.4)	–
Total exceptional items	**(22.8)**	(4.3)

Restructuring costs totalling £2.4m have been incurred as a result of changes announced to address the Group's cost base, including both changes to shift patterns and adjustments to the size and structure of support functions.

8. EXCEPTIONAL ITEMS CONTINUED

Following the Covid-19 pandemic management's immediate priorities were reassessed and a £17.0m impairment has been charged against assets in business areas with more challenging market conditions and weaker margins. These fully write-off the carrying value of goodwill within the business, write down assets associated with hollowcore production at the mothballed facility in Swadlincote and write-off an IT system. The Goodwill impairments (£6.8m) substantially relate to the £6.0m of goodwill that had been recognised on the historic acquisition of Hanson plc by HeidelbergCement AG in 2007. This is recognised within the Bricks and Blocks segment as the Goodwill had been allocated to the Formpave business and forecast profitability for Formpave following Covid-19 could no longer support a carrying value that included this £6.0m of goodwill.

The remaining £0.8m of goodwill relates to the acquisition of the Swadlincote facility in 2017 and is recognised within the Bespoke Products segment. Further to a period of declining margins, markets for Swadlincote manufactured products are expected to be significantly weaker following the Covid-19 pandemic. Accordingly, goodwill of £0.8m has been impaired along with a £9.4m impairment relating to idle assets at the Swadlincote facility. There is no value in use for the foreseeable future following the decision to mothball this facility in response to the Covid-19 pandemic. The remaining £0.8m relates to the write down of an IT system following a decision to cease use of and replace. £0.7m of this is shown as an impairment within intangible assets and the remainder within provisions as an onerous contract.

The impairment of goodwill results from an expected decrease in future cash flows in perpetuity and an increase in the WACC rate (weighted average cost of capital) used to discount these cash flows. Both the decreased cash flows and increased WACC rate have been triggered by Covid-19. Similarly, a decision to mothball the hollowcore production facility at Swadlincote results from a weaker outlook for this market since the onset of the Covid-19 pandemic. This decision to mothball triggers an impairment of assets as there are no expected cashflows from production of hollowcore at Swadlincote for the next 4-5 years. However Management remain confident in the long-term prospects of the Group and the business model as a whole.

On 7 July 2020 the Group refinanced its existing banking facilities. Costs of £3.4m associated with this refinancing are recognised as an exceptional item, further details of which can be found in note 19.

Aborted transaction costs of £0.7m were incurred in the second half of 2019 in respect of an acquisition which was not completed.

Exceptional costs incurred by the Group are presented within the following line items in the Consolidated Statement of Comprehensive Income:

	Cost of sales £m	Distribution costs £m	Administrative expenses £m	Finance expenses £m	Total £m
2020					
Total before exceptional items	**(207.8)**	**(44.0)**	**(19.5)**	**(3.4)**	**(274.7)**
Exceptional items					
Restructuring costs	**(1.8)**	**(0.1)**	**(0.5)**	**–**	**(2.4)**
Impairment costs	**(16.2)**	**–**	**(0.8)**	**–**	**(17.0)**
Debt refinancing costs	**–**	**–**	**–**	**(3.4)**	**(3.4)**
Statutory total	**(225.8)**	**(44.1)**	**(20.8)**	**(6.8)**	**(297.5)**
2019					
Total before exceptional items	(240.8)	(54.3)	(20.6)	(2.5)	(318.2)
Exceptional items					
Restructuring costs	(3.0)	(0.1)	(0.5)	–	(3.6)
Aborted transaction costs	–	–	(0.7)	–	(0.7)
Statutory total	(243.8)	(54.4)	(21.8)	(2.5)	(322.5)

TAX ON EXCEPTIONAL ITEMS

Restructuring and refinancing costs recognised have been treated as tax deductible. The aborted transaction costs and impairment charges on goodwill, property, plant and equipment and land and buildings are not tax deductible. The property, plant and equipment impairment gives rise to a deferred tax credit such that they are not tax rate impacting, however the impairment of goodwill and non-qualifying land and buildings impact the effective tax rate.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

9. NET FINANCE EXPENSE

	Note	2020 £m	2019 £m
Interest payable on external borrowings		**(2.9)**	(2.0)
Interest payable on lease liabilities	25	**(0.3)**	(0.4)
Other finance expense		**(0.2)**	(0.1)
Exceptional finance expense	8	**(3.4)**	–
		(6.8)	(2.5)

The Group drew down on its revolving credit facility in its entirety from mid-March to the period end, securing cash in response to the Covid-19 pandemic, but resulting in higher interest charges.

On 7 July 2020 the Group refinanced its existing banking facilities. £3.4m of costs associated with this refinancing have been incurred and are recognised as exceptional items (note 8).

10. TAXATION

	Note	2020 £m	2019 £m
Current tax			
UK corporation tax on profit for the year		**(1.8)**	(9.4)
Prior year adjustment on UK corporation tax		**0.5**	(0.5)
Total current tax		**(1.3)**	(9.9)
Origination and reversal of temporary differences	23	**1.2**	(2.0)
Effect of change in tax rates	23	**(0.2)**	–
Effect of prior period adjustments	23	**0.1**	0.5
Total deferred tax		**1.1**	(1.5)
Income tax expense		**(0.2)**	(11.4)

	2020 £m	2019 £m
Tax credit		
Loss / (profit) before taxation	**(5.4)**	58.2
Expected tax credit	**1.0**	(11.1)
Expenses not deductible for tax purposes	**(0.5)**	(0.3)
Impairment of goodwill not deductible for tax purposes	**(1.2)**	–
Reversal of uncertain tax provision	**(0.2)**	–
Impact of change on deferred tax rate	**0.7**	–
Income tax expense	**(0.2)**	(11.4)

The main rate of UK corporation tax for 2020 is 19.0%, which was effective from 1 April 2017. The UK corporation tax rate was due to reduce to 17.0% from 1 April 2020 however this was amended in the Finance Bill 2020 and the UK corporation tax rate remains at 19.0%. As a result, the relevant deferred tax balances have been remeasured. This is reflected in the effect of change in tax rate.

11. DIVIDENDS

	2020 £m	2019 £m
AMOUNTS RECOGNISED AS DISTRIBUTIONS TO EQUITY HOLDERS IN THE YEAR:		
£nil interim dividend per share (2019: 4.0p)	**–**	(7.8)
£nil final dividend per share in respect of prior year (2019: 7.2p)	**–**	(14.2)
	–	(22.0)

The Directors are proposing a final dividend for 2020 of 2.8p per share, making a total payment for the year of 2.8p (2019: 4.0p). This is subject to approval by the shareholders at the AGM and has not been included as a liability in the Consolidated Financial Statements.

12. EARNINGS PER SHARE

The calculation of earnings per ordinary share is based on earnings after tax and the weighted average number of ordinary shares in issue during the year. Earnings per share before exceptional items is presented as an additional performance measure to provide an additional year-on-year comparison excluding the impact exceptional items as detailed within note 8, and their associated tax impact.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has three types of dilutive potential ordinary shares, being: those share options granted to employees under the Sharesave Scheme where the exercise price is less than the average market price of the Company's ordinary shares during the year; unvested shares granted under the Deferred Annual Bonus Plan; and unvested shares within the Performance Share Plan that have met the relevant performance conditions at the end of the reporting period.

Basic and diluted earnings per share figures for the comparative periods have been restated and adjusted for the bonus factor of 1.01 to reflect the bonus share element of the July 2020 equity raise in accordance with IAS 33 Earnings per Share. Amounts as originally stated at 31 December 2019 were 23.8p basic and 23.7p diluted earnings per share and 25.6p basic earnings per share before exceptional items.

		Before exceptional items		Statutory	
		2020 £m	Restated 2019 £m	2020 £m	Restated 2019 £m
Operating profit for the year		**20.8**	65.0	**1.4**	60.7
Net finance expense	9	**(3.4)**	(2.5)	**(6.8)**	(2.5)
Profit / (loss) before taxation		**17.4**	62.5	**(5.4)**	58.2
Tax charge	10	**(3.2)**	(12.1)	**(0.2)**	(11.4)
Profit / (loss) for the year		**14.2**	50.4	**(5.6)**	46.8
Weighted average number of shares (millions)		**214.8**	197.9	**214.8**	197.9
Effect of share incentive awards and options (millions)		**0.2**	0.8	**0.2**	0.8
Diluted weighted average number of ordinary shares (millions)		**215.0**	198.7	**215.0**	198.7
EARNINGS / (LOSS) PER SHARE:					
Basic (in pence)		**6.6**	25.5	**(2.6)**	23.6
Diluted (in pence)		**6.6**	25.4	**(2.6)**	23.6

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

13. INTANGIBLE ASSETS

	Goodwill £m	Brand £m	Other intangibles £m	Total £m
Cost				
At 1 January 2020	**406.5**	**11.1**	**19.6**	**437.2**
Additions	**–**	**–**	**1.5**	**1.5**
Disposals	**–**	**–**	**–**	**–**
At 31 December 2020	**406.5**	**11.1**	**21.1**	**438.7**
Accumulated amortisation and impairment				
At 1 January 2020	**(399.7)**	**(4.7)**	**(14.6)**	**(419.0)**
Charge for the year	**–**	**–**	**(1.2)**	**(1.2)**
Disposals	**–**	**–**	**–**	**–**
Asset impairment	**(6.8)**	**–**	**(0.7)**	**(7.5)**
At 31 December 2020	**(406.5)**	**(4.7)**	**(16.5)**	**(427.7)**
Net book value at 31 December 2020	**–**	**6.4**	**4.6**	**11.0**
Net book value at 1 January 2020	**6.8**	**6.4**	**5.0**	**18.2**

	Goodwill £m	Brand £m	Other intangibles £m	Total £m
Cost				
At 1 January 2019	406.5	11.1	17.9	435.5
Additions	–	–	1.7	1.7
Disposals	–	–	–	–
At 31 December 2019	406.5	11.1	19.6	437.2
Accumulated amortisation and impairment				
At 1 January 2019	(399.7)	(4.7)	(13.8)	(418.2)
Charge for the year	–	–	(0.8)	(0.8)
Disposals	–	–	–	–
At 31 December 2019	(399.7)	(4.7)	(14.6)	(419.0)
Net book value at 31 December 2019	6.8	6.4	5.0	18.2
Net book value at 1 January 2019	6.8	6.4	4.1	17.3

The carrying value of goodwill in 2019 relates to the trades of Formpave and Bison Precast; allocated to the Bricks and Blocks and Bespoke Products reportable segments respectively. This goodwill has been impaired and fully written-down in 2020 and impairment charges allocated to the appropriate business segments. The brand category comprises the acquired Thermalite and Bison Precast brands, components of the Bricks and Blocks and Bespoke Products reportable segments respectively.

The other intangibles category consists of clay rights, merchant relationships, order book, patent and software development costs. These are attributable to both reportable segments. Additions in the period relate to costs incurred upgrading Group systems. An impairment has been recognised in 2020 in relation to a portion of the Group's capitalised software assets. This impairment was recognised centrally and has therefore been apportioned to the Bricks and Blocks and Bespoke Products segments on the same basis as other central overheads and charges.

13. INTANGIBLE ASSETS CONTINUED

IMPAIRMENT OF INTANGIBLE ASSETS

(I) GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

As stated above, the goodwill balance of £6.8m in 2019 has been impaired and fully written-down in 2020. Other intangible assets with indefinite useful lives consist of the Thermalite brand which is allocated to the Aircrete blocks CGUs within the Brick and Block reportable segment and the Bison Precast brand which is allocated to the Bespoke Products segment. These are subject to annual impairment tests. The Group estimates recoverable amount using a value in use model by projecting pre-tax cash flows over the estimated useful life. The key assumptions underpinning recoverable amounts are forecast revenue, EBITDA margin, capital expenditure and the discount rate.

The forecast revenues and EBITDA in the models are based on management's past experience and future expectations of performance. Maintenance CAPEX is based on planned levels in the short-term and recent trends in the longer-term. A pre-tax discount rate, 12.7% in 2020 (2019: 9.5%) has been derived from a WACC calculation and benchmarked against similar organisations operating within the sector and used to discount cash flows. Short-term growth rates vary by CGU between 3% and 14% and are based on management's past experience and expectations of future market performance. These growth rates are high if compared to 2020 as a whole without the impact of the pandemic in spring 2020 being removed from the calculated growth rate. However, where compared to run rates in Q4 2020 they show no growth at all and are broadly based on a return to 2019 levels of performance across 2021 as a whole. In 2019 direct comparisons between prior periods required no such adjustments and the short-term growth rates forecast were between minus 5% and 14%.

Terminal growth rates of 2% for 2020 (2019: 2%), is consistent across CGUs and reflect Management's past experience, expectations of future market performance, longer-term industry forecasts and inflationary expectations.

The recoverable amounts in respect of indefinite life intangibles, as assessed by Management using the above assumptions, is greater than the carrying amount and therefore no impairment has been recognised in 2020 (2019: £nil).

(II) OTHER INTANGIBLES

As stated above, capitalised software development costs amounting to £0.7m (2019: £nil) have been impaired in the year. This impairment was associated with the impact of the Covid-19 pandemic, particularly delays to project development and technological obsolescence as communal handheld devices become undesirable.

Included in software additions is £0.1m (2019: £0.2m) of own work capitalised.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and machinery £m	Total £m
Cost			
At 1 January 2020	**156.2**	**238.7**	**394.9**
Additions	**20.2**	**3.7**	**23.9**
Disposals	**–**	**(0.5)**	**(0.5)**
Changes in the value of decommissioning assets	**0.7**	**–**	**0.7**
At 31 December 2020	**177.1**	**241.9**	**419.0**
Accumulated depreciation and impairment			
At 1 January 2020	**(51.9)**	**(160.4)**	**(212.3)**
Charge for the year	**(2.3)**	**(8.4)**	**(10.7)**
Disposals	**–**	**0.5**	**0.5**
Asset impairment	**(2.7)**	**(6.7)**	**(9.4)**
At 31 December 2020	**(56.9)**	**(175.0)**	**(231.9)**
Net book value at 31 December 2020	**120.2**	**66.9**	**187.1**
Net book value at 1 January 2020	**104.3**	**78.3**	**182.6**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

14. PROPERTY, PLANT AND EQUIPMENT CONTINUED

	Land and buildings £m	Plant and machinery £m	Total £m
Cost			
At 1 January 2019	141.2	231.4	372.6
Asset reclasses	1.3	(1.3)	–
Additions	13.8	9.3	23.1
Disposals	(0.1)	(0.7)	(0.8)
At 31 December 2019	156.2	238.7	394.9
Accumulated depreciation and impairment			
At 1 January 2019	(49.8)	(152.3)	(202.1)
Charge for the year	(2.2)	(8.8)	(11.0)
Disposals	0.1	0.7	0.8
At 31 December 2019	(51.9)	(160.4)	(212.3)
Net book value at 31 December 2019	104.3	78.3	182.6
Net book value at 1 January 2019	91.4	79.1	170.5

Land and buildings comprise sites used for administration, distribution, manufacturing and mineral extraction. Each asset is used to generate operating cash flows and rates of depreciation reflect this use.

Quarries and manufacturing facilities are classified under Land and buildings. Quarrying enables manufacturing and is not carried out for any other economic purpose. The two are therefore not considered to be distinct.

Included within property, plant and equipment are assets under the course of construction of £37.4m (2019: £15.5m), comprising £34.4m (2019: £13.9m) for Land and buildings and £3.0m (2019: £1.6m) for plant and machinery. At year end a total of £34.0m within land and buildings related to the new factory.

IMPAIRMENT OF TANGIBLE ASSETS

Land and buildings and Plant and machinery associated with activities at the Bison Precast facility at Swadlincote have been impaired in the year as the Group has reassessed its manufacturing footprint and reduced production of hollowcore flooring products; following the initial impact of the Covid-19 pandemic in spring 2020. This step has been taken as forecast demand for this product range is expected to fall in the short to medium term. Plant and machinery associated with hollowcore manufacture has been fully written-down as it is not expected to generate cash flows in the near term or have a material and readily realisable market value. Following management's decision Land and buildings at the facility are not being fully utilised in generating cash flows in the near-term and surplus assets have therefore been written-down to reflect fair value less costs to sell. This has resulted in an impairment of Land and buildings of £2.7m (2019: £nil) and Plant and machinery £6.7m (2019: £nil). The remaining carrying value for the Bison CGU is £14.3m calculated using a pre-tax discount rate of 12.7% in line with calculations detailed in note 13.

15. INVENTORIES

	2020 £m	2019 £m
Raw materials	**8.1**	7.4
Work in progress	**1.5**	2.0
Finished goods	**21.2**	35.9
Other inventory	**2.2**	2.5
	33.0	47.8

Costs relating to raw materials and consumables included in cost of sales during the year was £58.4m (2019: £84.6m). Employment expenses within cost of sales totalled £54.4m (2019: £70.2m).

15. INVENTORIES CONTINUED

Write downs of inventories recognised as an expense in the year were £1.9m (2019: £0.7m). Reversals of previous inventory write downs in the period were £2.3m (2019: £0.5m). There is no significant difference between the replacement cost of inventories and their carrying amounts.

16. TRADE AND OTHER RECEIVABLES

	2020 £m	2019 £m
Trade receivables	**33.0**	37.6
Other receivables	**1.0**	0.1
Prepayments	**1.7**	2.7
	35.7	40.4

THE AGEING PROFILE OF TRADE RECEIVABLES IS:

	2020 £m	2019 £m
Trade receivables not yet due	**24.5**	28.1
1 to 30 days past due	**4.9**	6.7
31 to 60 days past due	**0.9**	1.5
61 to 90 days past due	**1.0**	0.2
Over 90 days past due	**1.7**	1.1
	33.0	37.6

Included within trade receivables are balances which are past due at the balance sheet date but have not been provided for. These balances relate to customers who have no recent history of default and whose debts are considered to be recoverable. Procedures are in place to ensure that customer credit worthiness is assessed and monitored sufficiently and that appropriate credit limits are in place and enforced. Provisions for impairment are calculated by reviewing lifetime expected credit losses using historic and forward-looking data on credit risk. An analysis of the provision movement is as follows:

	2020 £m	2019 £m
Balance at the beginning of the year	**0.7**	1.0
Statement of Comprehensive Income charge	**0.4**	(0.3)
Written off	**(0.1)**	–
	1.0	0.7

17. CASH AND CASH EQUIVALENTS

	2020 £m	2019 £m
Cash at bank and in hand	**31.5**	26.6
	31.5	26.6

Cash at bank and in hand is held in Pounds Sterling and Euros. As at 31 December 2020, none was held in Euros (2019: £2.0m).

18. TRADE AND OTHER PAYABLES

	2020 £m	2019 £m
Trade payables	**32.7**	39.4
Payroll tax and other statutory liabilities	**8.0**	5.5
Accrued liabilities and other payables	**23.1**	26.6
	63.8	71.5

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

19. LOANS AND BORROWINGS

	2020 £m	2019 £m
Non-current loans and borrowings		
– Revolving credit facility	**15.0**	70.0
– Unamortised debt issue costs	**–**	(0.3)
	15.0	69.7
Current loans and borrowings		
– Interest	**0.5**	0.1
	0.5	0.1
	15.5	69.8

In July 2020 the Group completed a refinancing of its debt facilities, whereby the revolving credit facility of £150.0m which had been due to expire in July 2022 was increased to £170.0m, with expiry extended to July 2024. The refinancing was accounted for as an extinguishment of the existing liability and the recognition of a new financial liability. As a result, exceptional finance costs of £3.4m have been recognised within the Consolidated Statement of Comprehensive Income, representing £0.2m of unamortised debt issue costs at the date of extinguishment, and £3.2m of accelerated refinancing fees.

Within the refinancing the Group were able to secure variations to the financial covenants for the period up to and including 30 September 2021, including:

- Interest cover – minimum interest cover of 3 times (EBITDA : Net finance charges) for test periods September 2020, June 2021 and September 2021, with no testing in December 2020 and March 2021. For test periods following September 2021 the level returns to 4 times to be tested semi-annually.
- Maximum leverage level has been increased to 4.75 times EBITDA tested quarterly up to and including June 2021, with the exception of March 2021 when it will not be tested. The level for September 2021 is set at 4 times, after which the rate reverts to the pre-refinancing level of 3 times to be tested semi-annually.
- A quarterly minimum liquidity covenant has been introduced for the period up to and including September 2021 in which minimum liquidity (cash plus undrawn facilities) is to be no less than £20m, unless leverage at the previous test date exceeds 4 times EBITDA in which case liquidity will be no less than £35m until leverage at the next test is calculated.
- If leverage is greater than 3 times EBITDA there are restrictions on dividends, other equity distributions and acquisitions.

For the purposes of the financial covenants described above, EBITDA is calculated on a pre IFRS 16 basis.

The facility is secured by fixed charges over the shares of Forterra Building Products Limited and Forterra Holdings Limited.

A reconciliation of liabilities arising from financing activities has been detailed below:

	2019 £m	Cash flow £m	Interest charge £m	Amortisation of issue costs £m	Write off of issue costs £m	2020 £m
Non-current loans and borrowings						
– Revolving credit facility	70.0	(55.0)	–	–	–	**15.0**
– Unamortised debt issue costs	(0.3)	–	–	0.1	0.2	**–**
Current loans and borrowings						
– Interest	0.1	(2.5)	2.9	–	–	**0.5**
	69.8	**(57.5)**	**2.9**	**0.1**	**0.2**	**15.5**

20. NET CASH / (DEBT)

THE ANALYSIS OF NET CASH / (DEBT) IS AS FOLLOWS:

	Note	2020 £m	2019 £m
Cash and cash equivalents	17	**31.5**	26.6
Loans and borrowings	19	**(15.5)**	(69.8)
Lease liabilities	25	**(9.4)**	(14.1)
Net cash / (debt)		**6.6**	(57.3)

RECONCILIATION OF NET CASH FLOW TO NET CASH / (DEBT)

	2020 £m	2019 £m
Cash flow generated from operations before exceptional items	**53.9**	64.9
Payments made in respect of exceptional operating items	**(5.6)**	(1.1)
Operating cash flow after exceptional items	**48.3**	63.8
Interest paid	**(2.8)**	(2.4)
Tax paid	**(5.2)**	(8.8)
Net cash flow from investing activities	**(24.9)**	(24.3)
Dividends paid	**–**	(22.0)
Purchase of shares by Employee Benefit Trust	**(1.0)**	(9.7)
Proceeds from sale of shares by Employee Benefit Trust	**0.9**	4.9
Proceeds from issue of shares	**55.0**	–
Transaction costs on share issue	**(2.0)**	–
Lease liabilities recognised on adoption of IFRS 16	**–**	(14.6)
New lease liabilities	**(0.6)**	(5.4)
Cash payments made in respect of exceptional finance costs	**(3.2)**	–
Other financing movements	**(0.6)**	–
Decrease / (increase) in net debt	**63.9**	(18.5)
Net debt at the start of the period	**(57.3)**	(38.8)
Net cash / (debt) at the end of the period	**6.6**	(57.3)

21. FINANCIAL INSTRUMENTS

	Note	2020 £m	2019 £m
Financial assets at amortised cost			
Cash and cash equivalents	17	**31.5**	26.6
Trade and other receivables (excluding prepayments)	16	**34.0**	37.7
		65.5	64.3

	Note	2020 £m	2019 £m
Financial liabilities at amortised cost			
Trade and other payables (excluding non-financial liabilities)	18	**55.8**	66.0
Loans and borrowings	19	**15.5**	69.8
Lease liabilities	25	**9.4**	14.1
		80.7	149.9

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

21. FINANCIAL INSTRUMENTS CONTINUED

The financial assets of the Group, cash and cash equivalents and trade and other receivables are derived directly from operations. For the financial liabilities of the Group, trade and other payables are also derived directly from operations, however loans and borrowings, lease liabilities and derivative liabilities are arranged periodically to finance operating and investing activities.

CAPITAL MANAGEMENT

The Group manages capital (being loans and borrowings, cash and cash equivalents and equity) to ensure a sufficiently strong capital base to support the Group remaining a going concern, maintain investor and creditor confidence, provide a basis for future development of the business and maximise the return to stakeholders.

The Group manages its loans and borrowings to ensure continuity of funding. A key objective is to ensure compliance with the covenants set out in the Group's bank facility agreements.

In managing capital the Group may purchase its own shares on the open market. These purchases meet the Group's obligation to employees under the Group's share-based payment schemes.

There has been no change in the objectives, policies or processes with regard to capital management during the years ended 31 December 2019 and 31 December 2020.

FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk. The Group uses derivative financial instruments to periodically manage risks if it is judged to be prudent. The risk management framework governing the management of these and all other business risks is set by the Board.

FOREIGN EXCHANGE RISK

The functional and presentational currency of the Group is Pounds Sterling although some transactions are executed in Euros and US Dollars. The transactional amounts realised or settled are therefore subject to the effect of movements in these currencies against Pounds Sterling. Foreign currency exposure is centrally managed by the Group Treasury function using forward foreign exchange contracts and currency options. The principles of hedge accounting are not applied.

PRINCIPAL RATE OF EXCHANGE: EURO / STERLING

	2020 £m	2019 £m
Period end	**1.12**	1.18
Average	**1.13**	1.14

INTEREST RATE RISK

The Group has secured its borrowings from a group of leading banks under a revolving credit facility. These facilities allow the Group to meet short, medium and long-term financing requirements at a margin over LIBOR. The Group manages interest risk on an ongoing basis and reviews options available to hedge part of the variable rate risk.

A sensitivity analysis has been performed based on the exposure to interest rates at the balance sheet date. Based on the borrowings drawn down in 2020, a 1.0% increase or decrease in interest rates, with all other variables held constant, would increase or decrease profit before taxation for the year ended 31 December 2020 by £0.8m.

CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises on cash balances (including bank deposits and cash and cash equivalents) and credit exposure to customers through trade and other receivables. A financial asset is in default when the counterparty fails to pay its contractual obligations. Financial assets are impaired when there is no reasonable expectation of recovery.

To dilute and mitigate the financial credit risk associated with cash balances the Group deposits cash and cash equivalents with multiple highly rated counterparties.

Credit risk associated with trade receivables results from normal commercial operations. Procedures are in place to ensure that customer credit worthiness is assessed and monitored sufficiently and that appropriate credit limits are in place and enforced. Trade and other receivables are stated net of management estimated expected credit losses.

21. FINANCIAL INSTRUMENTS CONTINUED

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low. Impairments in the period were £0.1m (2019: less than £0.1m).

LIQUIDITY RISK

The Group's borrowing facilities are available to ensure that there is sufficient liquidity to exceed maximum forecast cash flow requirements in all reasonably possible circumstances. The Group monitors cash flow on a weekly basis to ensure that headroom exists within current agreed facilities and updates the Executive Committee on liquidity and cash flow performance and forecasts.

The maturity profile of contractual undiscounted cash outflows, including expected interest payments, which are payable under financial liabilities at the balance sheet date is set out below:

2020	**Less than one year £m**	**One to two years £m**	**Two to three years £m**	**Three to four years £m**	**Four to five years £m**	**Greater than five years £m**	**Total £m**
Trade and other payables (excluding non-financial liabilities)	**55.8**	**–**	**–**	**–**	**–**	**–**	**55.8**
Loans and borrowings	**2.8**	**1.2**	**1.2**	**1.2**	**15.6**	**–**	**22.0**
Lease liabilities	**3.6**	**2.5**	**1.6**	**0.8**	**0.3**	**1.4**	**10.2**
	62.2	**3.7**	**2.8**	**2.0**	**15.9**	**1.4**	**88.0**

2019	Less than one year £m	One to two years £m	Two to three years £m	Three to four years £m	Four to five years £m	Greater than five years £m	Total £m
Trade and other payables (excluding non-financial liabilities)	66.0	–	–	–	–	–	66.0
Loans and borrowings	1.7	1.7	71.0	–	–	–	74.4
Lease liabilities	5.4	3.4	2.3	1.4	0.8	1.7	15.0
	73.1	5.1	73.3	1.4	0.8	1.7	155.4

There is no material difference between the carrying value and fair value of the Group's financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

22. PROVISIONS

	Restoration and Decommissioning	Other £m	Total £m
At 1 January 2020	**11.2**	**1.2**	**12.4**
Charged / (credited) to the Consolidated Statement of Total Comprehensive Income:			
– Additional provisions	**1.1**	**3.8**	**4.9**
– Release of provisions	**–**	**(0.7)**	**(0.7)**
– Utilised amounts	**–**	**(2.5)**	**(2.5)**
– Unwind of discount	**0.1**	**–**	**0.1**
At 31 December 2020	**12.4**	**1.8**	**14.2**

ANALYSED AS:

	2020 £m	2019 £m
Non-current	**9.2**	8.1
Current	**5.0**	4.3
	14.2	12.4

The other provisions balance is made up of provisions for carbon emissions, onerous contracts, lease dilapidations and product liability provisions.

Non-current provisions are discounted at a rate of 2.3% (2019: 2.65%). Discount rates for 2020 were revised as a result of decreases in rates within information referenced from the Bank of England over 2020. The impact of the change in discount rate and inflation rate on the provision at year-end was £1.0m (2019: £nil).

The unwind of discount in the period is shown as a finance expense.

RESTORATION AND DECOMMISSIONING

The Group is required to restore quarrying sites to a state agreed with the planning authorities after extraction of raw materials ceases, and to decommission manufacturing facilities that have been constructed. Provisions for restoration and decommissioning obligations are made based on the best estimate of the likely committed cash outflow. Management seek specialist input from third party experts to estimate the cost to perform any necessary remediation work at the reporting date. These experts undertake site visits in years where scoping identifies there is a change in operations in the year which could suggest a change in these estimates, or at sites that have not been visited recently. Desktop reviews are undertaken to inform the estimates for other sites.

The useful lives of quarrying sites are based on the estimated mineral reserve remaining and manufacturing facilities linked to the useful life of site property, plant and equipment. Estimates of appropriate inflation and discount rates can also be judgemental, and can have a significant impact on net present value. Management reference information from the Bank of England when making such estimates. These provisions are discounted by applying a discount rate that reflects the passage of time. Estimates are revised annually and in the case of decommissioning provisions are adjusted against the asset to which the provision relates, which is then subject to an impairment assessment.

Future costs are expected to be incurred over the useful life of the sites, which is a period of up to 83 years.

The following table shows the timeline in which undiscounted costs in relation to the restoration and decommissioning provision are expected to become current:

2020	Current £m	1 to 20 years £m	21 to 40 years £m	40 years plus £m	Total £m
Restoration and decommissioning	**3.2**	**2.0**	**5.1**	**2.9**	**13.2**

23. DEFERRED TAX

THE ANALYSIS OF DEFERRED TAX LIABILITIES IS AS FOLLOWS:

	2020 £m	2019 £m
Deferred tax liabilities to be incurred after more than 12 months	(0.9)	(1.8)

The movement in deferred tax assets / (liabilities) is as follows:

	Fixed assets £m	Provisions £m	Intangible assets £m	Share-based payments £m	Land £m	IFRS 16 transitional adjustment £m	Total £m
At 1 January 2019	(3.4)	1.8	(0.7)	0.8	(0.1)	–	(1.6)
Effect of prior period adjustment	0.2	0.2	–	0.1	–	–	0.5
(Charged) / credited to Consolidated Statement of Total Comprehensive Income	(0.8)	–	–	(1.1)	–	(0.1)	(2.0)
Effect of changes in tax rates	0.1	–	–	(0.1)	–	–	–
Tax on items taken directly to equity	–	–	–	1.1	–	0.2	1.3
At 31 December 2019	(3.9)	2.0	(0.7)	0.8	(0.1)	0.1	(1.8)
Effect of prior period adjustment	(0.1)	0.2	–	–	–	–	0.1
(Charged) / credited to Consolidated Statement of Total Comprehensive Income	1.1	0.2	–	(0.1)	–	–	1.2
Effect of changes in tax rates	(0.5)	0.3	(0.1)	0.1	–	–	(0.2)
Other movements	(0.1)	0.1	–	–	–	–	–
Tax on items taken directly to equity	–	–	–	(0.2)	–	–	(0.2)
At 31 December 2020	(3.5)	2.8	(0.8)	0.6	(0.1)	0.1	(0.9)

Deferred tax is calculated on temporary differences between the tax base of assets and liabilities and their carrying amounts, using the corporation tax rate applicable to the timing of their reversal. Deferred tax assets and liabilities are only offset where there is a legally enforceable right to offset and there is an intention to settle the balances net.

24. SHARE CAPITAL AND OTHER RESERVES

SHARE CAPITAL

Called up issued and fully paid ordinary shares.

	2020 Number	2020 £m	2019 Number	2019 £m
Allotted, called up and fully paid 1p ordinary shares				
At start of year	200,442,068	2.0	200,442,068	2.0
Issued during year	28,205,128	0.3	–	–
At end of year	228,647,196	2.3	200,442,068	2.0

During the year the Group raised net proceeds of £53.0m via an equity raise (consisting of £55.0m of gross proceeds less transaction costs incurred on issue of £2.0m). There was no tax impact on the fees. The placing was undertaken using a cash box structure. As a result the Group was able to take relief under section 612 of the Companies Act 2006 from crediting share premium and instead transfer the net proceeds in excess of the nominal value to retained earnings as an other reserve. The net proceeds of £53.0m were immediately passed to Forterra Buildings Products Ltd by way of an intercompany loan and as such were not immediately distributable. The reserves qualify as distributable on settlement of inter-company funding arrangements. At the year end a balance of £11.2m has been included as distributable and is presented within retained earnings.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

24. SHARE CAPITAL AND OTHER RESERVES CONTINUED

RESERVE FOR OWN SHARES

Own shares represent the cost of Forterra plc shares purchased in the market and held by employee benefit trusts to satisfy the future exercise of options under the Group's share option schemes. At 31 December 2020, two Trusts were in place and consolidated within the Group Financial Statements.

The first Trust holds 224,610 ordinary shares (2019: 260,347), issued in 2016 at nominal value in respect of the free share award made to all employees in service at 25 May 2016. There is no monetary impact of these shares to the Consolidated Statement of Changes in Equity in the periods presented.

The second Trust holds 686,177 (2019: 1,271,844) shares at an average cost of 286p per share (2019: 284p). The market value of these shares at 31 December 2020 was £2.0m (2019: £4.4m). These shares are reflected within the reserve for own shares within the Consolidated Statement of Changes in Equity.

25. LEASES

The Group leases various premises, land, fleet vehicles, cars and plant and equipment. With the exception of land and property leases, contracts are typically made for fixed periods of 3 to 5 years. Lease terms are negotiated on an individual basis, and terms and conditions can vary.

In addition, the Group also leases machinery on short-term leases (less than 12 months) and office equipment of low financial value. These leases are recognised on a straight-line basis as an expense in the Consolidated Statement of Comprehensive Income.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Land and buildings £m	**Plant and machinery £m**	**Total £m**
At 1 January 2019	3.7	10.5	14.2
Additions	0.5	4.9	5.4
Depreciation expense	(0.6)	(5.3)	(5.9)
At 1 January 2020	**3.6**	**10.1**	**13.7**
Additions	**–**	**0.6**	**0.6**
Disposals	**–**	**(0.1)**	**(0.1)**
Depreciation expense	**(0.6)**	**(4.6)**	**(5.2)**
At 31 December 2020	**3.0**	**6.0**	**9.0**

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2020 £m	2019 £m
At 1 January	**(14.1)**	(14.6)
Additions	**(0.6)**	(5.4)
Interest	**(0.3)**	(0.4)
Payments	**5.5**	6.3
Disposals	**0.1**	–
At 31 December	**(9.4)**	(14.1)
Current	**(3.4)**	(5.1)
Non-current	**(6.0)**	(9.0)

25. LEASES CONTINUED

The following are the amounts recognised in profit or loss:

	2020 £m	2019 £m
Depreciation expense of right-of-use assets	**5.2**	5.9
Interest expense on lease liabilities	**0.3**	0.4
Expense relating to short-term leases	**1.7**	2.1
	7.2	8.4

Leases of low financial value for the year ended 31 December 2020 were less than £0.1m (2019: less than £0.1m).

During the years ended 31 December 2020 and 31 December 2019, the Group did not hold any lease contracts with variable payment terms.

The Group has several land and property lease contracts that include termination options, known as 'break clauses'. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises judgement in determining whether these clauses are reasonably certain to be exercised. At 31 December 2020, the Group has determined it is unlikely any break clause would be exercised, and full lease terms have been considered within the present value calculations.

A reconciliation of liabilities arising from financing activities in relation to leases has been detailed below:

	£m	Cash flow	Interest charge	New lease liabilities	Lease disposals	£m
2020	**14.1**	**(5.5)**	**0.3**	**0.6**	**(0.1)**	**9.4**
2019	14.6	(6.3)	0.4	5.4	–	14.1

26 SHARE-BASED PAYMENT ARRANGEMENTS

Total cost of share schemes:

	2020 £m	2019 £m
Share Incentive Plan (SIP)	**–**	–
Performance Share Plan (PSP)	**0.5**	0.5
Deferred Annual Bonus Plan (DABP)	**–**	–
Sharesave Plan (SAYE)	**0.4**	1.0
	0.9	1.5

The total cost of share schemes in the year includes national insurance contributions of £0.1m (2019: £0.2m)

SUMMARY OF SHARE OPTION AND SHARE AWARD ARRANGEMENTS

The Group operates a number of share schemes for the benefit of employees, all of which are equity-settled (although the rules of the PSP and DABP allow for cash settlement in exceptional circumstances).

SHARE AWARDS

SHARE INCENTIVE PLAN (SIP)

On 25 May 2016, 442,068 deferred free shares were awarded to all employees in service at this date. Shares to the value of £500 were issued which vested in May 2019, three years after the date of grant, subject to a three-year service condition. Unexercised shares are held by the Employee Benefit Trust on behalf of the Group's employees and detailed within Note 24.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

26. SHARE-BASED PAYMENT ARRANGEMENTS CONTINUED

SHARE OPTIONS

PERFORMANCE SHARE PLAN (PSP)

Performance based awards granted to the Executive Directors and designated senior management which vest three years after the date of grant at 1p per share. The total number of shares vesting is dependent upon both service conditions being met and the performance of the Group over the three year period. Performance is subject to TSR and EPS conditions for all awards prior to 2020, each weighted 50%. The only performance condition attached to the PSP granted in 2020 is TSR. In addition to this, a holding period applies to vested PSP awards for the Executive Directors of Forterra plc, under which they are required to retain the number of vested awards, net of tax, for at least two years from the date of vesting.

DEFERRED ANNUAL BONUS PLAN (DABP)

Following the Group's IPO, deferred annual bonus awards were granted to designated senior management which vested in April 2018 dependent on a two year service condition being met.

Additionally, a portion of the Executive Directors' annual bonus award is deferred into shares options under a DABP, with a deferral period of three years. These awards are accrued as a bonus in the year to which they relate and are converted into deferred share awards after the year-end. No new DABP scheme was awarded within 2020 (2019: £nil).

SHARESAVE (SAYE)

HM Revenue and Customs approved scheme available to all employees with schemes offered annually since 2016. Employees make monthly contributions of up to £500 per month into a linked savings account and these may be exchanged three years from each grant date for shares at an option price discounted by 20% from the market price at the offer date.

The aggregate number of share awards outstanding for the Group is shown below:

	PSP Number of options	DABP Number of options	SAYE Number of options
Outstanding at 1 January 2019	1,847,448	215,727	6,374,785
Awards granted	733,091	61,120	2,031,353
Awards exercised	(377,361)	(27,574)	(3,735,484)
Awards lapsed / forfeited	(376,134)	–	(321,479)
Outstanding at 1January 2020	**1,827,044**	**249,273**	**4,349,175**
Awards granted	**1,075,278**	**–**	**5,927,340**
Awards exercised	**(132,799)**	**(136,514)**	**(613,833)**
Awards lapsed / forfeited	**(244,130)**	**–**	**(2,236,537)**
Outstanding at 31 December 2020	**2,525,393**	**112,759**	**7,426,145**

26. SHARE-BASED PAYMENT ARRANGEMENTS CONTINUED

Share options outstanding at the end of the year have the following vesting dates:

	2020
PSP	
26 April 2019	**22,816**
15 April 2020	**274,245**
29 March 2021	**546,526**
29 March 2022	**606,528**
17 September 2023	**1,075,278**
DABP	
26 April 2018	**34,940**
14 March 2021	**42,167**
12 March 2022	**35,652**
SAYE	
1 December 2020	**533,337**
1 December 2021	**383,685**
1 December 2022	**647,981**
1 December 2023	**5,861,142**

The fair value per option granted in year has been calculated using the following assumptions:

	PSP (Performance and service condition)	PSP (Executive directors holding period)	SAYE (Service condition)
Date of grant	**17/09/2020**	**17/09/2020**	**08/10/2020**
Option pricing model	**Monte Carlo & Black-Scholes**	**Finnerty**	**Black-Scholes**
Share price on grant date (p)	**192.20**	**192.20**	**192.20**
Exercise price (p)	**1.00**	**192.20**	**149.00**
Expected volatility	**43.76%**	**51.88%**	**42.86%**
Vesting period (years)	**3.0**	**2.0**	**3.15**
Expected option life to exercise	**3.0**	**2.0**	**3.4**
Expected dividend yield	**–**	**–**	**2.11%**
Risk-free interest rate	**0.00%**	**0.00%**	**0.00%**
Fair value per option (p)	**118.63**	**108.55**	**66.59**

Expected volatility is a measure of expected fluctuations in the share price over the expected life of an option. The measures of volatility used by the Group in its pricing model during both years has been derived as the median volatility of companies within the comparator index that have been listed for the commensurate length of time.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

27. RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The Directors of the Company and the Directors of the Group's subsidiary companies, who are also members of the Executive Committee, fall within this category.

	2020 £m	2019 £m
Emoluments including taxable benefits	**(2.0)**	(2.4)
Share-based payments	**(0.4)**	(0.5)
Pension and other post-employment benefits	**(0.2)**	(0.2)
	(2.6)	(3.1)

Information relating to Directors' emoluments, pension entitlements, share options and long-term incentive plans appear in the Annual Report on Remuneration within pages 109 to 118.

In addition to the above, gains arising on PSPs that have vested and been exercised in the year by Executive Directors amounted to £nil (2019: £0.9m).

COMPANY BALANCE SHEET

AT 31 DECEMBER 2020

	Note	2020 £m	2019 £m
Fixed assets			
Investment in subsidiary	6	**307.4**	306.8
Deferred tax asset	7	**0.3**	0.4
		307.7	307.2
Current assets			
Amounts due from Group undertakings	8	**44.4**	59.2
Total assets		**352.1**	366.4
Current liabilities			
Creditors – amounts falling due within one year	9	**(0.5)**	(0.8)
Amounts due to Group undertakings	9	**–**	(68.0)
		(0.5)	(68.8)
Net current assets / (liabilities)		**43.9**	(9.6)
Total assets less current liabilities		**351.6**	297.6
Net assets		**351.6**	297.6
Capital and reserves			
Ordinary shares	10	**2.3**	2.0
Own share reserve	10	**(2.0)**	(3.6)
Other reserve		**41.5**	–
Retained earnings		**309.8**	299.2
Total equity		**351.6**	297.6

As permitted by section 408 of the Companies Act 2006, an entity profit or loss account is not included as part of the published Financial Statements of Forterra plc. The Company profit for the financial year ended 31 December 2020 was £0.5m (2019: £40.9m).

The notes on pages 167 to 170 are an integral part of these Financial Statements.

Approved by the Board of Directors on 9 March 2021 and signed on their behalf by:

Stephen Harrison
Chief Executive Officer

Ben Guyatt
Chief Financial Officer

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £m	Reserve for own shares £m	Other reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2019	**2.0**	**(5.8)**	**–**	**285.5**	**281.7**
Total comprehensive profit for the year	–	–	–	40.9	40.9
Dividends paid	–	–	–	(22.0)	(22.0)
Purchase of shares by Employee Benefit Trust	–	(9.7)	–	–	(9.7)
Proceeds from sale of shares by Employee Benefit Trust	–	4.9	–	–	4.9
Share-based payments charge	–	–	–	1.5	1.5
Share-based payments exercised	–	7.0	–	(7.0)	–
Tax on share-based payments	–	–	–	0.3	0.3
Balance at 31 December 2019	**2.0**	**(3.6)**	**–**	**299.2**	**297.6**
Total comprehensive profit for the year	–	–	–	0.5	0.5
Dividends paid	–	–	–	–	–
Issue of shares	0.3	–	41.5	11.2	53.0
Purchase of shares by Employee Benefit Trust	–	(1.0)	–	–	(1.0)
Proceeds from sale of shares by Employee Benefit Trust	–	0.9	–	–	0.9
Share-based payments exercised	–	1.7	–	(1.7)	–
Share-based payments charge	–	–	–	0.8	0.8
Tax on share-based payments	–	–	–	(0.2)	(0.2)
Balance at 31 December 2020	**2.3**	**(2.0)**	**41.5**	**309.8**	**351.6**

The Other reserve amount of £41.5m is net of £2.0m in relation to transaction costs associated with the share issue as detailed within note 24 to the Consolidated Financial Statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. GENERAL BACKGROUND

Forterra plc is a public limited company which is listed on the London Stock Exchange and is domiciled and incorporated in the United Kingdom under the Companies Act 2006. The registered office is 5 Grange Park Court, Roman Way, Northampton, England, NN4 5EA.

2. ACCOUNTING POLICIES

BASIS OF PREPARATION

The separate Company Statements have been prepared in accordance with applicable accounting standards, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ('FRS 102') and the Companies Act 2006.

As permitted by section 408 of the Companies Act 2006, an entity profit or loss account is not included as part of the published Financial Statements of Forterra plc. The Company profit for the financial year ended 31 December 2020 was £0.5m (2019: £40.9m).

As permitted by FRS 102, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash flow statement, standards not yet effective and related party transactions. Where required, equivalent disclosures are given in the Consolidated Financial Statements.

The Financial Statements are presented in Pounds Sterling, rounded to the nearest hundred thousand and are prepared under the historical cost convention.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least one year from the date that the Financial Statements are signed. The Company therefore adopts the going concern basis in preparing its Financial Statements.

(A) INVESTMENTS

Investments are included in the balance sheet at the deemed cost of acquisition upon the Group restructure. Where appropriate, a provision is made for any impairment.

Capital contributions arising where subsidiary employees are awarded share options to be settled over the Company's equity result in increases to the cost of investment.

(B) TAXATION

Charges for income tax are based on earnings for the period and take account of deferred taxation on timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

(C) FINANCIAL INSTRUMENTS

The Company determines the classification of financial assets and financial liabilities at initial recognition. The principal financial assets and liabilities of the Company are as follows:

(I) FINANCIAL ASSETS

Basic financial assets, including trade and other receivables and amounts due from Group undertakings are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method and assessed for objective evidence of impairment or impairment reversal at the end of each reporting period.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, are settled or substantially all the risks and rewards of ownership of the asset are transferred.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

2. ACCOUNTING POLICIES CONTINUED

(II) FINANCIAL LIABILITIES

Basic financial liabilities, including trade and other payables and amounts due to Group undertakings and related parties are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the debt is measured at the present value of the future receipts discounted at a market rate of interest.

Trade and other payables and loans are subsequently carried at amortised cost, using the effective interest rate method.

(D) SHARE-BASED PAYMENTS

The Company operates a number of equity-settled share-based compensation plans, under which the Company receive services from the Executive Directors in exchange for equity instruments granted by the Company. The services received and corresponding increase in equity are measured at the fair value of the equity instruments granted, on the date granted. The Company also compensates certain key management and other employees for services provided to Forterra Building Products Limited. The services provided are recognised as an increase in the cost of investment in subsidiaries and a corresponding increase in equity; which is measured at the fair value of the equity instruments granted, on the date granted.

The cost of the equity-settled transactions are subsequently recognised over the vesting period, which ends at the date that the plan participant becomes fully entitled to the award. Fair values are determined using appropriate pricing models by external valuers. At the end of each reporting period the Company revises its estimates of the number of awards that are expected to vest based on non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the profit or loss account, with a corresponding adjustment to equity.

Further details regarding the share-based payment schemes are set out in note 26 to the Consolidated Financial Statements.

(E) OWN SHARES HELD BY EMPLOYEE BENEFIT TRUST

The Company has established two separate employee benefit trusts for the purposes of satisfying awards under share-based incentive schemes. Shares in the Company acquired by the trusts are deducted from equity until shares are cancelled, reissued or disposed.

(F) SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

(G) RELATED PARTIES

The Company discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Financial Statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

IMPAIRMENT OF INVESTMENTS

The Directors periodically review investments for possible impairment when events or changes in circumstances indicate, in managements' judgement, that the carrying amount of an asset may not be recoverable. The Company did not record any impairment charges during the period ended 31 December 2020.

4. EMPLOYEE INFORMATION

The Company has no employees other than the Directors. Full details of the Directors' remuneration and interests are set out in the Annual Report on Remuneration on pages 109 to 118 and includes the amounts received or receivable by each Director in the period. The long-term incentives as detailed on page 111 were recognised in the Company profit and loss account as an expense over the three year period to which the awards relate. The Company recognised a charge of £0.3m (2019: £0.3m) in relation to share-based payments for the period.

5. DIVIDENDS

	2020 £m	2019 £m
Amounts recognised as distributions to equity holders in the year:		
£nil interim dividend per share (2019: 4.0p)	**–**	(7.8)
£nil final dividend per share in respect of prior year (2019: 7.2p)	**–**	(14.2)
	–	(22.0)

The Directors are proposing a final dividend for 2020 of 2.8p per share, making a total payment for the year of 2.8p (2019: 4.0p)

The proposed final dividend is subject to approval by the shareholders at the AGM and has not been included as a liability in these Financial Statements.

6. INVESTMENT IN SUBSIDIARY

	2020 £m	2019 £m
Balance as at 1 January	**306.8**	305.6
Capital contribution relating to share-based payments	**0.6**	1.2
Balance as at 31 December	**307.4**	306.8

The companies in which the Company has an interest at the year end are shown below:

Name of Company	Country of incorporation	Holding	Nature of holding	% of class held
Forterra Holdings Limited	England & Wales	Ordinary £0.01	Direct	100%
Forterra Building Products Limited	England & Wales	Ordinary £0.01	Indirect	100%

The address of the registered office of both Forterra Holdings Limited and Forterra Buildings Products Limited is 5 Grange Park Court, Roman Way, Northampton, England, NN4 5EA.

7. DEFERRED TAX

	2020 £m	2019 £m
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	**0.3**	0.4
	0.3	0.4

8. CURRENT ASSETS

	2020 £m	2019 £m
Amounts due from Group undertakings	**44.4**	59.2
	44.4	59.2

Amounts due from Group undertakings are non-interest bearing, unsecured and repayable on demand.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

9. CURRENT AND NON-CURRENT LIABILITIES

	2020 £m	2019 £m
Amounts due to Group undertakings	–	68.0
Creditors – amounts falling due within one year	0.5	0.8
	0.5	68.8

Amounts owed to Group undertakings are non-interest bearing, unsecured and repayable on demand.

10. CAPITAL AND RESERVES

	2020		2019	
	Number	£m	Number	£m
Ordinary shares of £0.01 each	228,647,196	2.3	200,442,068	2.0
	228,647,196	2.3	200,442,068	2.0

The Ordinary Shares are voting non-redeemable shares and rank equally as to dividends, voting rights and any return of capital on winding up.

Movements in the share capital and reserve for own shares are set out in note 24 of the Consolidated Financial Statements.

11. RELATED PARTY TRANSACTIONS

The Company is exempt from disclosing related party transactions with companies that are wholly owned within the Group. Transactions with related parties which are not wholly owned are disclosed within note 27 to the Consolidated Financial Statements.

Remuneration to key management personnel has been disclosed within note 27 to the Consolidated Financial Statements.

12. CONTROLLING PARTY

Forterra plc is not under the control of an ultimate controlling party.

GROUP FIVE-YEAR SUMMARY

Five year summary	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Revenue	**291.9**	380.0	367.5	331.0	294.5
EBITDA (before exceptional items)	**37.9**	82.7	78.8	75.4	70.6
Operating profit (before exceptional items)	**20.8**	65.0	67.1	64.5	60.2
PBT (before exceptional items)	**17.4**	62.5	64.8	61.1	46.0
(Loss) / Profit before tax (statutory)	**(5.4)**	58.2	64.8	59.3	37.1
Operating cash flow (before exceptional items)	**53.9**	64.9	79.8	90.2	69.8
Net cash / (debt) (before IFRS 16)	**16.0**	(43.2)	(38.8)	(60.8)	(92.3)
Earnings per share (before exceptional items)	**6.6**	25.5	26.5	24.5	21.0
Dividend per share (pence)	**2.8**	4.0	10.5	9.5	5.8

ADDITIONAL INFORMATION
FINANCIAL CALENDAR AND OTHER SHAREHOLDER INFORMATION

CALENDAR

The following dates have been announced:

2020 Annual General Meeting	18 May 2021
Payment of final 2020 dividend	9 July 2021
2021 Interim results announcement	29 July 2021

GROUP ADVISERS

REGISTRARS

Link Asset Services

STATUTORY AUDITOR

Ernst & Young LLP

BROKERS

Deutsche Bank

Numis Securities Ltd

BANKERS

HSBC Bank plc

The Royal Bank of Scotland plc

Santander UK plc

The Bank of Ireland

FINANCIAL PR

FTI Consulting

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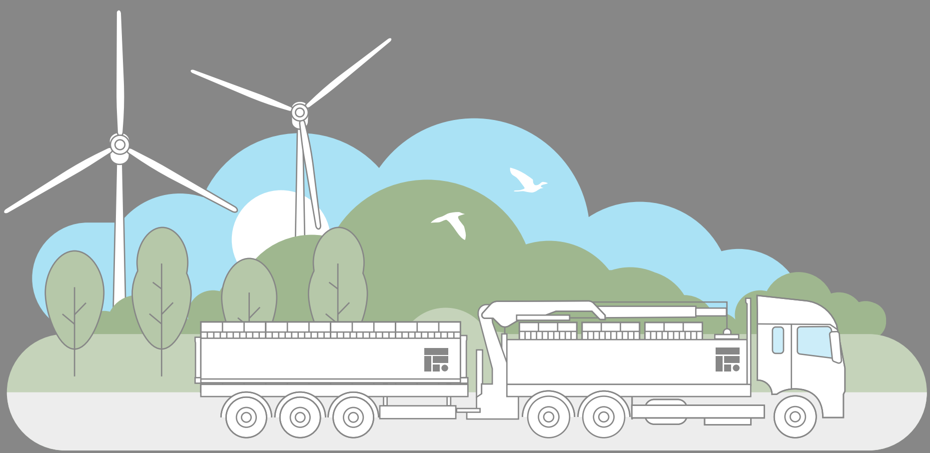

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