BREEDON

BREEDON GROUP
ANNUAL REPORT 2021

WE ARE MAKING A MATERIAL DIFFERENCE

IN THIS REPORT

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

Please read this report in conjunction with the glossary on pages 161 and 162

Front cover:
Breedon colleagues at our quarry in Blaenau Ffestiniog

FOR MORE INFORMATION

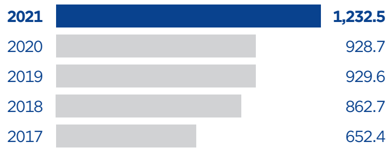
www.breedongroup.com

FINANCIAL HIGHLIGHTS

REVENUE

£1,232.5m

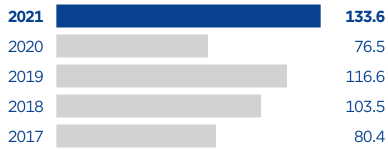
+33%



UNDERLYING EBIT*

£133.6m

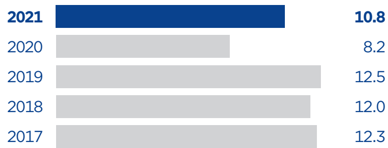
+75%



UNDERLYING EBIT MARGIN*

10.8%

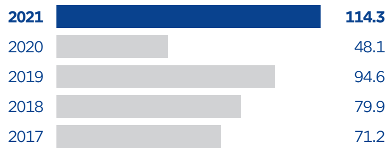
+2.6ppt



PROFIT BEFORE TAX

£114.3m

+138%



ADJUSTED UNDERLYING BASIC EARNINGS PER SHARE**

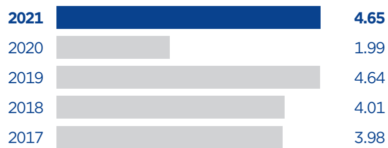
5.98p

+90%

BASIC EARNINGS PER SHARE

4.65p

+134%

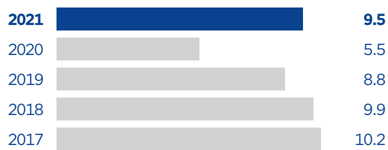


DIVIDEND PER SHARE

1.60p

RETURN ON INVESTED CAPITAL

9.5%



FREE CASH FLOW CONVERSION

59%

COVENANT LEVERAGE

0.8x

* Non-underlying items represent acquisition-related expenses, redundancy and reorganisation costs, property losses, amortisation of acquisition intangibles and related tax items. References to an underlying profit measure throughout this Annual Report are defined on this basis, and a reconciliation to the most directly related statutory measure is provided in note 29 to the Financial Statements.

** Basic earnings per ordinary share adjusted to exclude the impact of non-underlying items and changes in deferred tax rate.

WE ARE MAKING A MATERIAL DIFFERENCE

We are a leading vertically-integrated construction materials group in Great Britain and Ireland.

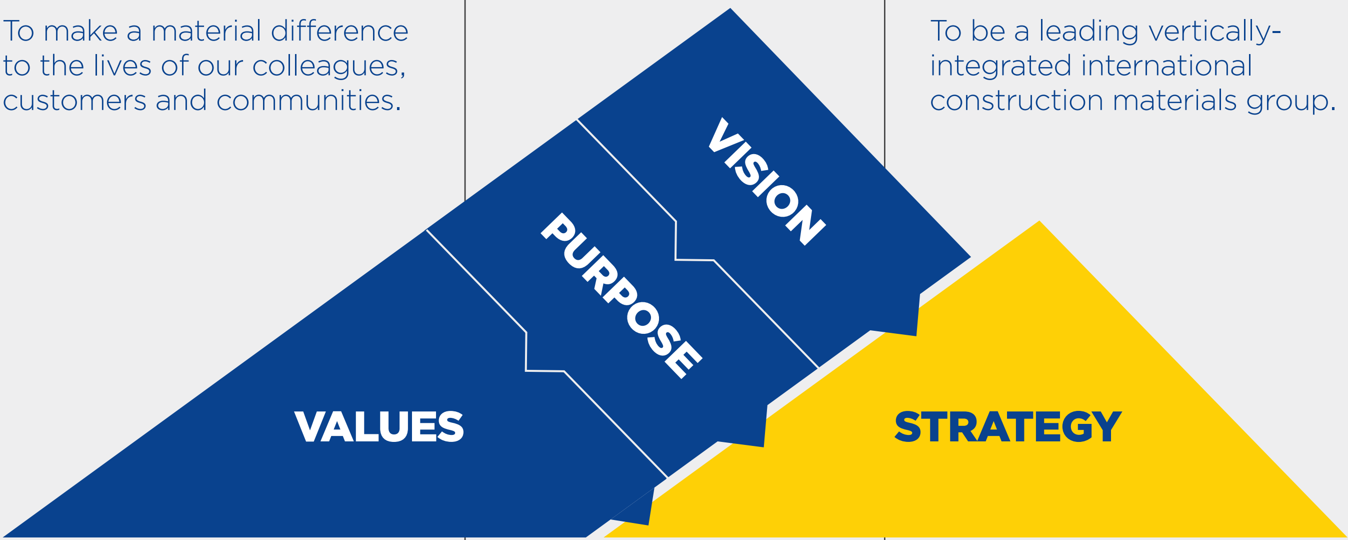
Our core outputs are aggregates and cement, from which we produce a range of value-added products including asphalt, ready-mixed concrete and specialist building products, and we deliver surfacing solutions as a further route to market for our essential construction materials.

OUR PURPOSE

To make a material difference to the lives of our colleagues, customers and communities.

OUR VISION

To be a leading vertically-integrated international construction materials group.



OUR VALUES

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

OUR STRATEGY

To create sustainable value for all our stakeholders over the long term.

- **SUSTAIN**
- **OPTIMISE**
- **EXPAND**
- **FINANCIAL FRAMEWORK**

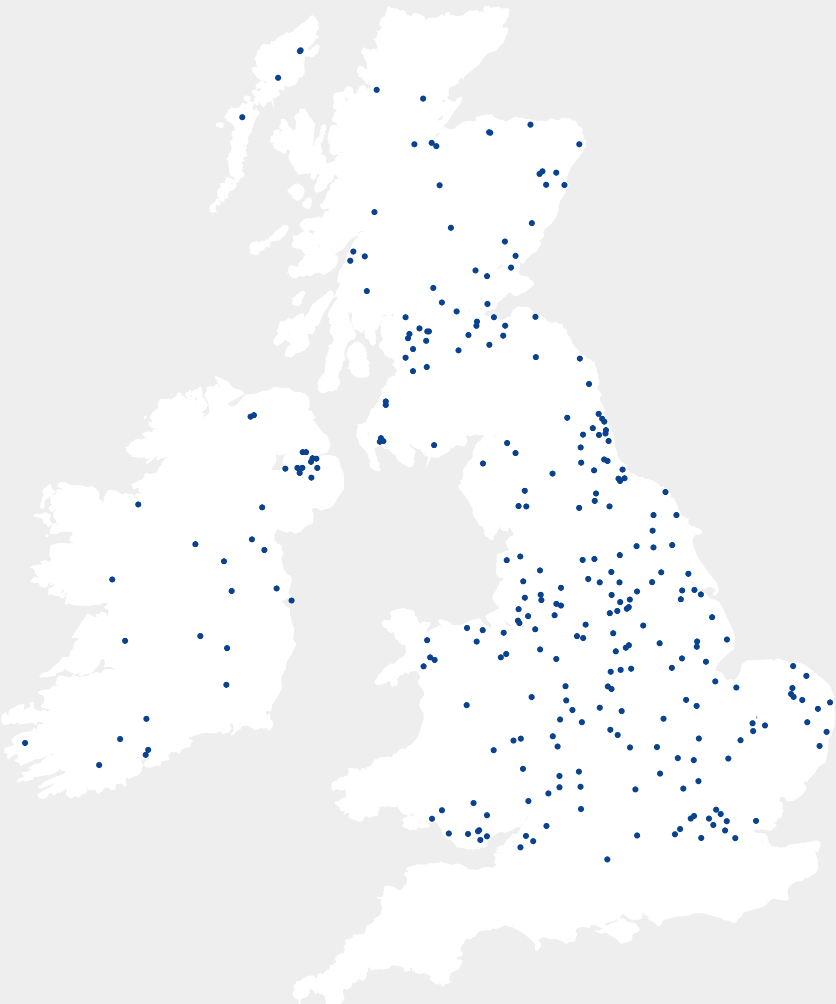
⊕ For more detail on Strategy, see pages 12 to 19

OUR BUSINESS AT A GLANCE

A BALANCED PORTFOLIO OF HIGH-QUALITY ASSETS

>320
SITES

c.3,500
COLLEAGUES



>100
QUARRIES

SUPPLY

1bn
TONNES

FEEDING

>50
ASPHALT PLANTS

>170
READY-MIXED CONCRETE PLANTS

2
CEMENT PLANTS

Hope cement plant achieved

>97%
RELIABILTY FACTOR

Kinnegad cement plant in RoI is powered by

75%
ALTERNATIVE FUELS

GREAT BRITAIN

In GB we operate an extensive nationwide network of quarries and downstream operations, extending from Stornoway in the Hebrides to Hampshire in the south of England.

Our vertically-integrated downstream operations are asset-backed by substantial mineral reserves and resources and supported by a nationwide fleet of delivery vehicles for all products. Our surfacing business delivers surfacing for both minor and major infrastructure projects, utilising our asphalt and aggregate outputs.

In combination, our strong reserve base and fully vertically-integrated operations yield economies of scale. Our highly localised sales and distribution model, serving a diverse range of customers, reflects the nature of our products and enables agile commercial decision-making.

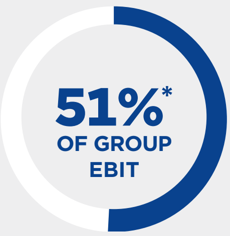
The GB market remains highly fragmented and we are well positioned to secure further acquisitions to extend our geographic and product portfolio.

REVENUE

£845.2m

UNDERLYING EBIT

£74.3m



IRELAND

In Ireland we trade under the established brands of Whitemountain in NI and as Lagan in RoI.

Our network of quarries and downstream operations runs alongside a significant and highly regarded surfacing business.

We undertake surfacing as well as major infrastructure and highway maintenance contracts throughout Ireland. Our network of quarries, asphalt and ready-mixed concrete plants is growing to meet the demand from our downstream operations.

The division has well-established positions across the Island of Ireland with strong growth prospects.

The business has an excellent surfacing track record, including specialist expertise in airport runway surfacing and has recently completed the prestigious Cork Airport runway project.

REVENUE

£225.4m

UNDERLYING EBIT

£28.2m

CEMENT

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

The Hope cement plant is the UK's largest by capacity and has maintained more than 97% reliability for the past three years.

The Kinnegad plant near Dublin is one of the most modern in Europe and is powered by 75% alternative fuels.

The business operates a network of four import/export terminals, a major bagging plant outside London and a rail-linked distribution network in GB with more than a million tonnes of throughput capacity.

We complement flexible bulk supply with higher-margin bagged products distributed to markets in GB and Ireland, coupled with cementitious import capacity. The rail links from Hope to regional depots help to reduce distribution costs and environmental impacts.

REVENUE

£245.6m

UNDERLYING EBIT

£41.6m

* Excludes central administration and share of profit of associate and joint ventures. Further segmental information is provided in note 2 to the Financial Statements.

CHAIRMAN'S STATEMENT

WE ARE COMING OF AGE

"THIS HAS BEEN AN EXTRAORDINARY YEAR OF ACTION AND EXECUTION. I AM INCREDIBLY PROUD OF THE BREEDON TEAM AND HOW THEY CAME TOGETHER TO DELIVER AN OUTSTANDING OUTCOME."

Amit Bhatia
Chairman

Throughout the year our swift and agile actions were focused on delivering a great service for our customers and maintaining the safety and welfare of our colleagues.

This was achieved while taking significant strides towards maturing the business. Breedon is now one of the five largest heavyside construction materials suppliers in GB and Ireland and considerable opportunities remain ahead of us. This year we began to implement the systems and practices that will ensure Breedon is ready for the next phase of its growth so that we are able to deliver on our ambition to create a leading vertically-integrated, international construction materials Group.

DELIVERING AN OUTSTANDING OUTCOME

As we navigated the second year of the pandemic, each and every one of our colleagues demonstrated enormous resilience and fortitude for which I thank them. Their ability to respond nimbly and decisively to rapidly changing Government guidelines, our customers' growing needs, and to accommodate supply chain disruption, ensured we delivered revenue and earnings significantly ahead of our expectations. We did this safely, maintaining our strong health and safety record, and elevated the focus on our colleagues' broader wellbeing.

As the year progressed, it became increasingly evident the actions taken by the British and Irish Governments to support businesses were proving effective, and the economic backdrop in both GB and Ireland continued to improve. The broad recovery in construction activity, combined with the Group's strong focus on execution and the integration of the former Cemex assets, enabled the Group to generate record revenue of £1,232.5m. We delivered Underlying EBIT of £133.6m, profit before tax of £114.3m and reduced our Net Debt by over £100m.

IMPLEMENTING OUR MAIDEN DIVIDEND

We have enjoyed the loyal support of many of our shareholders and this year were pleased to be able to reward that loyalty and fulfil our commitment to adopt a progressive distribution policy. As planned, we implemented a maiden dividend, facilitated by the strong cash generation of the business. Over time, we will target a payout ratio of 40% of Underlying EPS.

BREEDON IS MATURING

After a decade of significant expansion, during which Breedon increased revenue 22% on average each year, in 2021 we focused on maturing the protocols and processes that will enable us to execute our strategy successfully.

As one of the leading heavyside businesses in GB and Ireland, operating in an environmentally sensitive industry, we recognised that we had a responsibility to act sustainably and be the best corporate citizen we can be, with the technology at our disposal. This year we took a major step towards being a net zero operator, by embedding and growing our sustainability team, by setting out clear targets and implementing a framework to monitor and measure our progress. You can read more about our sustainability ambitions and performance in the sustainability review on pages 39 to 57.

One of our greatest assets is our people. This year, we appointed a new Group People Director, Caroline Roberts, who is the first female member of our Executive Committee. We conducted an employee engagement survey where we were pleased to learn that the vast majority of our employees felt their work contributed to our success. We want to ensure we create a great place to work for our colleagues and be able to attract and retain a talented and diverse workforce with a sustainable future. We are confident the plan we have put in place under Caroline's leadership will achieve these goals.

Our culture is highly entrepreneurial and our teams are intensely focused on serving our customers well. In other words, we are great at execution. However, when it comes to communicating that excellent performance to all our stakeholders, there is more we can do. We made a start in 2021 with Breedon's first Capital Markets Event and, over the coming year, we will implement more changes to ensure our platform is appropriate for a UK-listed company of our scale, to support the delivery of our growth ambitions.

STEERING THE BUSINESS FORWARD

Breedon has grown substantially over the past decade under excellent leadership. Pat Ward stood down as Group Chief Executive in March after five years at the helm, seamlessly passing the baton to Rob Wood and thereby ensuring continuity of leadership for the business.

Since joining Breedon in 2014, in his former role as Group Finance Director, Rob has been an integral part of developing and delivering the Group's strategy and leading Breedon's transition into a vertically-integrated construction materials business.

He in turn was succeeded by James Brotherton as Chief Financial Officer. Formerly CFO of Tyman plc, James made a significant contribution to Tyman's growth and geographic expansion and brings to Breedon his tremendous experience of international corporate development.

In April, we welcomed Helen Miles to the Board as an independent non-executive director. Helen brings a wealth of operational and commercial experience

Graduates at our head office in Breedon on the Hill

with an understanding of the broader infrastructure sector developed in senior leadership positions within industry.

In August, Pauline Lafferty joined the Board as an independent non-executive director. On appointment, Pauline took up the role of Chair of the Group's Remuneration Committee designated non-executive director responsible for Workforce Engagement. Pauline has significant executive and non-executive experience and took over from Moni Mannings who stood down from the Board and as Chair of the Remuneration Committee at the end of July. I would like to thank Moni for her hard work and commitment, particularly in developing our remuneration policies and practices.

In January 2022, the Board established the Sustainability Committee, chaired by Carol Hui, in recognition of the importance of our sustainability strategy to the Group's future. Carol had since September 2020, held the position of Designated Non-executive Director responsible for Sustainability.

LOOKING FORWARD WITH CONFIDENCE

Breedon has grown rapidly to become one of the leading heavyside construction materials producers in GB and Ireland. Nonetheless, we still see considerable opportunities ahead, whether organic or through acquisition.

In 2021, we seamlessly transitioned the leadership team and navigated the impact of the pandemic while keeping our colleagues safe and well. I am confident that Breedon is coming of age and our performance during the year demonstrates that we are successfully building the strong foundations that will take the Group forward through its next chapter of growth.

Amit Bhatia
Non-executive Chairman
9 March 2022

WE ARE GROWING SUSTAINABLY

Breedon's sustainable growth business model is highly cash generative, supporting the introduction of a progressive dividend in 2021. The Group provides essential construction materials into markets with multi-year growth tailwinds, particularly infrastructure and housebuilding which have long-term pipelines. Breedon's high-quality earnings stream and disciplined risk framework offers investors significant growth optionality.

SUSTAINABLE BUSINESS

Breedon has a long history of taking positive actions to embed a culture of sustainability and ensure the long-term success of our business model.

SUSTAIN

MARGIN IMPROVEMENT

Our culture of continuous improvement drives efficiency and increases utilisation of both our existing assets and newly acquired businesses.

OPTIMISE

LONG-TERM GROWTH MARKETS

Exposure to attractive end markets, including infrastructure and housing, with structural growth trends, underpins future demand.

EXPAND

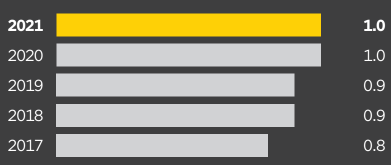
Shap quarry in Cumbria

Asphalt plant at Dowlow in Derbyshire

ASSET-BACKED

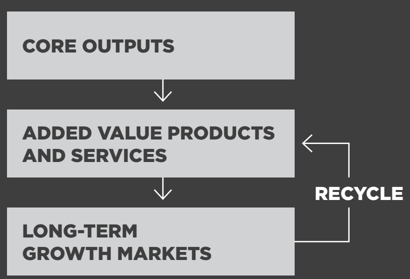
Our vertically-integrated operating model is asset-backed, underpinned by one billion tonnes of mineral reserves and resources and two well-invested cement plants, supplying our downstream ready-mixed, asphalt and surfacing operations across GB and Ireland.

RESERVES AND RESOURCES
billion tonnes



VERTICALLY INTEGRATED MODEL

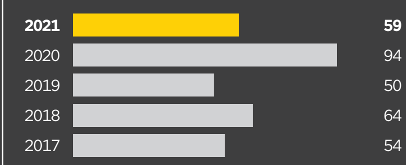
Value-added products and services alongside our growing surfacing business offers margin-enhancing routes to market for our cement and aggregates.



STRONG FREE CASH FLOW

Strong Free Cash Flow supports both organic and inorganic investment and shareholder returns with Free Cash Flow conversion consistently in excess of 50%.

FREE CASH FLOW CONVERSION
%



CHIEF EXECUTIVE OFFICER'S REVIEW

WE ARE MOVING THE GROUP FORWARD

"2021 WAS A YEAR OF OUTSTANDING DELIVERY. WE DELIVERED RECORD REVENUE AND EARNINGS AND PAID OUR FIRST DIVIDEND."

Rob Wood
Chief Executive Officer

We supplied our customers with more materials than at any point in our history, fully integrated the acquired Cemex assets and colleagues into Breedon and accelerated our investment for organic growth. We established our sustainability strategy with a clear framework for progress and the publication of new commitments and performance metrics.

We refreshed the management and senior leadership team while successfully navigating the volatile economic backdrop brought about by the pandemic. To support the operational strides we are making, we enhanced our communications programme to all our stakeholders, including our first Capital Markets Event to our investors.

Throughout 2021 Breedon made a material difference to our colleagues, customers and communities. I could not have expected a better start to my tenure as CEO and I am grateful to the whole Breedon team for delivering this outstanding result.

RECORD EARNINGS

During 2021, we built on the recovery that began in the second half of 2020, delivering full-year revenue of £1,232.5m, up 33% on the prior year.

UNDERLYING EBIT (£m)

Demand was resilient, bouncing back strongly from the effects of the pandemic. The market backdrop remained supportive and the long-term structural growth trends in infrastructure persisted. Demand levels for our products remained robust. Both the UK and Irish Governments pledged their commitment to long-term investment into infrastructure and construction, with the UK publishing its most ambitious strategy to date. The integration of the former Cemex assets adds to Breedon's strong growth track record and we have now delivered an annual 22% increase in revenue on average over the past decade[1], complementing acquisitions with organic investment.

Once again, our colleagues demonstrated extraordinary commitment and resilience to deliver record earnings. Underlying EBIT of £133.6m increased 75% (2020: £76.5m), benefiting from volume and price increases coupled with a successful hedging strategy which helped to mitigate the impacts of input price increases. Profit before tax was £114.3m (2020: £48.1m).

Our local delivery model, coupled with our entrepreneurial culture and decentralised commercial operations, enabled us to improve pricing, leading to an Underlying EBIT margin of 10.8% (2020: 8.2%). We invested in the Cemex assets, instilling Breedon best practices and commercial strategies, and we expect to see those actions produce results in the coming years.

This outstanding outcome enabled us to reduce our covenant leverage, a year ahead of plan, to 0.8x and introduce a dividend while continuing to accelerate our sustainability agenda.

ACCELERATING OUR SUSTAINABILITY AGENDA

Sustainability is not new to Breedon and has always been close to our hearts. It is one of our highest priorities and we have a long history of taking positive actions, from restoring land and promoting biodiversity to operating cement plants with world-leading use of fossil fuel replacements and supporting local community projects.

We take our responsibility as custodians of the scarce resources under our stewardship very seriously and during 2021 we established our sustainability framework with strong links to our purpose and values. We identified three key themes that were of importance to all of our stakeholders: Planet, People and Places.

These focus areas tackle how we will address the carbon intensive nature of our business and the responsible use of natural resources. They describe how we will develop and empower a diverse and talented workforce and engage with the communities which we operate alongside. They set out how we will develop products and services with improved sustainability attributes.

We will do all of this while behaving ethically, complying with laws and regulations and, above all, keeping our people safe and well.

Our leaders are committed to our sustainability goals, a number of which are linked to remuneration, with working groups and division-specific targets in place to drive progress. They have carved out operational budgets to promote sustainable strategies, an approach we believe will accelerate widespread adoption of sustainable actions.

These actions resulted in the publication of a new set of commitments in November 2021 to ensure we measure performance and drive progress. They are grounded in reality and have clear roadmaps to ensure success. We have materially increased disclosure and transparency in this area and this will continue as we embed our approach to sustainability.

The sustainability review, found on pages 39 to 57, addresses our achievements in 2021 in more detail.

INVESTING IN OUR PEOPLE

We delivered record earnings in 2021 through the extraordinary commitment and resilience of the whole Breedon team. Our people are paramount to our prosperity and my thanks go to them for successfully navigating the second year of the pandemic. Our employees rise early and often work in harsh conditions. It takes a special kind of person to stay focused and productive in a typical year; to deliver as they did, during a pandemic, is commendable.

We do not take this commitment for granted. We are investing in our people as well as our assets and we will continue to create a great place for them to work. In 2021, we appointed Caroline Roberts as Group People Director to ensure that, as Breedon enters its next phase of growth, we are creating the right opportunities for talent to shine, building a capable and diverse workforce and acting as a responsible employer.

1. Revenue compound annual growth rate of 22% between 2011 and 2021.

CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

Breedon is maturing and now ranks as one of the top five heavyside materials producers in GB and Ireland. As we continue to pursue our growth strategy, we are focused on refreshing the senior management team and developing the leadership of tomorrow. To support that ambition, we have revisited our social media communications strategy, consolidated our online brand profile and streamlined our online presence in order to reach the right candidates more effectively.

Sending our teams home safe and well each day is the first of our fundamental operating principles and top of every senior leader's agenda. In 2021, we were pleased to record a stable total injury frequency rate with the trend towards less severe injuries, a creditable outcome considering the challenges of managing safety during the pandemic and how busy many of our sites were. However, we know we can do better.

"Throughout 2021 Breedon made a material difference to our colleagues, customers and communities. I could not have expected a better start to my tenure as CEO and I am grateful to the whole Breedon team for delivering this outstanding result."

During the year we conducted a health, safety and wellbeing review, revitalised our vision and launched our 'Home safe and well' campaign. Our Visible Felt Leadership safety visits, which were restricted during the height of the pandemic, have recommenced. We are focused on driving a safety-first culture and promoting fundamental health, safety and wellbeing behaviours through additional training and regular communication. We have invested in plant and protective personal equipment with advanced safety features.

We extended our defibrillator provision to all operational sites and provided flu vaccinations through on-site clinics. We upgraded our employee assistance programme and maintained our proactive wellbeing services, increasingly addressing mental health through awareness and partnerships.

Colleagues at our Holme Hall quarry in Yorkshire

We were pleased to see this commitment to our people reflected in the employee engagement survey, where significant progress was evident on almost every measure. We were gratified to see that 83% felt Breedon responded appropriately to the pandemic, 81% felt their leaders were open and approachable and 84% felt their work contributed to the overall success of Breedon.

EVOLVING OUR VISION AND STRATEGY

Through a wide-ranging and collaborative process conducted in 2019 we identified our purpose and core values: keep it simple, make it happen, strive to improve and show we care, in order to make a material difference. This purpose and these values bind us together as we integrate acquisitions and guide how we evolve and implement our strategy.

Having been instrumental in developing and implementing our strategy since 2014, it is natural that, as I stepped into the role of CEO and refreshed our leadership team, we took this opportunity to update our ambitions and how we will deliver them.

Following a decade of significant growth where we integrated over 20 acquisitions, we have established two platforms in GB and Ireland and increased revenue over six times. While our existing platforms offer opportunities for further bolt-on transactions, we believe that the Breedon operating model is replicable in other jurisdictions. Therefore, our vision is now to be a leading, vertically-integrated international construction materials group.

GROWTH	PROFITABILITY	CASH FLOW	FINANCIAL DISCIPLINE	RETURNS	DIVIDEND
Revenue	EBIT Margin	FCF Generation	Leverage	ROIC	Payout Ratio
Outperform Our Markets	12%–15%	>50% FCF Conversion	1x–2x	>10%	40%

3–5 years

Our strategy is designed to create sustainable value for all our stakeholders over the long term and that has not changed. How we go about that is subtly evolving. We have three strategic priorities: embed a culture of sustainability, optimise our assets and processes, and expand our geographic footprint and product portfolio. All our strategic decisions are now viewed through the lens of sustainability and governed by our disciplined financial framework to ensure our capital continues to be deployed appropriately.

To reflect this stage in our lifecycle, the updated financial metrics on page 10 reflect how we will measure our progress against our strategy.

READY FOR THE NEXT CHAPTER OF GROWTH

Breedon has a long and established track record of growing through disciplined capital allocation. We have a capable and proven leadership team supported by an experienced and committed workforce, operating a well-invested portfolio of assets. The building blocks for our next chapter of growth are in place.

Our strong Free Cash Flow generation and responsible balance sheet management provides the financial flexibility to pursue organic investment opportunities, bolt-on acquisitions and larger platform transactions. As we scan the horizon, our primary focus will be on aggregates-led opportunities and downstream targets that enhance the pull-through of our aggregates and cementitious assets, growing volumes and enhancing margins at every stage of the process.

Organic investment will remain core to our capital allocation model, focused on maximising the productivity of our existing assets and sustaining our reserves and resources. For instance, our ambitious capital expenditure plans increased to £170m for the two-year period 2021 to 2022 to facilitate organic growth and take advantage of the UK Government's superdeduction capital allowance.

We are always in conversation with independent quarry operators about assets which to that would enable us to in-fill our current geographic footprint or add product or capability. We see a number of assets comparable in scale to the Cemex acquisition, which would now be considered a bolt-on transaction.

When considering larger, transformational transactions, any move to add a third platform will be measured and subject to clear criteria as we seek to replicate the Breedon model internationally. We are progressing these plans with the appointment, in January 2022, of a Business Development Director for North America, which we see as the most likely location for a third platform.

We will focus on markets with good long-term growth prospects, robust legal systems, reliable planning regimes and benign local cultures with minimal political risk. We intend to take our time to find the right business to build on and that will enable Breedon to be as successful in the next decade as it was in the last.

OUTLOOK

Breedon is maturing. Our people, processes and systems have been tested during the pandemic and have barely missed a beat. This commendable team effort has delivered record revenue of over £1.2bn and our balance sheet is in a strong position to support our expansion plans.

As I look to the future, we are successfully navigating the supply chain pressures and effectively recovering input cost increases, benefiting from our established hedging policy and local business model. The demand environment is supportive with long-term commitments from policy makers to fund infrastructure and construction, and forecasters predicting mid-single digit growth in 2022. We are confident that Breedon will continue to deliver profitable, cash generative growth in the coming years.

Rob Wood
Chief Executive Officer
9 March 2022

SUSTAIN

EMBEDDING A CULTURE OF SUSTAINABILITY

Operating a sustainable business is one of our highest priorities and the lens through which all strategic decisions must pass.

- Breedon has a long history of taking positive actions to embed a culture of sustainability and ensure the long-term success of our business model.
- We are focused on sustaining the operating capability of our business through strategic replenishment and targeted reinvestment in the asset base.
- Our customers increasingly seek the best sustainability practices in their supply chain partners to help them, in turn, achieve their own sustainability goals.
- We have developed a sustainability framework, focusing on our most material areas of impact. We have introduced a range of measurable performance indicators to drive our sustainability performance, increasing transparency and disclosure.

PROGRESS DURING THE YEAR

- We developed a sustainability framework intrinsically linked to our company vision, purpose and strategy.
- Three key themes were recognised that are important to our stakeholders: Planet, People and Places, underpinned by our fundamental operating principles.
- We committed to credible new targets and KPIs, grounded in reality, with clear steps to drive improvements and ensure we achieve our aim of making a material difference to our colleagues, customers and communities.
- We collaborated with the industry by building on our membership of the Global Cement and Concrete Association, increasing the transparency of our metrics and enhancing our disclosures and reporting.
- A health, safety and wellbeing review was conducted, revitalised our vision, launched our 'Home safe and well' campaign and recommenced our VFL safety visits.

⊕ **For more detail on our sustainability strategy and progress see pages 39-57**

FUTURE PRIORITIES

- Now we have established the base lines for our sustainability framework and set credible new targets, our focus will be on capturing and analysing high-quality data from across the business to ensure the framework delivers value.

KPIs

- Emissions intensity
- Employee LTIFR
- Employee TIFR

⊕ **For more detail on our KPIs, see pages 26 to 27**

RISKS

- Climate change
- Digitalisation
- Environmental impact
- Failure of a critical asset
- Health, safety and wellbeing
- IT and cyber security
- Legal and regulatory
- People

⊕ **For more detail on our risks, see pages 58 to 64**

WE ARE CREATING SUSTAINABLE SOLUTIONS

MEETING CUSTOMERS' NEEDS WITH RECYCLED ROAD SURFACE IN-SITU

In July, we resurfaced a two-kilometre stretch of road for Fife Council using the innovative process of in-situ road surface recycling. The process involved the pulverisation of the existing carriageway on-site, with the addition of a small amount of cementitious powder to bind the layer, typically 2% of total materials. The recycled and hydraulically bound material was laid through a paver, forming a rejuvenated and strengthened base over which a new asphalt surface could be laid.

This environmentally responsible and cost-efficient process resulted in a structurally sound road for our customer, completed 60% faster than other repair methods, creating less local traffic congestion and the faster return of the road to use. CO_2 emissions were reduced by 30% compared to conventional treatments with 450 fewer truck movements over the project life, less landfill and lower transportation costs, creating long-term value for the Planet, People and Places.

30%
REDUCED CO_2 EMISSIONS

450
FEWER LORRY MOVEMENTS

60%
FASTER CONTRACT COMPLETION

OPTIMISE

OPTIMISING OUR BUSINESS

We are a trusted and credible custodian of scarce reserves and resources, delivering continuous improvement to drive efficiencies of scale and increase utilisation of our assets.

- In an industry where the supply of new reserves and plants is limited by restrictive planning practices, it is vital we carefully manage the finite and valuable resources and assets under our ownership.
- Our processes are continually refined to maximise the value of every tonne of material we quarry and manufacture.
- Our land management process employs proprietary technology to ensure we have long-term visibility and a strong pipeline of reserves and resources. We achieve this through disciplined quarry acquisition and development, coupled with a culture of operational and commercial excellence.
- We fully integrate acquired assets and apply Breedon best practice to extract maximum synergies and ensure our operations remain competitive.

PROGRESS DURING THE YEAR

- Following the Cemex acquisition, we have implemented Breedon best practices where appropriate and increased targeted capital investment to promote productivity and asset utilisation.
- We reopened dormant quarries in both GB and Ireland including the Shap quarry in Cumbria which is rail-linked and provides high-quality materials to regions where upcoming projects will generate incremental demand.
- In Ireland a number of quarries were reactivated and additional reserves were secured on lands adjoining active quarries, increasing the self-sufficiency of our downstream operations.
- Groundworks commenced at Llandudno Junction, allowing Welsh Slate by-product to be shipped by rail to other GB locations, creating a saleable product from an otherwise redundant resource.

FUTURE PRIORITIES

- Continuous improvement is embedded in our culture and we increasingly seek innovations and technological advancements to deliver progress. Our practices, processes and systems are geared towards generating value as efficiently as possible, with particular regard to our responsibility as stewards of the land we operate.

KPIs

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

⊕ **For more detail on our KPIs, see pages 26 and 27**

RISKS

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

⊕ **For more detail on our risks, see pages 58 to 64**

WE ARE MAXIMISING RETURN AND MINIMISING WASTE

OPTIMISING OPERATIONS AT ACQUIRED SITES

The acquisition of the former Cemex assets in 2020 significantly expanded our UK footprint, adding 170m tonnes of reserves and resources. By applying Breedon best practice alongside targeted investment, we were able to extract additional value from these outstanding assets.

At Hyndford quarry in Scotland, we reactivated dormant assets and trialled new blends to minimise waste and maximise return. By efficiently mixing slow-moving products (infill sand and dust) with concrete sand we created a suitable blend to meet excess local demand, increasing saleable product by 40%. By combining upcycled equipment with new plant, we created a higher quality material which required fewer labour hours and lower fuel consumption to produce, adding flexible scalability to the process.

Embedded in the Breedon ethos is the intention to maximise ownership of our assets and their utilisation. Upon acquisition, Hyndford quarry used hired trucks and plant to transport materials. With a small capital investment, we replaced trucks with modified conveyor belts, reducing airborne dust and removing the need for over 10,000 heavy machinery movements. These simple improvements produced health and safety benefits, reduced fuel consumption by 50,000 litres per annum and replaced contractors with automation. As a consequence, the project payback was less than a year with an evident boost to team morale.

40%
INCREASE IN SALEABLE PRODUCT

50,000 litres
REDUCED FUEL CONSUMPTION PER YEAR

<1 year
PAYBACK ON INVESTMENT

EXPAND

EXPANDING GROWTH THROUGH MULTIPLE ROUTES

We have a variety of routes to grow the business.

- Organic growth opportunities arise through sophisticated reserves and resource management, perpetual optimisation of all assets, vertical integration into adjacent operations and innovation.
- Developing new products from downstream opportunities and additional routes to market for our core aggregates products.
- Bolt-on acquisitions expanding into under-represented regions and adding capability.
- Strategic deals such as a third platform, replicating the model internationally.

PROGRESS DURING THE YEAR

- The integration of Cemex, which brought in approximately 170m tonnes of mineral reserves and resources and over 600 colleagues, was completed and is on track to achieve targeted synergies of approximately £2m per annum.
- Following the integration of Cemex, the focus was on investing appropriately to ensure maximum productivity.
- In June 2021 we acquired Express Minimix, specialising in small loads of ready-mixed concrete, extending the reach of this service.
- In Ireland, we increased reserves and resources by reactivating dormant quarries, extending existing assets and acquiring a new quarry in County Kerry. In GB, we replenished our mineral reserves and resources. to maintain our asset base.
- As we start to evaluate international markets beyond GB and Ireland, we appointed a Business Development Director for North America in January 2022.

FUTURE PRIORITIES

- Over the past decade Breedon has complemented acquisitions with organic growth. While the market has undergone considerable consolidation over that period, opportunities still remain to extend the reach of our assets further in GB and Ireland.
- Our Surfacing business will target strategic highways and local road maintenance frameworks, increasing the pull-through of our aggregate materials and maximising asphalt plant utilisation.
- Overseas expansion will be focused on countries with robust legal systems, reliable planning regimes and benign local cultures with minimal political risk and where our operating model can be effectively deployed.

KPIs

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

⊕ **For more detail on our KPIs, see pages 26 and 27**

RISKS

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

⊕ **For more detail on our risks, see pages 58 to 64**

EXPRESS MINIMIX ACQUISITION

The acquisition of Express Minimix in June 2021 complemented our existing mini mix business. By adding a fleet of 25 mixer trucks specialising in small loads of ready-mixed concrete we expanded the geographic reach of our fleet distribution, drawing additional materials from our local quarries and increasing utilisation of our ready-mixed concrete plants.

25

MIXER TRUCKS

WE ARE EXPANDING OUR BUSINESS

REACTIVATING DORMANT QUARRIES IN IRELAND

Planning authorities typically restrict the supply of new reserves, being more sympathetic to requests for reserve extensions. When Breedon acquired Lagan in 2018 the business had five active quarries. Since then, three dormant quarries have been reopened with a further two quarries in active planning processes to secure permission to reopen. In addition, we have acquired or contracted additional resources on adjoining lands to existing quarries. Through these actions we have increased the self-sufficiency of our downstream asphalt and surfacing operations in Ireland.

3

QUARRIES REACTIVATED IN IRELAND

FINANCIAL FRAMEWORK

FINANCIAL FRAMEWORK GOVERNING OUR GROWTH STRATEGY

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

- Breedon's growth has been delivered through acquisitions and organic activities. Our financial framework sets out how we will allocate capital to sustain our balanced growth profile.
- The framework prioritises sustainable growth and responsible leverage, focusing on return on capital investment and profitability, while ensuring a strong balance sheet that gives us flexibility.
- The capital allocation process considers end-market demand in various scenarios. Potential investments are evaluated in the context of our holistic portfolio priorities to generate sustainable stakeholder returns and promote an optimal capital structure.
- Investment is a differentiator at Breedon. Our disciplined approach enables us to drive profitable growth, converting a high proportion of our earnings to cash. This supports rapid debt reduction following an acquisition and facilitates the payment of a progressive dividend.

PROGRESS DURING THE YEAR

- We successfully diversified our sources of finance, reducing our reliance on the bank lending market and allowing us to move to unsecured lending facilities. Our inaugural US Private Placement offer was significantly over-subscribed, enabling us to extend the maturity profile of our borrowings at competitive rates.
- Following the Cemex acquisition, the Group was able to degear rapidly, reducing Covenant Leverage from 1.9x in 2020 to 0.8x in 2021, significantly earlier than we had expected.
- We implemented a two-year capital investment plan, emphasising projects with sustainability credentials, to take advantage of the UK Government's corporation tax superdeduction scheme.
- At our Capital Markets Event we published a set of financial metrics aligned to our strategy, translating our aspirations into measurable targets.
- For more detail on our financial outcomes, see the CFO's review on pages 34 to 38.

FUTURE PRIORITIES

- Our capital structure will continue to be optimised for strategic optionality and balanced growth.
- We will remain disciplined, targeting Covenant Leverage of between 1x to 2x in the long term, with the possibility of moving outside that range for compelling acquisition opportunities that have a clear path to deleveraging.
- As the Cemex integration continues to deliver incremental returns and our accelerated investment plans produce results, profitability will grow towards the target margin range.

KPIs

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

⊕ **For more detail on our KPIs, see pages 26 and 27**

RISKS

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

⊕ **For more detail on our risks, see pages 58 to 64**

WE ARE INVESTING FOR PROFITABLE GROWTH

ASPHALT PLANT INVESTMENT INCREASES OUTPUT, REDUCES ENVIRONMENTAL IMPACT

The existing Mansfield asphalt plant has a well-established customer base and leading market share across the East Midlands. However, at over 25 years old it was due to be decommissioned. During 2021, we approved a £6.5m investment in a new asphalt plant that offers roughly 33% greater output with additional fuel source options, enabling a more cost-effective process. With an emphasis on sustainability, the new plant will use up to 50% recycled asphalt and diversify feed stocks, enabling the use of outputs from more local quarries, thereby reducing road haulage and the associated environmental impacts.

£6.5m
INVESTMENT

33%
INCREASE IN PLANT OUTPUT

UP TO
50%
RECYCLED ASPHALT

OUR MARKETS

WE ARE SUPPLYING STRUCTURALLY ATTRACTIVE MARKETS

We are a leading heavyside construction materials supplier in GB and Ireland where we benefit from increasing Government infrastructure spending plans and robust residential and building markets. Our products are used to build essential economic and social assets in structurally attractive end-markets with broad Government support and long-term pipelines.

IRELAND

National Development Plan

INVESTMENT PACKAGE OF

€165bn

2021–2030

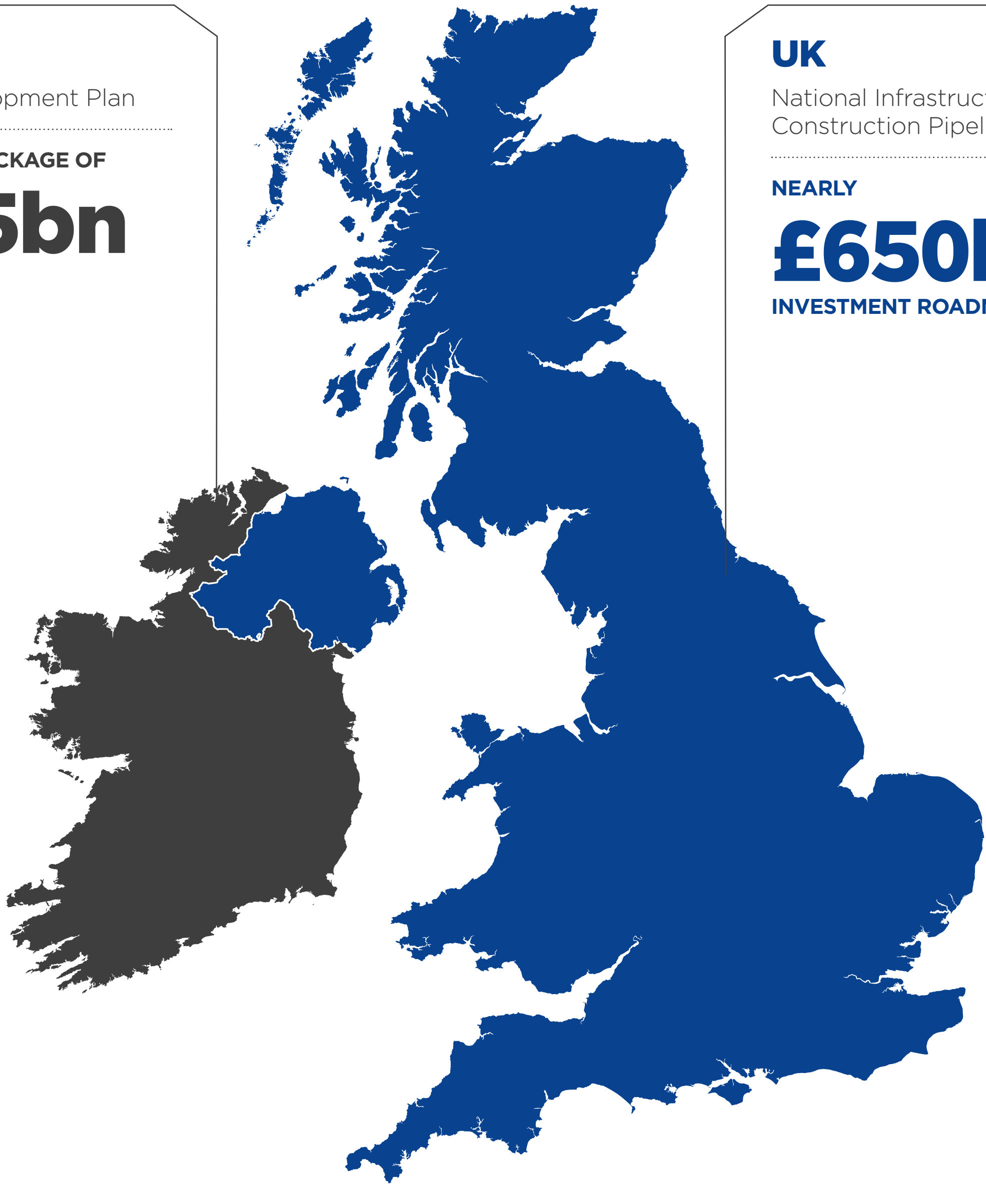
UK

National Infrastructure and Construction Pipeline

NEARLY

£650bn

INVESTMENT ROADMAP TO 2030



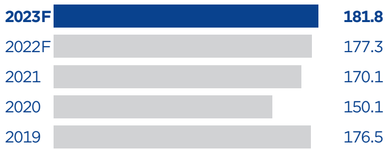
UK

Investment in infrastructure is widely considered to contribute positively to productivity and economic growth. Infrastructure spending as a percentage of GDP in the UK has been below the levels seen across the EU for many years. This underinvestment has been acknowledged by the UK Government, which it committed to address through the publication of its National Infrastructure Strategy in November 2020.

Government capital expenditure on infrastructure is rising and is expected to reach £100bn in the fiscal year ending 2022, £30bn higher than in 2020. The analysis of the National Infrastructure and Construction Pipeline, published in August 2021, revealed nearly £650bn of projected public and private investment over the coming ten years, of which c.£400bn is in the planned pipeline with over £200bn to be invested by fiscal year 2025.

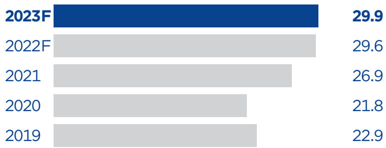
The outlook for the residential construction market in the UK remains supportive, with an estimated deficit of up to one million homes caused by housing starts falling short of household formations over the past three decades. In response to the pandemic the UK Government introduced temporary measures to support the housing market, which extended until September 2021. Furthermore, the Help to Buy scheme was extended to the end of March 2023 and to all home buyers rather than just first-time buyers. Given the average age of the housing stock in the UK, with over 50% of homes being over 100 years old, there is an ongoing need for repairs and improvements.

UK CONSTRUCTION OUTPUT
£bn



+5%
over 4 years

UK INFRASTRUCTURE OUTPUT
£bn



+30%
over 4 years

Our Cloud Hill limestone quarry in Derbyshire produces ready-mixed concrete and asphalt, and processes recycled road surfaces

OUR MARKETS CONTINUED

IRELAND

The outlook for our core markets in RoI is positive as the state prepares to accommodate the additional one million people expected to be living there by 2040. The Government's relaunched National Development Plan outlines over €165bn of public investment by 2030, to deliver sustainable economic growth and improve environmental and social outcomes, bringing public investment in RoI to 5% of GNI, well above the EU average of 3% of GDP. A large proportion of this spend is targeted directly at infrastructure investment in roads, airports and ports where Breedon has an excellent track record for delivery and service.

Residential construction is expected to stay buoyant. The most ambitious housing plan in RoI's history, published in September 2021, contained a series of actions to double housing output over the next five years, supported by more than €4bn of annual Government funding. Euroconstruct forecasts housing starts of 35,000 by 2023, but with demand expected to average 33,000 homes per year, and following an extended period of underinvestment, significant pent-up demand will persist for some time.

In the first half of 2021, Ireland's construction industry was severely impacted by the prolonged lockdown in response to the pandemic. However, the sector recovered strongly in the second half to deliver construction output growth of 3% for the year, reflecting the strong GDP growth of nearly 15%, the fastest pace seen across Europe. Short-term disruptions aside, RoI construction market remains robust.

IRELAND CONSTRUCTION OUTPUT
€bn

2023F	**29.1**
2022F	26.7
2021	24.6
2020	24.0
2019	25.1

+16%
over 4 years

IRISH GOVERNMENT CAPITAL EXPENDITURE
€bn

2023F	**11.6**
2022F	11.1
2021	10.3
2020	9.8
2019	7.4

+57%
over 4 years

Our bitumen plant at Dublin Port is one of nine terminals in Ireland and services our asphalt and downstream surfacing operations in the Dublin area

VOLUMES BOUNCE BACK

Recovery in demand started in the second half of 2020, continued through the first half of 2021 and remained positive into the year end, leading to a strong bounce back in 2021.

As the economy recovered from the effects of the pandemic and the vaccination programme took effect, volumes in the first half surged. While demand remained positive in the second half, as the industry began to lap the impacts of the pandemic, growth rates began to normalise. With disruptions to the supply chain affecting the availability of fuel and HGV drivers, growth rates moderated in the fourth quarter with volumes in 2022 and 2023 forecast to rise but at a slower pace. Volumes of aggregates rose 16% while asphalt volumes increased 12% and ready-mixed concrete volumes increased 14%.

AGGREGATES GB MARKET

million tonnes

2023F	195.8
2022F	190.1
2021	183.3
2020	158.6
2019	177.2

+16% in 2021

ASPHALT GB MARKET

million tonnes

2023F	24.8
2022F	24.0
2021	23.3
2020	20.7
2019	22.7

+12% in 2021

READY-MIXED CONCRETE GB MARKET

million m^3

2023F	16.3
2022F	15.8
2021	15.3
2020	13.4
2019	16.4

+14% in 2021

CEMENTITIOUS GB MARKET

million tonnes

2023F	
2022F	
2021	
2020	13.0
2019	15.2

Note: Cementitious market volumes for 2021 will be published in late 2022. Forecasts for 2022 and 2023 are not available.

ENCOURAGING OUTLOOK

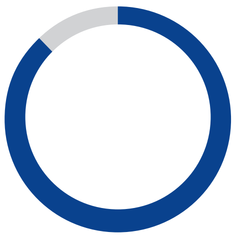
Our markets are characterised by steady growth and pricing power over the cycle. The prospects both in GB and Ireland in the medium to long-term are positive, with high levels of pent-up demand for our products.

Construction bounced back strongly in 2021, regaining the ground lost to the pandemic in 2020 as pent-up demand and supportive Government policies drove output. Forecasters predict further expansion in 2022 with a return to more normal rates of growth in 2023.

The CPA forecasts construction output growth of 4.3% in GB, while Euroconstruct expects total construction output will increase by 8.4% in RoI. Furthermore, the MPA expects UK volume growth of 3% to 5% for aggregates and asphalt, underpinned by demand from infrastructure projects such as HS2 and the road construction and maintenance programme. Although ready-mixed concrete demand has benefited from industrial projects such as distribution centres, it will be impacted by soft commercial construction where work has been skewed towards remodelling and re-purposing existing buildings. While concerns surrounding input cost prices and supply chain shortages persist across the economy, GDP growth forecasts remain robust with early signs of improvements in supply chain capacity emerging early in 2022.

We have successfully positioned our business to take advantage of these growth opportunities, particularly in infrastructure, housing and commercial, which together account for the majority of our end-use markets.

REVENUE BY END MARKET



UK **88%**

RoI **12%**

Infrastructure **c.50%**

Housing **c.20%**

Other **c.30%**

Sources: Construction Products Association, CSO, Euroconstruct, Government of Ireland Budget 2022, Mineral Products Association, ONS.

Note: MPA product volumes reflect total market volumes for primary aggregates and MPA member volumes for asphalt and ready-mixed concrete.

BUSINESS MODEL

WE ARE VERTICALLY INTEGRATED AND ASSET-BACKED

ASSETS

1bn tonnes
RESERVES AND RESOURCES

2
CEMENT PLANTS

>320
SITES

c.3,500
COLLEAGUES

10
GB RAIL HEADS

£1.2bn
INVESTED CAPITAL

For more detail, see pages 02 and 03

CORE ACTIVITIES

VALUE ADD

AGGREGATES

CEMENT

ASPHALT

READY-MIXED CONCRETE

- Our asset-backed model is sustained by more than 100 quarries, ensuring the self-sufficiency of our vertically-integrated model.
- Our two cement plants produce in excess of 2m tonnes of cement annually.
- We extend our mineral reserves organically and by acquisition, replenishing our utilisation through long-term planning.
- The business depends upon securing planning consents for new reserves and extensions, which are granted sparingly. To achieve this, we maintain good relationships with local authorities, landowners and communities, and identify suitable opportunities to acquire new quarries and reserves where possible and to expand our cementitious business.
- This model enables a ready supply of raw material for our downstream operations.

- We have more than 170 ready-mixed concrete plants, supplying quality assured concrete, screed and mortar from an extensive network of batching plants.
- We operate in excess of 50 asphalt plants, all of which are quality assured and can supply all sizes of contracts from driveways to major trunk roads.
- Our joint venture with Capital Concrete, in which Breedon has a 43% interest, extends our nationwide footprint into the Greater London area, the UK's largest construction materials market.
- Our ready-mixed distribution business has the capability to supply a wide variety of construction projects from small loads to large infrastructure projects.
- Delivery of our products is enabled by our extensive rail network, large fleet of specialist vehicles and significant contingent of Breedon drivers.

We aim to maximise the return on every tonne of material we produce. Our vertically-integrated model provides valuable, margin-enhancing routes to market for our core mineral and cement outputs.

Whether we are extracting and processing aggregates or producing cement, our focus is on performing as sustainably, efficiently and cost-effectively as possible.

We rely on well-invested plant and smart utilisation, coupled with rigorous quality and environmental controls.

This ensures every tonne of material we produce is fit for purpose, whether its end use is as a raw material for asphalt, ready-mixed concrete, blocks or a host of other applications.

Our vertically-integrated business model offers us significant economies of scale, a high level of self-sufficiency and tight control over our costs. The model is asset-backed, ensuring the efficient supply of materials to our downstream activities.

The objective of our business model is to extract maximum value from every tonne of aggregates we quarry and every tonne of cement we produce, through the efficient manufacture and sale of a wide range of downstream products and associated services.

SURFACING

- Breedon's long-established surfacing business in GB is strategically located around nine regional hubs to service England and most of Scotland.
- In GB, Breedon's surfacing business benefits from its 37.5% investment in BEAR Scotland Limited, a leading integrated services provider in road maintenance, as a strategic partner on long-term contracts.
- In Ireland, where our surfacing operations benefit from framework contracts, the Lagan and Whitemountain brands have strong reputations, successfully delivering high-profile contracts such as airport runway and major trunk road resurfacing projects.
- Our surfacing strategy ensures the pull-through of additional aggregates volumes, enhancing margins without altering the conservative risk profile of the Group.

OUTCOMES

+33%
REVENUE GROWTH

10.8%
EBIT MARGIN

9.5%
ROIC

1.6p
DIVIDEND

59%
FCF CONVERSION

0.8x
COVENANT LEVERAGE

For more detail, see pages 34 to 38

The logistics of manufacturing and distributing cement and extracting, processing and transporting aggregates are complex and require great technical proficiency.

We invest heavily in optimising the efficiency of our manufacturing plants at every stage.

We innovate to ensure we produce higher-margin specialist performance mixes of both ready-mixed concrete and asphalt through close collaboration with our customers.

The success of our surfacing business can be attributed to judicious management of contracts and excellent service delivery.

OUR KEY PERFORMANCE INDICATORS

We use our KPIs both to measure our progress against our strategy and as risk monitors.

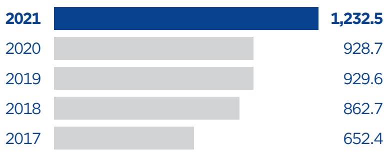
At our Capital Markets Event held in November 2021 we laid out our revised financial and non-financial commitments for our business. Accordingly we have taken the opportunity to refresh the Group's suite of Key Performance Indicators.

FINANCIAL KPIs

We have added a new financial KPI, dividend per share, following the introduction of a dividend in 2021 and our commitment to a progressive dividend policy. We have amended our Free Cash Flow KPI to track Free Cash Flow conversion and our Leverage KPI to track our Covenant Leverage which drives both the pricing on our RCF borrowing facility as well as our covenant compliance.

FINANCIAL KPIs

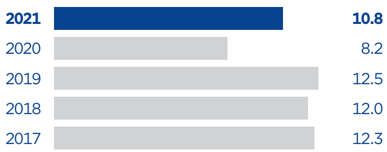
REVENUE
£m



Why we've chosen this measure
This metric tracks the Group's top-line growth.

How we've performed
Revenue increased significantly, rising ahead of pre-pandemic levels due to both robust volume demand, sales price inflation, and a full year of contribution from the Cemex acquisition.

UNDERLYING EBIT MARGIN
%

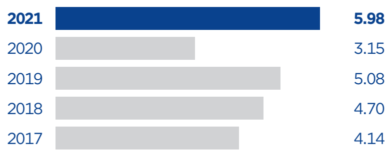


Why we've chosen this measure
This metric tracks changes in the relative profitability of the Group.

How we've performed
Our Underlying EBIT margin recovered in 2021 but remains lower than historic levels due to the near-term dilutive impact of the Cemex acquisition and input cost recovery lags.

Remuneration link
A component of this measure is used to determine award levels of our annual cash bonus.

ADJUSTED UNDERLYING BASIC EPS
pence

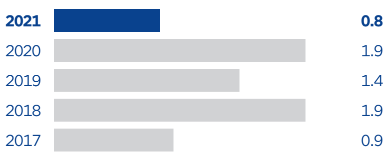


Why we've chosen this measure
This metric tracks changes in Adjusted Underlying Basic EPS for our shareholders.

How we've performed
Our Adjusted Underlying EPS increased following the recovery in earnings, and is comfortably ahead of 2019.

Remuneration link
This measure is used to determine elements of vesting levels in our performance share plans.

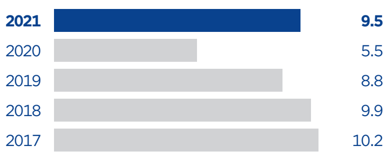
COVENANT LEVERAGE
times



Why we've chosen this measure
This is a key credit metric for our providers of debt finance which tracks the ability of the Group to maintain sufficient liquidity to service the needs of the business and determines the margin payable on our Revolving Credit Facility.

How we've performed
Year-end Covenant Leverage of 0.8x represents a significant de-gearing, reflecting the strong cash flow generation in the year.

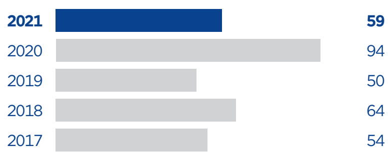
RETURN ON INVESTED CAPITAL
%



Why we've chosen this measure
This metric tracks how well the Group generates returns in relation to the average capital invested.

How we've performed
ROIC strengthened through the year to 9.5% and we expect to see further improvements as we work towards delivering our medium-term target of consistently delivering ROIC in excess of 10%.

FREE CASH FLOW CONVERSION
%



Why we've chosen this measure:
This metric tracks the conversion of Underlying EBITDA into Free Cash Flow, which is a key indicator that the Group is able to generate sufficient cash to support its capital allocation priorities.

How we've performed:
The performance in 2021 reflects strong working capital management despite the elevated levels of trading in the year, and exceeds our average cash conversion target of 50%.

NON FINANCIAL KPIs

We have amended our Reserves and Resources KPI to track the absolute level of Reserves and Resources across our business, and from 2022 we will report three additional non-financial KPIs which each relate to our 2030 sustainability targets:

1. Emissions intensity per tonne of cementitious product
2. People positively impacted by Breedon
3. Percentage of concrete and asphalt revenue derived from ECO products

DIVIDEND PER SHARE

pence

2021	**1.6**
2020	
2019	
2018	
2017	

Why we've chosen this measure

This metric tracks cash returned to shareholders through dividends.

How we've performed

We declared our first dividend in the year and have committed to a progressive dividend policy in future years.

Where a financial KPI is a non-statutory measure of performance, a reconciliation to the most directly related statutory measure is provided in note 29 to the Financial Statements.

NON-FINANCIAL KPIs

EMPLOYEE LTIFR

per million hours worked

2021	**2.19**
2020	1.95
2019	1.05
2018	1.81
2017	1.41

Why we've chosen this measure

This industry-standard metric tracks our health and safety performance and enables us to maintain a strong health and safety culture.

How we've performed

We were disappointed to see an increase in the LTIFR during the year, predominantly due to an increase in minor incidents.

Remuneration link

This measure is considered by the Remuneration Committee when determining the level of the annual bonus.

RESERVES AND RESOURCES

billion tonnes

2021	**1.0**
2020	1.0
2019	0.9
2018	0.9
2017	0.8

Why we've chosen this measure

This metric tracks the level of reserves and resources available to the Group.

How we've performed

We maintained our asset base at 1.0 billion tonnes, with consumption being offset by new reserves acquired by the Group. At current volumes, this equates to around 30 years of production.

EMPLOYEE TIFR

per million hours worked

2021	**15.57**
2020	15.42
2019	17.17
2018	20.54
2017	14.28

Why we've chosen this measure

This is a wider measure of our health and safety performance, which indicates the total injury frequency rate of the Group.

How we've performed

We delivered a performance in line with 2020 and will continue to work hard to reduce this measure.

Remuneration link

This measure is considered by the Remuneration Committee when determining the level of the annual bonus.

EMISSIONS INTENSITY

$kgCO_2e$ per £/revenue

2021	**1.6**
2020	1.7
2019	1.9
2018	
2017	

Why we've chosen this measure

This is a reporting requirement of the UK Government's SECR regime.

How we've performed

During the course of 2021, we undertook a number of energy efficiency actions to reduce energy consumption and carbon emissions across our business and this is reflected in the improved intensity figure.

The Cemex acquisition also reduces the carbon intensity of the Group through reducing the relative value of cementitious turnover.

Note: Reported for the first time in 2019.

GREAT BRITAIN

HIGHLIGHTS

- Demand continued to recover, leading to 40% reported revenue growth, a strong performance compared to the prior year.
- Input cost increases successfully recovered, achieving an Underlying EBIT margin of 8.8%, a 3.2ppt increase during the year.
- The Cemex acquisition was fully integrated with actions taken to implement Breedon best practice and enhance productivity.

REVENUE

£845.2m

UNDERLYING EBIT

£74.3m

GB's core strengths came to the fore during 2021, particularly our local operating model and entrepreneurial culture.

Our proximity to our customers and close commercial engagement with them, enabled us to take timely actions to maximise the value of our products and services while maintaining our high service levels, leading to exceptional year-on-year earnings growth.

STRUCTURAL GROWTH AND PENT-UP DEMAND

GB benefited from the gradual easing of Covid-19 restrictions and the release of pent-up demand, leading to a strong start to 2021. Growth remained robust through the year; positive structural trends in housebuilding and infrastructure spending supported demand.

Our Surfacing business benefited from large infrastructure projects and increased Transport Scotland spend on the Scottish trunk road network where our partner, BEAR Scotland, operates three of the four regional frameworks.

Volumes grew strongly, supported by the acquisition of Cemex, and we supplied 35% more aggregates, 37% more asphalt, and 29% more ready-mixed concrete than in 2020. Robust market conditions enabled dynamic price increases, leading to reported revenue of £845.2m (2020: £602.8m) which was an increase of 40% compared to the prior year.

INTEGRATING ACQUISITIONS

The integration of the well-located Cemex assets was completed during the year. The dormant quarry at Shap was re-opened, extending our rail network, and additional reserves were accessed at Wickwar.

Capital was invested strategically and is expected to improve productivity, efficiency and safety across the acquired portfolio.

The acquisition of Express Minimix expanded the distribution network of our ready-mixed concrete small loads business.

Like-for-like revenue increased 23% in 2021 compared to 2020. Looking through the impact from both the pandemic and acquisitions, like-for-like revenue increased by 15% compared to 2019, demonstrating the positive underlying growth in demand for our extensive portfolio of scarce mineral resources.

OPERATIONAL EXCELLENCE, IMPROVING MARGINS

The commitment from our production and commercial teams was outstanding during 2021. They navigated input cost increases and supply chain bottlenecks to deliver profitable volume growth, achieving an Underlying EBIT margin of 8.8%, 3.2ppt higher year-on-year but behind 10.3% reported in 2019. The difference reflected the near-term dilutive impact of the Cemex acquisition together with input cost recovery lags.

With our sites working hard to fulfil elevated demand, we experienced a small increase in total injuries, although the severity was reduced. We took action to re-invigorate our health and safety campaigns and prioritise our VFL safety visits.

SUPPORTING OUR CUSTOMERS' SUSTAINABILITY AMBITIONS

Our customers increasingly need to meet their own sustainability goals and seek help from their suppliers to do so. When our new rail head at Llandudno Junction is completed, it will enable us to bring our Welsh Slate secondary aggregates to new markets, extending the sustainability of this product and site. We are adding recycled asphalt handling facilities and reducing fuel emissions through the use of cleaner fuels while our land restoration activities are adding biodiversity objectives and alternative natural uses.

As the primary ready-mixed concrete supplier to the award-winning Boston Barrier flood prevention scheme, we supplied low-carbon concrete mixes utilising 70% cement replacement.

ENCOURAGING OUTLOOK

We expect that a robust construction market will continue to drive volume growth, underpinned by the structural growth trends in infrastructure.

In our Surfacing business, preparations are well-advanced for the National Highways Pavement Framework tender process and we are well positioned to benefit from the Transport Scotland Network Management Contract tendering process.

Our progressive hedging policy provides cost visibility for our commercial teams, allowing them to manage pricing discussions dynamically, facilitating full cost recovery. The synergies from the Cemex acquisition are expected to further enhance Underlying EBIT margins in 2022.

WE ARE MOVING OUR MATERIALS SUSTAINABLY

EXTENSIVE ROAD AND RAIL ASSETS COMPLEMENT OUR MINERAL RESERVES AND RESOURCES

Our extensive road and rail haulage infrastructure complements our mineral reserves and resources, enabling the transport of cement and aggregates across our network, feeding our asphalt and ready-mixed concrete plants for use in downstream products. We employ over 650 drivers across the Group, adding talent through training and apprentice schemes, and we engage a comparable size of fleet of owner-drivers.

Our new railhead at Llandudno Junction will enable us to convert the reprocessed by-product of Welsh Slate into a saleable product by facilitating its efficient transport to other parts of our rail network for use internally as well as to new and existing customers. With this most recent addition, our GB rail infrastructure will enable us to take more than 96,000 truck journeys* off the road, reducing fuel emissions and road congestion.

*Based on 2022 annual tonnage forecast, assuming an average articulated lorry payload of 26 tonnes.

TRUCK JOURNEYS REPLACED

>96,000

IRELAND

HIGHLIGHTS

- Reported revenue increased 19% for the full year as Ireland recovered well from the early restrictions to non-essential construction activity in the first half of 2021.
- Tendering activity increased throughout 2021; the NI Central Procurement Directorate framework was renewed to March 2025.
- Surfacing performed well, participating on high-profile projects including the runway at Cork Airport, completion of the N4 dual carriageway and the M50 Dublin Ring Road.

REVENUE

£225.4m

UNDERLYING EBIT

£28.2m

Our business in Ireland had a great year; we worked on some excellent projects that showcased our quality and reliability and we have more good projects in the pipeline.

The Ireland business benefits from a bedrock of long-term relationships with repeat customers, many of which are public authorities and multi-national civils contractors. RoI is preparing to accommodate the additional one million people expected to live there by 2040, with policies addressing infrastructure needs and the structural under-investment in the residential housing market. Together, these dynamics created the conditions for a healthy market in 2021.

RECORD REVENUE AND EARNINGS

Our operations in Ireland delivered record revenue and earnings in 2021. We produced materially more aggregates, increasing volumes 31% to 3.5m tonnes. During 2021, our ongoing commitment to expand our mineral reserves and resources led to the acquisition of a new quarry in County Kerry. We internally supplied more of our downstream operations, adding c.10m tonnes to our reserves and resources as we reopened dormant quarries or extended existing quarries.

Asphalt volumes were steady as surfacing contracts remained resilient and public authority customers shifted their budgets to focus on replacing street lighting with more efficient LED technology.

Consequently, reported revenue in Ireland increased 19% during 2021 to £225.4m (2020: £189.3m) and was predominantly delivered during the nine months that were unaffected by lockdowns, testament to the commitment of our teams.

A significant proportion of our work is for public authorities where we have good long-term working relationships, often through a framework structure. During the year we were pleased to be reappointed to the NI Central Procurement Directorate until March 2025. Our customers' budgets are frequently underpinned by Government spending programmes and many are index-linked to inflation and, therefore, protected from input price increases. Where we deliver large, long-term contracts such as the Dunkettle Interchange in Cork, we utilise our layered hedging policy to fix margins. As a result, we were able to fully recover costs during the year, leading to Underlying EBIT of £28.2m (2020: £20.5m), an increase of 38%, increasing the Underlying EBIT margin by 1.7ppt to 12.5%.

PROVEN TRACK RECORD FOR DELIVERY

We have an enviable track record for delivering complex projects on time and on budget. This enables us to secure high-quality, risk-managed services contracts with strong commercial partners. In the fourth quarter we completed the runway resurfacing works at Cork Airport, requiring the complex logistical co-ordination of plant, personnel and materials.

Increasingly, tenders come to market with a growing emphasis on quality and sustainability. With many of our projects involving the interaction of people and plant, a relentless focus on health and safety is required to sustain our licence to operate. Our safety record was maintained in 2021 and we continue to press for further improvements through training and investment in plant with additional safety features.

During the year we increased our focus on sustainability projects, installing additional recycled asphalt capacity with plans to extend our capability further in 2022. We maximised the recovery of waste materials for conversion to saleable products and have developed the use of a low-energy bound surface material, 'Foamix'.

OUTLOOK

In 2022, we expect growth rates to normalise. End market demand remains resilient, supported by a rapidly growing population and a fundamental shortage of residential housing. We remain close to our customers, and are encouraged to see contracts coming to market earlier, leading to a healthy pipeline of tenders.

We will continue to replenish our reserves and resources and increase the self-sufficiency of our downstream operations. We will retain our focus on recovering input costs through carefully structured contracts and layered forward hedges to maximise cost visibility, and maintain margins.

WE ARE MAKING IT HAPPEN FOR OUR CUSTOMERS

PROVEN TRACK RECORD FOR DELIVERY

Cork Airport is essential to the economy in the south of Ireland. In 2019 it welcomed 2.6m passengers, an increase of 8% on the previous year, and is the fastest growing airport on the island. The airport closed as part of a major programme of works to upgrade the infrastructure, with plans that included the reconstruction of the main runway during a ten week period between September and November 2021. Breedon, as a trusted supplier of the main contractor, Colas, was engaged to supply and lay 48,000 tonnes of asphalt and 4,000 tonnes of cement bound material during this narrow window. With airline schedules and customer bookings depending on our ability to meet tight deadlines, we replaced the 145,000m² ageing surface a week within the allotted time.

RUNWAY RESURFACED

145,000m²

CEMENT

HIGHLIGHTS

- Elevated demand throughout 2021, across GB and Ireland; delivered 25% revenue growth in the year.
- Operational impact of the pandemic minimised, supporting record production levels and alternative fuel use.
- Input cost increases mitigated to ensure profitable volume growth, delivering an Underlying EBIT margin of 16.9%.

REVENUE

£245.6m

UNDERLYING EBIT

£41.6m

2021 was an exceptional year for our Cement business. Structural growth dynamics and pandemic-related disruption led to significant pent-up demand.

End markets, from housebuilding and infrastructure to repair and maintenance, experienced elevated demand throughout the year while Government restrictions and pandemic-related measures challenged the production and delivery process. As a consequence, disrupted build schedules and a tight supply chain, coupled with increasing traction in major schemes such as HS2, provided the conditions for strong and profitable revenue growth.

DELIVERING PROFITABLE GROWTH

Our two cement plants delivered an outstanding performance, producing and distributing 2.4m tonnes of cement (2020: 2.0m tonnes). A significant proportion of the 22% increase was attributed to cement imported through our cement terminals to satisfy the high levels of demand. Buoyant trading conditions in 2021 enabled the Cement division to grow revenue by 25% to £245.6m (2020: £197.2m).

Tight supply conditions existed across the industry, leading to robust price increases. In 2021, the cost of carbon permits was offset by increasingly dynamic pricing.

While both our plants continue to maximise the use of alternative fuels and our fossil fuel requirements are reducing, coal and electricity remain a core input. In 2021, our forward hedging policy materially offset energy cost inflation enabling Cement to generate Underlying EBIT of £41.6m (2020: £31.7m) and increase the margin by 0.8ppt to 16.9%.

WORLD-CLASS PLANT PERFORMANCE

Our two well-invested plants delivered world-class performance. Both benefited from the diligent application of a rigorous safety and maintenance philosophy and the careful application of strategic investment, enabling both sites to drive continuous improvement in process and production.
Three planned kiln maintenance shutdowns were completed in the first half of 2021, on time and on budget (H1 2020: two, H1 2019: two). The normal schedule will resume in 2022 with two planned maintenance shutdowns in January and a third during the autumn.

The Hope plant marked 2021 as the third consecutive year where reliability exceeded 97%, with more than one month between kiln outages. Our Kinnegad plant, which operates on a lowest cost production strategy, replaced an average 75% of fossil fuels with lower carbon renewable alternative fuels, an improvement of 4ppt during the year, to extend its world-class performance.

Health and safety outcomes across both sites were exemplary and the team at Kinnegad were recognised at the 30th National Irish Safety Organisation/ Northern Ireland Safety Group annual safety awards. Both sites continued to promote health, safety and welfare, introducing innovative safety measures alongside wellbeing and healthy living initiatives.

FOCUS ON SUSTAINABLITY

We have been able to reduce carbon emissions through increasing the usage of alternative fuels. We will increase our use of alternative fuels still further to reduce our carbon intensity by 30% by 2030[1], while increasing the procurement of decarbonised energy.

Addressing the process emissions from production, where possible we will reduce the clinker element in our cementitious products. In 2021, we utilised over 120,000 tonnes of alternative raw materials and work continued on the Hope Alternative Raw Material system project, progressing planning permission and securing material reserves.

We are fully engaged in the development of Carbon Capture and Use or Storage and are collaborating with the HyNet project in the UK. We continue to evaluate new carbon reduction technology and are recruiting an innovation and development manager.

OUTLOOK

Demand from infrastructure is encouraging and supply conditions remain tight, supporting a robust and increasingly dynamic pricing strategy.

Our strategy is to hedge substantially all energy and carbon costs for at least one year in advance, with layered purchases extending up to three years, maximising the visibility for our commercial operations and providing near-term cost certainty to our business.

1 Based on 2005 baseline

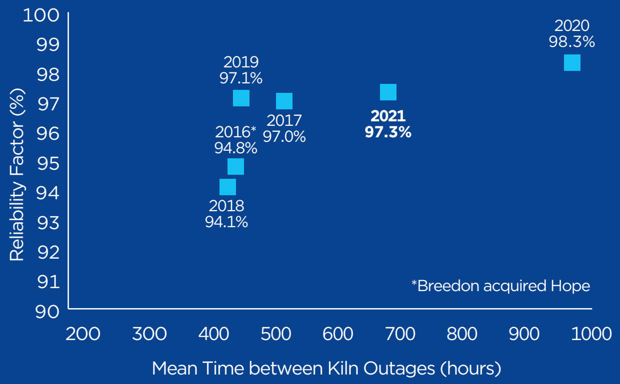
WE ARE OPTIMISING SUSTAINABLE PERFORMANCE

MARKET-LEADING RELIABILITY AT HOPE

Hope Cement plant delivered market-leading reliability performance, achieving over 97% for a third consecutive year and operated for longer periods between kiln outages. This exceptional achievement can be attributed to forward planning and a diligent maintenance philosophy.

RELIABILITY FACTOR

>97%



WORLD-CLASS FOSSIL FUEL REPLACEMENT

The focus on reducing our carbon emissions footprint with the use of alternative fuels is fundamental to the operating model at Kinnegad Cement plant. The plant utilised an average of 75% alternative fuels in 2021, at times achieving in excess of 80%.

ALTERNATIVE FUELS

75%

CHIEF FINANCIAL OFFICER'S REVIEW

WE ARE DELIVERING RECORD PERFORMANCE

BREEDON DELIVERED A RECORD PERFORMANCE IN THE FACE OF SIGNIFICANT HEADWINDS, WITH EARNINGS COMFORTABLY AHEAD OF 2019 LEVELS AND COVENANT LEVERAGE REDUCED TO 0.8X.

James Brotherton
Chief Financial Officer

In 2021 we delivered a record performance advancing Revenue and Underlying EBIT to levels comfortably ahead of 2019, with strong organic growth and sustained cash generation taking our Covenant Leverage below 1.0x, around a year ahead of our expectations.

We achieved this record performance in spite of the restrictions in place in certain locations in the first half of the year, and input cost inflation which steadily increased through the year.

Revenue for the year at £1,232.5m increased by 33% compared to 2019 (£929.6m), with the like-for-like increase of 15% attributable to both strong product volumes over 2019 and sales pricing actions.

The charts on page 36 show the significant recovery in volume demand for the majority of our products. On a like-for-like basis compared to 2019, aggregates volumes were up 12%, asphalt volumes up 20% and cement volumes up 14%, with a large proportion of the increase relating to cement imported through our terminals to satisfy the high levels of market demand. Ready mixed concrete volumes decreased by 1% as we closed a number of less profitable plants.

We delivered a record earnings performance, with Underlying EBIT of £133.6m, up £17.0m or 15% on 2019 (£116.6m). On a like-for-like basis, Underlying EBIT increased by £6.9m or 6% on 2019 with each Division contributing to the improved performance.

Underlying EBIT margins recovered to 10.8%, significantly ahead of 8.2% reported in 2020 but behind 12.5% reported in 2019. This margin differential to 2019 is attributable to the near-term dilutive impact of the Cemex acquisition and input cost recovery lags.

As outlined at the Capital Markets Event in November 2021, over the medium term we expect to generate an Underlying EBIT margin of between 12% and 15%, achieved through the delivery of improved operating performance and cost synergies from the Cemex acquisition, alongside the organic returns from our capital investment programme.

Note:
Comparative values are primarily given relative to 2019 as the more relevant trading comparator given the impact of the pandemic on the 2020 results.

REVENUE AND UNDERLYING EBIT

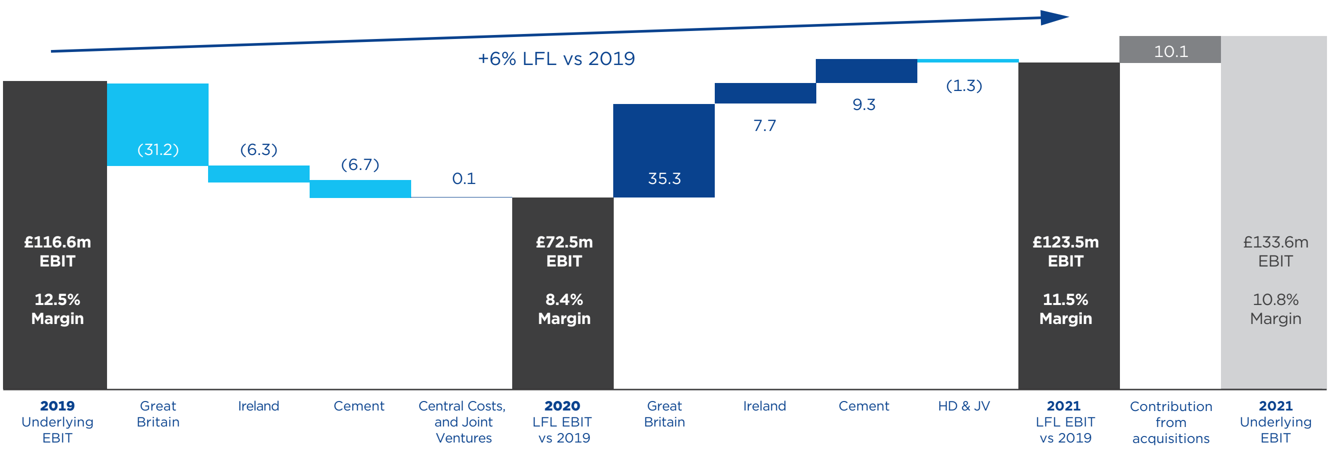
	2021		2020 (restated)*		2019 (restated)*	
	Revenue £m	Underlying EBIT** £m	Revenue £m	Underlying EBIT** £m	Revenue £m	Underlying EBIT** £m
Great Britain	**845.2**	**74.3**	602.8	33.5	597.9	61.7
Ireland	**225.4**	**28.2**	189.3	20.5	202.0	26.8
Cement	**245.6**	**41.6**	197.2	31.7	203.6	37.4
Central administration	**–**	**(13.4)**	–	(10.9)	–	(10.9)
Share of profit of associate and joint ventures	**–**	**2.9**	–	1.7	–	1.6
Eliminations	**(83.7)**	**–**	(60.6)	–	(73.9)	–
Total	**1,232.5**	**133.6**	928.7	76.5	929.6	116.6

* Comparatives for 2019 have been restated to reclassify certain cement-related activities between GB and Cement Divisions. See Financial Statements note 2 for details.

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

LIKE-FOR-LIKE UNDERLYING EBIT PROGRESSION – 2019 TO 2021

£m



INPUT COSTS AND HEDGING STRATEGY

Input cost inflation had a significant impact on our results, with energy (gas and electricity), fuels, bitumen and the cost of carbon emission permits under both UK and EU ETS schemes all increasing materially during the year. This cost price volatility is expected to continue into 2022.

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

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

Although elements of cost volatility are mitigated in the near term through this layered hedging policy, the general cost environment has required a correspondingly more dynamic approach to pricing, which has progressed across all our core products, albeit with a lag, to recover these additional costs.

NON-UNDERLYING ITEMS

Non-underlying items in the year amounted to a pre-tax cost of £6.2m (2020: £14.9m), the major items being amortisation of acquired intangible assets and integration costs relating to the Cemex acquisition.

INTEREST

Finance costs in the year totalled £13.1m (2020: £13.5m) and included interest on the Group's debt facilities and lease liabilities, amortisation of bank arrangement fees, and the unwinding of discounting on provisions.

Following the successful refinancing in 2021, approximately 40% of the Group's available facilities are at fixed rates of interest, with the remainder floating relative to SONIA or EURIBOR as appropriate.

PROFIT BEFORE TAX

Profit before tax was £114.3m, 21% above 2019 (£94.6m). Underlying profit before tax was £120.5m, 17% above 2019 (£102.6m).

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

TAX

The Group recorded an Underlying tax charge at an effective rate of 16.1% (2019: 16.9%), which in absolute terms equated to £19.4m (2019: £17.3m).

We recognised a non-cash deferred tax charge of £17.3m to re-measure our deferred tax liability at a higher tax rate, following the UK Government substantively enacting legislation to increase the future rate of corporation tax to 25% from 19%. This charge has been presented within the Underlying column of the Consolidated Income Statement as a separate line.

The statutory reported tax charge was £35.7m (2019: £16.6m).

The Group complied effectively with its stated tax strategy, and continues to make a significant contribution to the economies in which we operate through taxation, either borne by the Group or collected on behalf of, and paid to the tax authorities. In 2021 the total taxes borne and collected by the Group amounted to c.£210m (2020: c.£160m and 2019: c.£175m). This included the planned repayment of £12.6m of VAT which had been automatically deferred by HMRC in 2020, following which no pandemic-related tax deferrals remained outstanding.

EARNINGS PER SHARE

Statutory Basic EPS was 4.65p (2019: 4.64p), while Underlying Basic EPS, for the year totalled 4.96p (2019: 5.08p).

Adjusted Underlying Basic EPS, calculated using Underlying earnings and adjusted to exclude the impact of the £17.3m charge recognised in respect of deferred tax rate changes, was 5.98p (2019: 5.08p).

There are no significant dilutive instruments held by Breedon, with the only adjustments made in calculating diluted EPS metrics relating to employee share option schemes.

RETURN ON INVESTED CAPITAL

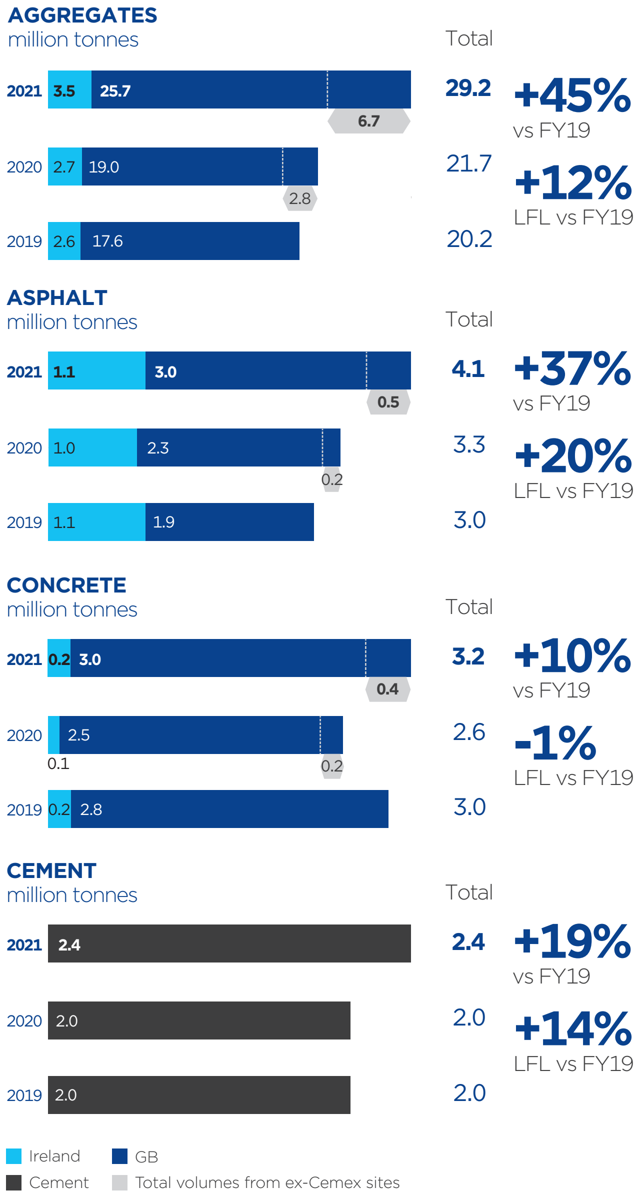
Using average invested capital, ROIC strengthened through the year to end 2021 at 9.5% (2019: 8.8%), and we expect to see further improvements as we work towards delivering our medium term target of consistently delivering ROIC in excess of 10%.

STATEMENT OF FINANCIAL POSITION

Net assets at 31 December 2021 were £949.8m (2020: £888.4m). Total non-current assets of £1,317.7m (2020: £1,339.2m) were broadly in line with the prior year with no indications of impairment identified in our review by CGU of Goodwill held on the balance sheet. In 2021 we formally included considerations of the impact of climate change on the carrying value of goodwill and further details of this are set out in note 9 to the accounts. Current assets were higher than December 2020 as a consequence of the elevated levels of trading in the year.

Total liabilities decreased year on year, principally due to the lower level of interest-bearing loans and borrowings at the 2021 year end, partially offset by the increase in our deferred tax liability (as detailed in the Tax section above) and increases in provision balances due to refined assumptions around the likely future cost of restoration activities.

YEAR-ON-YEAR CHANGE IN VOLUMES



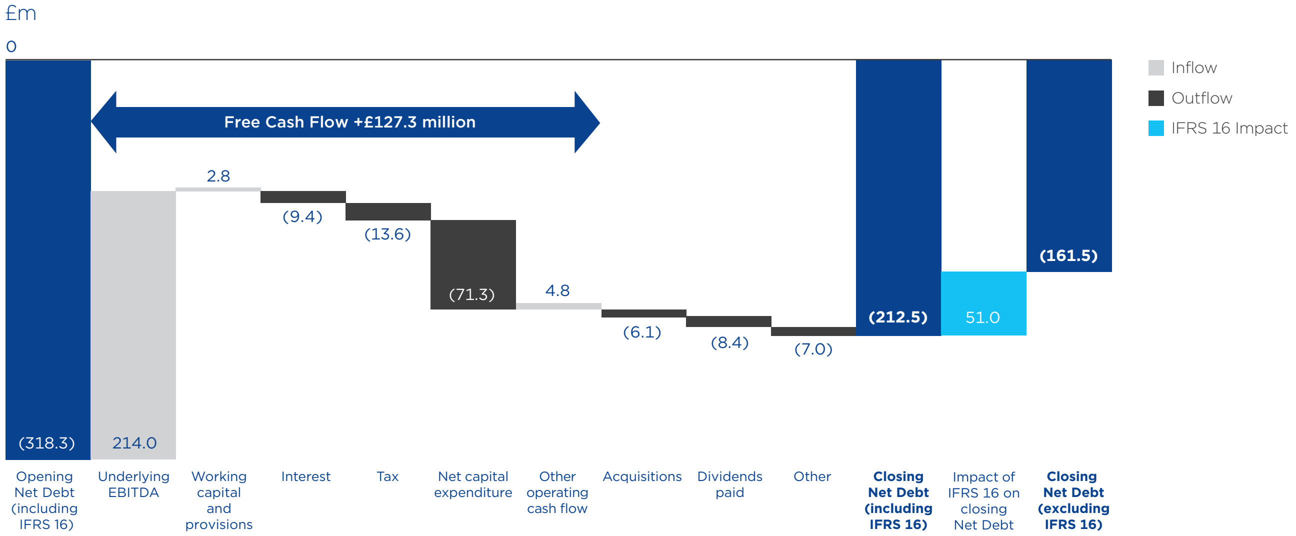
Note: Reported percentage movements are based on non-rounded data

FREE CASH FLOW

We generated £127.3m Free Cash Flow (2020: £140.0m) while significantly increasing capital investment and carefully managing working capital during a period of elevated trading activity. Net capital expenditure of £71.3m (2020: £36.4m) comprised capital investment of £76.9m offset by £5.6m of proceeds from specific asset disposals.

Our intention remains to invest an incremental £30m over and above our pre-existing plan, across 2021 and 2022, essentially self-financed over the two years through the beneficial cash flow impact of the superdeduction available on UK capital investment in this period.

2021 NET DEBT MOVEMENT



FREE CASH FLOW CONVERSION

Free Cash Flow conversion for the year, defined as the ratio of Free Cash Flow to Underlying EBITDA, was 59% (2020: 94%). This is in line with historic cash conversion and exceeds our average cash conversion target of 50%.

ACQUISITIONS AND DIVESTMENTS

Spend on acquisitions was £6.1m (2020: £169.6m, primarily relating to the Cemex acquisition). This comprised a net £2.1m to acquire Express Minimix with the remaining £4.0m being the settlement of deferred consideration from previous acquisitions.

NET DEBT

At 31 December 2021, Net Debt (excluding IFRS 16) was £161.5m (2020: £265.2m) and our Covenant Leverage was 0.8x (2020: 1.9x). Net Debt (including IFRS 16) was £212.5m (2020: £318.3m).

This de-leveraging demonstrates the highly-cash generative nature of the Group combined with the sustained recovery in earnings.

BORROWING FACILITIES

During the year, we successfully completed the refinancing of our business, allowing us to move to unsecured lending facilities, diversifying our sources of credit and extending the maturity profile of our borrowings, all at competitive rates. This gives Breedon significantly greater financial flexibility and provides us with a strong platform to continue to invest and deliver future growth.

The Group's borrowing facilities now comprise a £350m RCF and a £250m USPP.

The RCF is a multi-currency facility with an accordion option of up to £70m. The RCF is available to the Group until June 2024 with an option to extend for up to a further two years, with initial interest rates at a margin of 2% plus SONIA or EURIBOR according to the currency of debt drawn.

The USPP is the first issued by the Group, and comprises £170m Sterling and £80m drawn in Euro, with an average fixed coupon of approximately 2% and a maturity profile of between 7 and 15 years. The USPP was significantly oversubscribed by prospective investors, reflecting the Group's strong credit profile.

The borrowing facilities are subject to Group leverage and interest cover covenants which are tested half-yearly.

The Group maintains a strong liquidity position and at 31 December 2021, total undrawn borrowing facilities available to the Group amounted to £350m.

DIVIDEND

Reflecting the Group's scale, level of maturity and cash generation, we intend to pay a dividend of 1.6p per share in respect of the 2021 financial year, equating to a total cash return to shareholders of approximately £27m. This equates to a payout ratio of 27% of Adjusted Underlying EPS.

An interim dividend of 0.5p was paid on 10 September 2021 and, subject to shareholder approval, the remaining 1.1p will be paid as a final dividend on 20 May 2022.

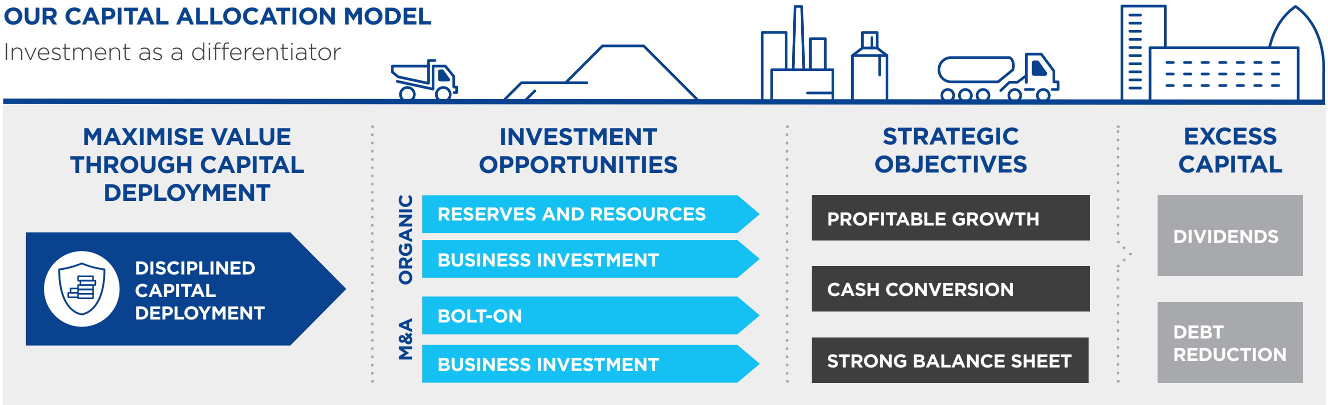
In starting to pay a dividend, we remain confident that this will not compromise the Group's ability to execute on our strategic objectives and Breedon's capital allocation priorities remain unchanged. We will continue to prioritise the strong balance sheet that allows us to invest in our asset base such that our business is able to take advantage of market opportunities and will pursue selective acquisitions in order to accelerate our strategic development.

Assuming continued positive trading conditions and cash generation, the Group intends to adopt a progressive dividend policy that targets a payout ratio of 40% of Underlying EPS over time.

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

OUR CAPITAL ALLOCATION MODEL

Investment as a differentiator



TAX STRATEGY

The Group's tax strategy is to comply with all relevant regulations, whilst managing the total tax burden and seeking to maintain a stable effective tax rate. We seek to achieve this through operating an uncomplicated group structure.

We endeavour to structure our affairs in a tax efficient manner where there is commercial benefit in doing so, with the aim of supporting investment in the business and our capital expenditure programmes. Our tax affairs are administered in a way which follows both the spirit and letter of the law, and we aim to ensure that our actions do not adversely impact our reputation as a responsible taxpayer, including through seeking to declare profits in the place where their economic substance arises and not using tax havens or artificial structures to reduce tax liabilities.

The parameters which govern the Group's approach are set by the Board, which regularly reviews the Group's tax strategy.

The Board and Audit & Risk Committee are kept informed of all material developments relating to the Group's tax position. The Group Tax Manager oversees tax compliance activities on a day-to-day basis and reports to senior management.

There is an integrated approach to governance across the business through management control, policies, procedures and training. Risks inherent in the calculation, collection and payment of tax are mitigated by documented policies and procedures.

On an annual basis, the Group carries out a review for the purpose of complying with the UK Senior Accounting Officer legislation.

We take appropriate tax advice and support from reputable professional firms in relation to any tax planning considerations. We are open and transparent in our dealings with the tax authorities in the UK and RoI and deal with any queries in a timely and open manner and on a full-disclosure basis. In areas of complexity, we proactively engage with tax authorities.

The Group has a Prevention of Facilitation of Tax Evasion policy. This confirms both our zero tolerance approach to acts of criminal facilitation of tax evasion and our commitment to act fairly, professionally and with integrity in all our business dealings.

CAPITAL ALLOCATION

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

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

2022 FINANCIAL GUIDANCE

In 2022, we are on track to realise our synergy target of £2m on the Cemex acquisition, alongside organic improvements. Net interest expense will be c.£13m and we expect an effective tax rate of c.16% with cash tax payments lower than the effective rate as a result of the UK superdeduction scheme.

We expect working capital to experience the normal seasonal outflow in the first half of 2022, with an overall modest outflow of £10m–£20m for the full year. In line with our commitment to accelerate investment in the business, capital expenditure will be £170m over the two years to 2022. The cash cost of the 2021 final dividend will be £18m and will be paid in the first half of 2022.

James Brotherton
Chief Financial Officer
9 March 2022

WE ARE BECOMING MORE SUSTAINABLE

Breedon's purpose is to make a material difference to the lives of our colleagues, customers and communities, recognising that our products are essential to economic livelihoods and to the development of healthy living and working spaces for everyone.

Over the past 12 months we have embedded our Group Sustainability strategy, creating a new framework that focuses on our most material areas of impact, and is intrinsically linked to our company vision, purpose and strategy. Our framework is built on the materiality assessment conducted in 2020 which identified 21 key topics that were of importance to our stakeholders. The three key themes that encompass these material topics are: Planet, People and Places, underpinned by our fundamental operating Principles.

We have committed to credible new targets that are linked to remuneration incentives and introduced a range of KPIs that are grounded in reality, with clear steps to drive improvements and published a roadmap to show our Cement Division's decarbonisation journey towards achieving net zero by 2050. We increased the transparency of our metrics and enhanced our levels of disclosure, reporting voluntarily in line with the TCFD framework on page 65. We plan to build on our TCFD reporting in 2022 and to consider additional, recognised Sustainability Reporting Standards.

We continue to work with our customers to develop innovative solutions to mitigate the impacts of climate change and we are collaborating across the industry, through our memberships of the GCCA and the MPA. With baselines and targets now in place, our focus for 2022 will be on establishing methodologies to measure our impacts, and on improving data collection, quality and reporting, to ensure our sustainability framework continues to deliver value.

In taking this approach we ensure that a consideration for sustainability is effectively embedded into our organisation, so that we can achieve our aim of making a material difference to our colleagues, customers and communities.

	PLANET	PEOPLE	PLACES
PILLAR	Making a material difference to the environment ⊕ For more detail, see pages 40 to 47	Making a material difference to society ⊕ For more detail, see pages 48 to 51	Making a material difference to the built environment ⊕ For more detail, see pages 52 to 54
2030 TARGET	**30% reduction in gross carbon intensity per tonne of cementitious product**	**Positively impact more than 100,000 people**	**50% of our concrete and asphalt sales revenue from products with enhanced sustainability attributes**
MATERIAL FOCUS AREAS	**Climate change, energy and carbon reduction** **Responsible resource use and waste reduction** **Positive impact on nature and biodiversity**	**Develop and empower a diverse workforce** **Positive impact on the communities in which we operate**	**Products and services that deliver higher performance, resource efficient buildings and resilient, low impact infrastructure** **Collaboration to develop innovative solutions to help customers mitigate impacts of climate change**

UNDERPINNED BY FUNDAMENTAL OPERATING PRINCIPLES

⊕ For more detail, see pages 55 to 57

- HEALTH, SAFETY AND WELLBEING
- GOOD GOVERNANCE
- ETHICS AND COMPLIANCE
- QUALITY
- STAKEHOLDER ENGAGEMENT

PLANET

OUR AIM IS TO MAKE A POSITIVE MATERIAL DIFFERENCE TO THE ENVIRONMENT

OUR APPROACH ADDRESSES KEY ENVIRONMENTAL FOCUS AREAS:

- Carbon and energy reduction.
- Responsible resource use and waste reduction.
- Creating a positive impact on nature and biodiversity.

OUR NEW TARGET IS TO ACHIEVE A 30% REDUCTION IN GROSS CARBON INTENSITY PER TONNE OF CEMENTITIOUS PRODUCT BY 2030.

WE HAVE KPIs IN PLACE MONITORING:

- Increasing use of alternative fuels to replace fossil fuels.
- Reducing product clinker content through increasing the use of existing and new supplementary cementitious materials.
- Reducing energy consumption per tonne of product.
- Reducing transport emissions per tonne of product.
- Increasing materials reused and/or recycled.
- Reducing mains water use per tonne of product.
- Achieving ISO 50001 at all key sites by the end of 2023.
- Implementing published Biodiversity Action Plans at our top 20 sites by 2025.

MEETING THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Our water management activities contribute towards SDG 6

Our use of renewable energy and waste energy sources contributes towards SDG 7

Our efficient use of resources and our use of by-products, recycled materials or waste-derived resources as alternative fuels and raw material sources contribute towards SDG 12

Our energy efficiency and carbon reduction actions contribute towards SDG 13

Our biodiversity management activities contribute towards SDG 15

RELATED RISKS

- Climate change
- Environmental impact
- Input costs
- Legal and regulatory
- Environmental impact
- Mineral reserves

⊕ **For more detail on our risks, see pages 58 to 65**

PROGRESS HIGHLIGHTS

ENERGY
kWh/tonne of core products

2021	**68.3**
2020	75.0
2019	84.5

YOY IMPROVEMENT[1]

9%

EMISSIONS INTENSITY
$kgCO_2e$/tonne of core products
(Scope 1 and 2)

2021	**44.2**
2020	47.2
2019	54.8

YOY IMPROVEMENT[1]

6%

EMISSIONS INTENSITY BY REVENUE
$kgCO_2e$/£ revenue
(Scope 1 and 2)

2021	**1.6**
2020	1.7
2019	1.9

YOY IMPROVEMENT[1]

7%

GENERAL WASTE DIVERTED FROM LANDFILL

94%

KINNEGAD ALTERNATIVE FUEL RATE INCREASED TO

75%

TREES PLANTED IN 2021

c.25,000

1 Percentage improvements are based on non-rounded data

CARBON

We are committed to achieving net zero by 2050. Our focus on climate change reflects the increasing importance to our stakeholders alongside a clear political will for change as seen through COP26.

With the escalating cost of carbon emissions allowances in both the UK and EU markets, there is not only a societal and environmental driver but also a strong financial driver to reduce energy and fuel use and the associated emissions.

Achieving net zero by 2050 will require significant collaboration across the wider construction, energy and transportation sectors, and we are working on this together with our fellow members of the GCCA and the MPA.

The principal contributor to our carbon emissions is our Cement business. Decarbonising these process emissions is a challenge the whole industry faces and we are working collaboratively on this. Focusing on both our cement plants we have a new target to achieve a 30% reduction in the gross carbon intensity per tonne of cementitious product by 2030. Our baseline for this target is 2005, the first operating year following the commissioning of our Kinnegad plant.

We have made significant improvements since the original 1990 baseline, with our Hope plant having effectively reduced its emissions by one-third for each tonne of cementitious product manufactured.

PHYSICAL IMPACTS OF CLIMATE CHANGE AND THE TRANSITION TO A LOWER CARBON ECONOMY

The Group has chosen voluntarily to adopt the TCFD disclosure recommendations. The identification, assessment and effective management of climate-related risks and opportunities are considered through the Group's Risk Management process, detailed on page 58.

The Group is in the process of finalising its modelling of specific climate scenarios and will include further detail on this in the 2022 Annual Report.

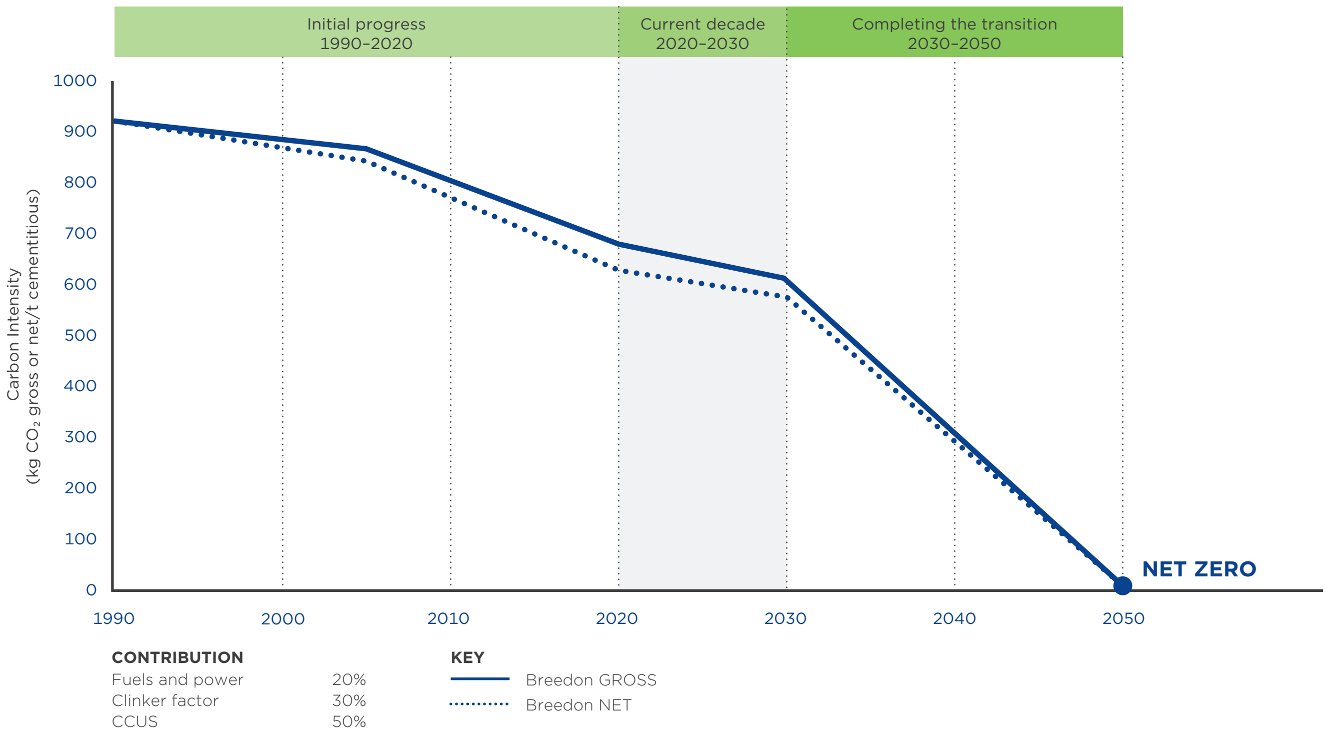
ROADMAP TO 2050

A high-level roadmap for the Cement business has been developed during the year.

In the short term, the focus remains on increasing waste-derived and biomass fuel usage in our kilns and reducing the clinker content of our cements.

In the longer term the role of CCUS is expected to be key to the full decarbonisation of our cement operations. This position aligns with the industry roadmap of the GCCA, and the recommendation of the UK independent Climate Change Commission, which sees CCUS as a necessity for the decarbonisation of certain industrial sectors. Therefore, we are fully engaged in the development of all aspects of CCUS implementation in both the UK and Ireland. We worked with Government agencies to determine how CCUS can be applied to dispersed sites such as our Hope plant in the Peak District, and are working closely with the HyNet project in the North West of England.

ROADMAP TO 2050



CONTRIBUTION	
Fuels and power	20%
Clinker factor	30%
CCUS	50%
Total	**100%**

SUSTAINABILITY CONTINUED

BREEDON GROUP ENERGY CONSUMPTION AND EMISSIONS 2021

By reporting segment	Great Britain	Ireland	Cement	Group Total 2021	Group Total 2020	Group Total % Difference
On-site combustion (MWh)	572,344	161,688	1,844,556	**2,578,588**	2,162,145	19.3%
Electricity (MWh)	120,151	16,073	243,637	**379,861**	313,690	21.1%
Road Transport (MWh)	89,102	6,127	17,567	**112,796**	76,481	47.5%
Energy (MWh)	781,597	183,888	2,105,760	**3,071,245**	2,552,316	20.3%
Process Emissions Scope 1 (tCO_2e)	n/a	n/a	1,098,517	**1,098,517**	912,515	20.4%
Scope 1 (tCO_2e)	165,274	41,266	523,535	**730,075**	566,554	28.9%
Scope 2 (tCO_2e) location based	25,511	4,216	56,812	**86,539**	79,567	8.8%
Scope 2 (tCO_2e) market based	–	–	–	**–**	–	–
Total (tCO_2e) location based	190,785	45,482	1,678,864	**1,915,131**	1,558,636	22.9%
Total (tCO_2e) market based	165,274	41,266	1,622,052	**1,828,592**	1,479,069	23.6%

By geographic location	Energy MWh	%	tCO_2e (inc. process)	%
UK	2,313,062	75%	1,410,045	74%
Rest of World	758,183	25%	505,086	26%
Total	**3,071,245**	**100%**	**1,915,131**	**100%**

Our total 'location-based' emissions for this period were 1.9 $MtCO_2e$ – an increase of 22.9% in comparison to 2020. The resultant emissions intensity is 1.6$kgCO_2e$/£ revenue – a reduction of 7% in comparison to 2020.

METHODOLOGY

The methodology applied to the calculation of Greenhouse Gas emissions is the GHG Protocol Corporate Accounting and Reporting Standard. We have applied an operational control boundary, and carbon conversion factors have been taken from UK Government GHG Conversion Factors for Company Reporting – 2021. Emissions are reported as CO_2e. Location and market-based electricity emissions have been reported, to reflect the fact that all of our electricity was purchased from renewable sources.

ENERGY USE AND GREENHOUSE GAS EMISSIONS

The table above shows the total annual energy use associated with the consumption of electricity, natural gas, all other fuels combusted on-site, and fuel consumed for relevant business transport purposes, for the period 1 January to 31 December 2021, and a comparison with 2020.

To provide a true reflection of our relevant emissions, this disclosure extends beyond the minimum requirement set by the regulations and includes direct process emissions associated with cement manufacture.

EMISSIONS INTENSITY

We have used a carbon intensity metric to express the emissions, for the purpose of establishing a baseline and for ongoing comparison. The intensity metric chosen is by £ revenue. Using our 'location-based' emissions total, the resultant emissions intensity is 1.6 $kgCO_2e$/£ revenue. This represents a reduction of 7% in comparison to 2020.

In 2021 we extended our internal reporting of emissions to include a sub-set of our Scope 3 emissions. As expected, due to our business primarily being the production of raw materials, our Scope 3 emissions are relatively low compared to Scopes 1 and 2 – less than 10% of our total emissions. To develop a greater understanding of the scale and impacts of our Scope 3 emissions, a review has been undertaken of the relevant Scope 3 emissions sources based on the 15 categories as defined under the GHG protocol. From this, we have identified five categories that are relevant or likely to be material and those emissions will be reported externally in future. We will continue to refine this process going forward.

INCREASING ENERGY EFFICIENCY

During the course of 2021, we have invested significantly in activities and equipment designed to reduce our energy consumption and carbon emissions. We have undertaken a number of actions across our business including:

- using more efficient motors, drives and pumps;
- switching fuel to lower carbon alternatives. Ethiebeaton switched fuel for its asphalt burner to a lower carbon fuel in place of gas oil;
- improving processes in our cement manufacturing plants resulting in significant carbon reductions;
- upgrading to low energy LED light fittings across the business;

- installing electric vehicle charging points and on-site renewable energy;
- conducting energy audits at sites. Lagan identified 97 energy-saving opportunities which will be analysed further for implementation in 2022;
- upgrading equipment. Ballystockart quarry upgraded the thickener tank at its wash plant, dramatically reducing the footprint required for settlement ponds and the energy required for pumps;
- introducing management systems. Wenvoe quarry introduced a management control reporting system resulting in a 20% improvement in energy efficiency in two months; and
- installing shelters. Cowieslinn quarry installed dust and asphalt sand shelters, keeping the material dry, reducing the energy required in the drying process.

In addition, all of our electricity is now purchased from renewable sources.

ALTERNATIVE FUELS

Our cement works continued to utilise high levels of waste-derived fuels in 2021, consuming over 160,000 tonnes during the year. This equates to around 75% of the process heat input from waste-derived sources for Kinnegad and around 33% at Hope.

Trials will be carried out during 2022 to achieve further improvements at both plants.

Longer term, we are monitoring the MPA's fuel-switching trials, with a particular emphasis on the potential to replace current fuels with hydrogen and plasma.

ALTERNATIVE RAW MATERIALS

The recycling of 'pit run' material at Rossmore quarry recovered 75,000 tonnes pa through washing the material contaminated by clay to separate the clay and gain reusable higher grade material. Washing of binding and dust material at Bweeng and Ballystockart quarries enabled us to recover 100,000 tonnes a year of useable product from what would have been a waste product.

ARMs are used at our cement works. In 2021 over 120,000 tonnes of ARMs were utilised and work continued on the Hope kiln feed ARM reception system project. This involved both additional work to progress the planning permission process, as well as securing material reserves suitable for the system once it is operational. The project is expected to take around 18 months to construct and commission.

TRANSPORT AND LOGISTICS

GB placed an order for 40 new HGV trucks in 2022 to replace ageing vehicles in the fleet. This is part of a rolling programme that replaces 10% of the GB businesses HGV fleet every year. By replacing these older trucks we will achieve a range of safety and sustainability-related benefits. The new safety features link to our Fleet Operator Recognition Scheme and deliver added benefits:

- MirrorCam – roof-mounted, rear-facing cameras that provide enhanced rear visibility and eliminate blind spots created by mirror housings; and
- Active Brake Assist 5 emergency braking technology that provides dramatically improved responses at speeds of up to 50 kph, applying full braking if a pedestrian is detected.

These vehicles will all be equipped with the new Euro VI engine that delivers:

- fuel savings of up to 6% compared to earlier models;
- ratings in line with International Euro VI emission standards;
- reduced AdBlue consumption of up to 40%;
- reduced maintenance costs and increased design life; and
- 67% reduction in Nitrogen Oxides emissions.

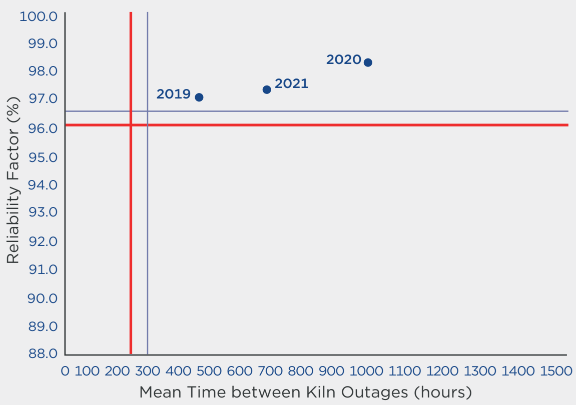
In 2021 we installed electric car charging points at a number of sites, supplied entirely by renewable electricity, significantly reducing the carbon emissions from our electric and hybrid company car fleet. We will invest in additional charge points at our key locations in 2022.

We continue to look for opportunities to shift the transportation of our materials off the roads.

The Mercedes Econic vehicle is at the forefront of driver, pedestrian and cyclist safety

HOPE ACHIEVES 'MASTERED PLANT' STATUS

In 2021 Hope cement works achieved 'Mastered Plant' status after implementing a disciplined maintenance schedule. An acknowledged cement-sector KPI, this is a combination of the kiln reliability factor and the mean time between failures.
This particular metric is one that stands out when evaluating plant performance and reflects that operational sites performing best across the globe achieve a kiln reliability factor of greater than 96% and a mean time between outages of greater than 250 hours – which Hope has successfully done for three consecutive years. Furthermore, those same plants generally have excellent cost control, high energy efficiency, the fewest product quality issues, excellent workforce engagement and strong records for health, safety and environmental performance. Hope plant has put great focus on this area and tracks plant performance using a 'crosshair' model, aiming to be consistently within the top right quadrant. Across the international cement industry, Mastered Plant status is rarely achieved for three successive years.



RESPONSIBLE RESOURCE USE

We have close to a billion tonnes of mineral reserves in the ground. These are finite natural resources and we want to manage these minerals responsibly, ensuring as little wastage as possible and encouraging a more circular approach in terms of reuse and repurposing.

MANAGEMENT OF ENVIRONMENTAL IMPACTS

Over 95% of our operational sites have been certified to the ISO 14001:2015 Environmental Management System standard.

A key requirement of the standard is business leadership to continuously assess and improve our environmental performance. Within GB, a dedicated internal IMS audit team has been established to ensure our sites are operating to the requirements of the ISO standards, and confirm compliance with all necessary legislation. In addition, there were 135 external audits of site environmental systems in 2021, resulting in less than one non-conformance identified on average.

The differing management systems from our historic Breedon Northern and Breedon Southern businesses were combined in 2021, which resulted in the publication of several new environmental standards to ensure consistency across the businesses.
A training package is being issued to relevant site management teams.

Fugitive dust emissions were the main type of incidents reported this year, and in the vast majority of cases dust was kept within the site boundary. Full investigations and shared learnings were completed to prevent recurrence at other locations.

Alpha Resource Management and Whitemountain both achieved independently verified recognition at the Business in the Community Environmental Benchmarking Survey. Alpha was the only Waste/ Environmental Service to achieve Platinum, and Whitemountain was the only company to achieve Platinum in the mining and quarrying sector.

The survey is a way for organisations to be recognised for their environmentally sustainable efforts and identify areas for future improvement, showing stakeholders the high level of dedication our company has to making our sites as sustainable and environmentally friendly as possible.

RESPONSIBLE MANAGEMENT OF NATURAL RESOURCES

We are enhancing our ability to supply increasingly environmentally responsible surfacing materials by adding to our RAP capacity and trialling methods that operate at lower temperatures.

Over half of Ireland's asphalt plants are now using a substantial amount of RAP with new capability installed at Kinnegad, Dublin and Temple and there are plans in place to install additional RAP capability in 2022.

In Scotland we have worked to increase the amount of materials that can use RAP with capabilities increased at Ethiebeaton and Orrock. Small trials have been run at Daviot, and Toms Forest has resolved access issues to enable the site to utilise RAP once again.

Trials have been completed on Warm Mix materials which are mixed at 150°C, lower than the more typical 170–180°C. Six plants are currently being upgraded to add these dosing systems, increasing our ability to supply our customers with Warm Mix.

At our Corby plant we are investing to enable the plant to recycle 50% RAP. This will reduce truck movements and associated CO_2 as we will no longer need to bring in aggregate materials from a quarry located over 150km away. Instead we can locally source RAP and preserve the life of our quarry that was previously feeding the Corby plant.

At Loak, we completed supply to the Luncarty to Birnam A9 dualling project, providing 400,000 tonnes of material to the works and saving an estimated 500,000km of HGV travel compared with the nearest alternative sources. During 2022, the quarry and depot will be restored back to prime agricultural land.

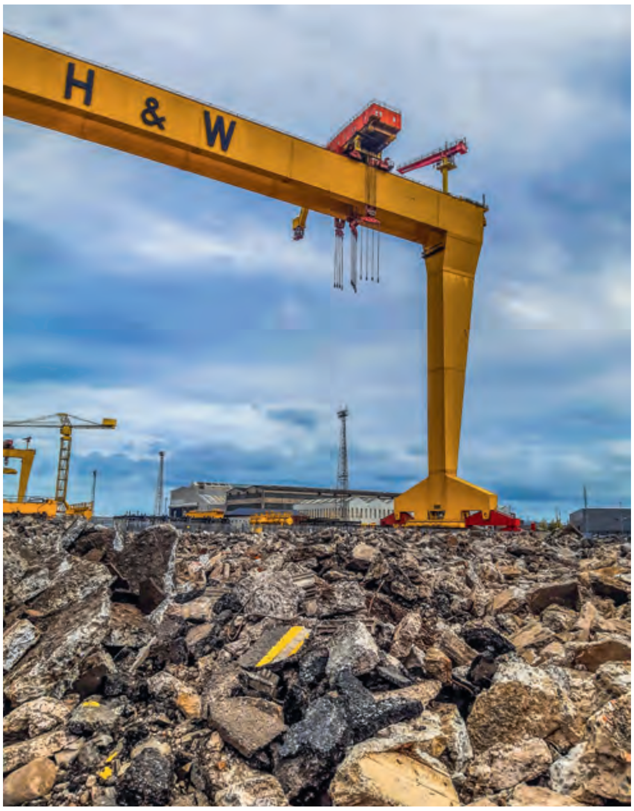
WASTE MANAGEMENT ACROSS THE DIVISIONS

Our sites investigate ways to minimise waste, reusing or recycling material where possible.

Whilst constructing the new Titanic Quarter Eastern Access Road, Whitemountain manufactured 10,000 tonnes of recycled aggregate from waste material excavated on site. A further 10,000 tonnes were recycled at Blackmountain quarry.

Washing and recycling of previously unsaleable material at Rossmore, Bweeng and Ballystockart quarries resulted in the recovery of over 170,000 tonnes of material.

Alpha Resource Management diverted 102,000 tonnes of high-quality waste materials from landfill to use in the capping engineering process.



10,000 tonnes of recycled aggregate was manufactured from waste material excavated at the Titanic Quarter Eastern Access Road project

WATER MANAGEMENT

Nearly a third of our sites in GB identified opportunities for improvements to water management in 2021. These included increased storage of run-off water for use in production to reduce mains water consumption; improvements to dust suppression systems; and increased focus on consumption levels leading to quicker leak detection and remediations.

An extra six plants have been added to the GB automated flow monitoring system to ensure greater visibility of the water flows and to track compliance with site licences.

Where automated meters are yet to be installed, site managers take manual meter readings and keep a record of water abstractions and discharge volumes to ensure compliance and to identify potential opportunities for improvements.

In order to further improve the quality of our mains water data, in 2022 most of the UK water supplies and trade effluent discharges to sewers will be managed through a single provider. This will allow greater analysis of water use and trade effluent discharge volumes to meet our sustainability goals.

Furthermore, Ireland plans to improve data gathering in 2022 by installing meters to monitor water discharge volumes and recycled water usage.

NATURE AND BIODIVERSITY

We are stewards of over 100 quarries and thousands of hectares of land. Quarries typically operate between 10-20 years, and some for hundreds of years, so we have a significant opportunity to enhance nature and biodiversity.

HABITAT CREATION ACROSS THE DIVISIONS

During 2021 our operations were involved in many projects to enhance biodiversity in and around our sites.

Habitat assessments including bird, dragonfly, otter and bat surveys have been undertaken across many of our sites, confirming the presence of red-listed Peregrine Falcons, Barn Owls, Kestrels, Red Kites and Meadow Pipits at several of our quarries.

Sand Martin nesting areas, Owl and Kingfisher nesting boxes, bug hotels and bat boxes have been installed at many of our sites and a new wetland habitat was created at Alpha Resource Management to support the local ecosystem and provide habitats for protected species such as dragonflies and newts.

Alpha Resource Management had 13,000 native trees planted, 1,600 willows at Bweeng and around 2,700 trees on the Northern slopes of Hope's limestone quarry. A further 7,500 trees, including Beech rose and Guelder rose, which are excellent pollinator-friendly tree species, were planted at Kinnegad cement works.

We participate in national projects such as the All Ireland Pollinator Plan, where Lagan has committed to carry out pollinator-friendly actions over the next five years. Working in partnership with organisations such as the Suffolk Wildlife Trust and the Derbyshire Wildlife Trust ensures that management plans are established at our sites, many of which are near Special Areas of Conservation or sites of Special Scientific Interest.

A new Biodiversity Standard has been developed for the Group. We have identified the key sites which would benefit from having BAPs and will put these in place during 2022.

HERITAGE

We frequently uncover significant archaeological finds at our quarries and in some cases provide funding to investigate the finds. Most recently Bronze Age and Iron Age prehistoric settlements were uncovered at our Loak Farm and Hyndford sites where we partnered with local archaeological experts to research and catalogue the finds.

Excavations at our Hope shale quarry uncovered remains of a Roman settlement that featured in the BBC programme, 'Digging for Britain'.

The Roman Settlement site excavations in the Hope Valley

Photo by Sam Devito

COMMUNITY AND PARTNERSHIPS

A Biodiversity Blitz was held at Wormit quarry, involving a number of colleagues, the local community and conservation enthusiasts in a biodiversity assessment of the site. The discovery of a number of Greyling butterflies, a species that has been declining in recent years, was of particular interest.

Wormit BioBlitz species count exercise underway

Whitemountain is committed to caring for the Belfast Hills and their people by working with the Belfast Hills Partnership. A total of 13,000 trees have been planted in a new woodland at Alpha Resource Management in the Belfast Hills – one tree for every young person who has taken part in their 'Bright Futures' project over the past six years. This new woodland, created with the help of the Woodland Trust, is a nine-hectare site at the Lisburn end of the Belfast Hills, owned by Whitemountain. The woodland will sequester over 3,000 tonnes of carbon and provide a rich habitat for local wildlife.

Belfast Hills tree-planting volunteers

PLANET: OUR AMBITIONS FOR 2022

- Establish 'Planet' working groups across our business Divisions.
- Carry out TCFD climate scenario analysis and use output to highlight risks, inform priority actions and highlight areas of investment.
- Expand the Scope 3 data collection and reporting to include additional categories.
- Extend the scope of the ISO 50001:2018 Energy Management System.
- Implement a range of energy-saving opportunities identified in the 2021 energy surveys and carry out further energy surveys.
- Improve the efficiency and utilisation of our owned fleet.
- Investigate alternative fuels for use in our quarry mobile plant to reduce our carbon emissions.
- Explore opportunities for renewables to be deployed at appropriate sites.
- Develop Environmental Sustainability training.
- Improve water data gathering by installing meters to monitor water discharge volumes and recycled water usage.
- Determine and begin the site construction for Hope's ARM facility.
- Complete development work on the Kinnegad reception systems to further improve alternative material handling systems.
- Further RAP additions to asphalt plants and continue to maximise recovery of materials.
- Improve waste generation data collection and prepare for UK-wide digital waste tracking service.
- Actively implement the Hope land management plan devised with the Derbyshire Wildlife Trust.
- Work with the Woodland Trust to identify additional planting areas.
- Complete BAPs for our key sites.

PEOPLE

OUR AIM IS TO MAKE A POSITIVE MATERIAL DIFFERENCE TO SOCIETY

OUR APPROACH ADDRESSES KEY SOCIAL FOCUS AREAS:

- Developing and empowering a diverse and talented workforce.
- Creating a positive impact on the communities in which we operate.

OUR NEW TARGET IS TO POSITIVELY IMPACT MORE THAN 100,000 PEOPLE BY 2030.

WE HAVE KPIs IN PLACE MONITORING:

- Improving diversity and inclusion.
- Increasing the number of apprentices and graduates.
- 30% of our colleagues volunteering one day a year to support the community by the end of 2022.
- Implementing Good Neighbour Plans at all of our key sites by the end of 2022.

MEETING THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

4 QUALITY EDUCATION — Our employee training and development activities and our STEM education activities contribute towards SDG 4

5 GENDER EQUALITY — Our equality, diversity and inclusion activities contribute towards SDG 5

8 DECENT WORK AND ECONOMIC GROWTH — Our employment of people, our procurement of goods and services, our training activities and our working conditions contribute towards SDG 8

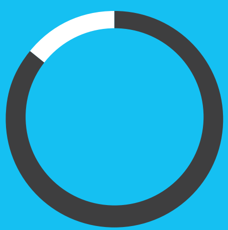
RELATED RISKS

- People
- Health, safety and wellbeing

⊕ **For more detail on our risks, see pages 58 to 65**

PROGRESS HIGHLIGHTS

GENDER SPLIT



Male **86%**

Female **14%**

GRADUATES AND APPRENTICESHIPS started in year

2021	**41**
2020	11
2019	17

GRADUATES AND APPRENTICESHIPS completed

2021	**15**
2020	16
2019	6

CHARITABLE DONATIONS

>£150,000

FIRST COHORT OF BREEDON'S GRADUATE PROGRAMME AND

26

ADDITIONAL APPRENTICES

>13,000

HOURS OF EMPLOYEE TRAINING

119

MANAGER AND SENIOR LEADER ROLES HELD BY WOMEN

Virtual induction

FOR ALL NEW EMPLOYEES

5%

INCREASE IN COLLEAGUE ENGAGEMENT

DEVELOPING AND EMPOWERING A DIVERSE, TALENTED WORKFORCE

We have c.3,500 outstanding people at the heart of our business and we need to attract, develop and retain even more talent to help us achieve our long-term goals.

We want our workforce to be representative of the communities in which we work. We have an excellent opportunity to make a positive impact on social value through:

- our direct employment of c.3,500 people;
- the graduates and apprentices we support;
- our focus on the health, safety and wellbeing of our people;
- our work with local, small- and medium-sized businesses; and
- our volunteering in schools and communities.

We have set a new target to positively impact 100,000 people by 2030. While this is stretching, it will drive us to set up a mechanism to record and quantify our impacts; to continually improve them; and enable us to communicate better to our stakeholders.

In addition to our social target there are further improvements we aim to make. We will continue to focus on a more diverse and inclusive workforce. With women making up just 14% of our workforce, improving gender diversity is a priority for us.

We intend to increase the number of apprentices from the 60 we currently have by focusing on the recruitment of operational apprentices including drivers. We will enable more of our colleagues to volunteer in the community.

RECRUITMENT, TRAINING AND DEVELOPMENT

We have developed our people agenda throughout the pandemic, recognising that our colleagues are at the heart of everything we do.

We accelerated the use of our digital platforms by modifying our recruitment processes and switching to live video interviewing for all positions, adapting interview techniques and questioning for candidates to showcase their best qualities. This has resulted in our successful recruitment of a number of key new roles, which supports our business growth agenda.

With our move to remote working, we launched a new online induction programme in January 2021, to ensure we introduced all candidates to the business.

We launched our first graduate programme in 2021 with 12 candidates joining us in October. The scheme is tailor-made to provide on and off the job development, along with a comprehensive support structure to allow graduates to become our leaders of the future.

We have maintained our apprenticeship numbers with our 2021 cohort seeing 37 apprentices join. This has been further enhanced with our urban driver apprenticeship programme, which has been running for a number of years, and has allowed us to mitigate the risks of a driver shortage within our industry.

As we adapted to new ways of working and learning during the pandemic, our training in a virtual world programme continued. We extended the reach and content of both our Management Development Programme and Commercial Development Programme, taking the total number of managers who have completed the programme to over 300 throughout 2021. We have also developed our e-learning content for all our colleagues across the business, which has been a huge success.

Many of our colleagues continued with learning programmes at Derby University, which were converted to entirely remote learning during the pandemic and were successful due to their efforts and perseverance. We remain willing to sponsor advanced learning for our colleagues, with 47 new enrolments in further and higher education programmes in 2021.

Early-year careers will remain our focus for 2022 where we will create more opportunities through our graduate and apprenticeship schemes. We will also continue to introduce ambassadors to work with schools and education institutes to encourage the younger generation to pursue STEM careers.

Welsh Slate partnered with Ysgol Dyffryn Ogwen School in the 'School Valued Partner' where a school partners with a local employer to work together on careers and the world of work activities.

ENGAGING WITH OUR COLLEAGUES

Engagement with our colleagues has been more important than ever through the pandemic.

We carried out our second colleague engagement survey in 2021, building on our results from 2019, reaching 69% engagement, a 5% increase on the last survey.

5%

INCREASE IN COLLEAGUE ENGAGEMENT

Areas of strength remain in health and safety, team working and line management support. For 2022, we have prioritised three focus areas for improvement, focusing on the way we communicate, our people, and our sustainability agenda, so that all colleagues can contribute and be involved.

We are starting to implement a broader focus on our engagement across the Group and have introduced several new local employee forums, which meet regularly and will be developed further in 2022.

Recognising that ongoing communication is essential, we have appointed a Head of Communications and developed a detailed communications strategy for the Group.

We distribute information through the Group's Intranet: the Hub and Yammer. In addition, we also provide senior briefings and presentations on the Group performance and strategy as well as annual and interim results. As part of our communications strategy, our focus for the year ahead will be to explore channels where we can engage with our geographically dispersed workforce.

Building on the feedback from the engagement survey, health, safety and wellbeing is a key focus area, and during the year we refreshed our occupational health initiatives so that they embrace mental as well as physical health.

Furthermore, at the end of 2021 we started a new 'Home Safe and Well' programme to raise awareness on how employees think, feel and behave when it comes to our health, safety and wellbeing. We aim to equip everyone with an understanding of why they take the risks they do and the role we all have to play in promoting good health, safety and wellbeing practices. This programme will continue in 2022, embedding a culture of looking after ourselves and each other, to ensure we all go home safe and well.

DIVERSITY

We are committed to being an inclusive and respectful employer that welcomes diversity and promotes equality. In 2021 we launched our new Diversity and Inclusion Policy, which forms an integral part of our induction process for all colleagues. We give full and fair consideration to all employment applicants. Recruitment, training, reward and career progression are based purely on merit and we seek to accommodate part-time, agile and flexible working requests.

Our graduate and apprentice's recruitment offers an excellent opportunity to nurture a more diverse workforce. We recognise the importance of a diverse and inclusive workforce that is fair and attractive to those wishing to pursue a career in our industry. This will be a key area of our focus.

GENDER SPLIT

To create opportunities within the sector, we focused on attracting women drivers as well as increasing the number of women in management and senior leadership roles to 119. See page 48 for the Group's gender split data. We are working to further increase the number of women in more senior roles through improved flexible working and clear development plans.

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MANAGER AND SENIOR ROLES HELD BY WOMEN

POSITIVE IMPACT ON COMMUNITIES

We wish to be a good neighbour to those communities near to our operational sites, always ensuring that we operate in a way that is compliant, ethical and responsible. We have set ourselves a target to implement good neighbour plans at all our key sites.

COMMUNITY ENGAGEMENT

Alpha Resource Management continues to improve public communication of its commitments to reduce its environmental impact, recently launching a website for neighbours and stakeholders in the area. The website includes information on our site operating process, environmental compliance, site news, and details of our grant funding available for community and biodiversity projects within a 15-mile radius of our site.

Hope cement works has a long history of active community engagement. Liaison committee meetings occur every quarter and colleagues frequently engage with community groups and societies. Highlights for 2021 include talks given to the U3A Sheffield group on cement, concrete and decarbonisation; to the local Hope Valley Climate Action Group on the topic of site biodiversity and rewilding; and to the Edale Village Society on the history and archaeology of the Hope cement works site. Hope cement plant also supported the delivery of a School's Climate Challenge, encouraging local school children to reflect on the actions that they and their families could take in order to reduce their overall impact on the environment.

Hope cement's management team volunteered to clear grounds at a local school in the Peak District

COMMUNITY IMPACT ACROSS OUR DIVISIONS

During 2021 many of our colleagues gave their time volunteering at local schools and community events. Hope's management team cleared the ground at a local primary school to create an outside educational space; Ballystockart quarry welcomed a group of around 20 children from the local primary school on an informative and instructive tour of the quarry; and colleagues at our Breedon on the Hill head office hosted the local primary school to raise awareness of safety risks in and around quarries and large vehicles.

Our colleagues took part in local charity fundraising, including Whitemountain raising £1,500 for Little Haven's Children's Hospice and Meningitis Now, and Lagan Asphalt contracts managers and supervisors walking 500km over three weeks for Mental Health Awareness.

Many of our sites donated materials to organisations and community groups, including 40 tonnes of aggregate from our Fife and Tayside quarry to the Royal Highland Show for a Children's Nature Trail; Sandstone blocks from Potton quarry for a community orchard; material from Powmyre to improve the local scout hut; and a 12 tonne armour stone block donated from Furnace and Bonawe quarries to the local community.

We used our skills and equipment to voluntarily improve local infrastructure, for example; Furnace initiating the resurfacing of a village road in association with Argyll and Bute Council; and confirming support of the GAA club in Ballinabrackey for a further seven years to assist in infrastructure improvements to benefit the community.

The Whitemountain Programme provides grant funding for community and biodiversity projects within a 15-mile radius of the Alpha Resource Management Non-Hazardous Landfill Site. Since its inception in 2007, over £9m of funding has been allocated to community and biodiversity projects to help achieve positive change in their community. In 2021, the programme supported 27 projects with grants of £799,918.

Primary school children visit Ballystockart quarry near Belfast

PEOPLE: OUR AMBITIONS FOR 2022

- Establish 'People' working groups across our business Divisions.
- Focus on early-year careers and introduce ambassadors to work with schools to encourage the younger generation to pursue STEM careers.
- Implement a colleague volunteering programme.
- Create more opportunities through our graduate and apprenticeship schemes.
- Ensure further development of local employee forums.
- Focus on our strategy to create a diverse, inclusive workforce that is fair and attractive to those wishing to pursue a career in our industry.
- Increase the number of women in managerial roles as well as attracting women drivers to ensure we are creating more opportunities within the sector.
- Implement Good Neighbour Plans at all key sites. Aim for two community activities per key site per year in Ireland.
- Establish a methodology, such as the National TOMS (Themes, Outcomes and Measures) framework, to enable us to capture and quantify our social value impacts.
- Focus on increasing the provision of social value measurements in Civil Engineering tenders.
- The following new non-financial KPI will be reported from 2022: People Positively Impacted.

PLACES

OUR AIM IS TO MAKE A POSITIVE MATERIAL DIFFERENCE TO THE BUILT ENVIRONMENT

OUR APPROACH ADDRESSES KEY PRODUCT AND SERVICE FOCUS AREAS:

- Products and services that deliver higher performance, resource-efficient buildings and resilient, low impact infrastructure.
- Collaboration to develop innovative solutions to help customers mitigate impacts of climate change.

OUR NEW TARGET IS TO ACHIEVE 50% OF OUR CONCRETE AND ASPHALT SALES REVENUE FROM PRODUCTS WITH ENHANCED SUSTAINABILITY ATTRIBUTES BY 2030

WE HAVE KPIs IN PLACE MONITORING:

- The proportion of revenue sales from ready-mixed, concrete and asphalt products that have sustainable attributes.
- The development of an 'Eco' brand.
- Increasing product labelling and transparency.
- Continuing research and development, innovation and trials.
- Increasing stakeholder engagement.

MEETING THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Our focus on innovation, research and development and our adoption of environmentally sound technologies and processes contribute towards SDG 9

11 SUSTAINABLE CITIES AND COMMUNITIES

Our collaboration and technical products and solutions enable sustainable infrastructure, housing and accessible public spaces contributes towards SDG 11

RELATED RISKS

- Product specification
- Market conditions

⊕ **For more detail on our risks, see pages 58 to 65**

PROGRESS HIGHLIGHTS

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INNOVATIVE PRODUCT TRIALS

BASELINE ESTABLISHED

25%

OF OUR CONCRETE AND ASPHALT REVENUE FROM PRODUCTS WITH ENHANCED SUSTAINABILITY ATTRIBUTES

WE HAVE PUBLISHED OUR FIRST

Environmental Product Declaration

PRODUCTS AND SERVICES FOR A SUSTAINABLE BUILT ENVIRONMENT

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

Our products are used to build homes, offices, schools, hospitals and roads, runways and reservoirs, all of which last for many decades. For this reason we produce high performance, resource efficient, resilient products that provide solutions for the future.

We recognise that as a customer it could be difficult to know which product is best suited for today or the future. Our aim is to help our customers understand how best to achieve their sustainable built environment goals.

We want to provide products that meet the required performance criteria which to that have the potential to be more durable, longer lasting and have a better performance or lower embodied carbon over their whole life.

We have set a new target to ensure that 50% of our concrete and asphalt sales revenue will be from products with enhanced sustainability attributes by 2030.

We will continue to find ways to reduce the clinker element in our cementitious products without compromising on quality.

PRODUCT INNOVATION ACROSS THE DIVISIONS

Our products are versatile, durable, recyclable, affordable and readily available. We only define our products as having sustainability attributes if they also offer further improvements or benefits, which usually equates to achieving the same performance but with lower embodied CO_2. For example:

- Several trials were conducted to develop a new bulk CEM II product utilising a high proportion of limestone that met the required standards and expected product performance. After 12 months of development, this product was manufactured and made available for use in November.
- We investigated the incorporation of secondary cementitious materials with a lower carbon footprint than clinker, such as calcined clays, into our products in the future.
- We are using Portland cement-free geopolymer concrete in a narrow range of applications for early-adopting customers.
- We worked with a major customer to create a new self-levelling, self-compacting cementitious screed. The manufacturing methodology used on this product enabled us to extend both our product portfolio and the geographical markets we serve.
- We conducted successful self-healing concrete trials in October 2021 with JP Concrete and Queen's University Belfast.
- Our Kingscourt brick works in Ireland trialled the use of recycled glass as a flux ingredient and replacement raw material.
- In conjunction with the Welsh Government, we developed a new asphalt product using slate as the base aggregate, which was subsequently certified for use on the road network.
- Following successful trials with a revolutionary new foam mix asphalt, Recofoam®, we completed four contracts with this new material in conjunction with BEAR Scotland, Eurovia and Transport Scotland.
- Lagan successfully trialled Warm Mix asphalt on the N54 Pavement Rehabilitation Scheme.
- Trials have commenced on the use of waste fines materials from Ballystockart quarry in Temple's asphalt plant. If successful, this will provide a new market for waste fines materials.

A new GB technical development and innovation centre will be operational during 2022 to bring quality and innovation to a new level.

PRODUCT TRANSPARENCY

We are fully engaged in work to drive changes in British Standards, to allow the safe use of a much wider range of more sustainable materials. Our research and development of innovative solutions can be worked up into performance-based specifications, either to build more flexibility into standards, or to allow more progressive and proactive product choices while waiting for standards to be updated.

We published our first EPD for the bricks produced at our Kingscourt brick works in Ireland and EPDs are currently in development for our cement products.

We engage with our customers to produce life cycle carbon self-assessments for our concrete materials. We are currently exploring the opportunity to put our products' carbon data directly on quotations and delivery tickets for customers to make informed decisions on the materials they purchase.

COLLABORATION FOR INNOVATIVE SOLUTIONS

In addition to the research, development and trial of new products, we search for opportunities to help our customers make the best product choices.

It is our goal to educate the market and influence technical standards and specifications to consider newer, more sustainable products.

COLLABORATION AND PARTNERSHIPS

We continue working on the challenge of achieving net zero together with our fellow members of the GCCA and the MPA.

We collaborate with universities throughout the UK and Ireland to develop new and innovative products using novel material and technologies.

We are involved in a UK Research and Innovation funded consortium looking at a novel form of stack gas analysis with Sheffield Hallam University.

Breedon Cement is actively engaged in initiatives, such as the TransFIRE Hub and the Transforming Foundation Industries Network+, that are collaborative, cross-sectoral, research consortia, aimed at directing academic research towards the challenges faced by sectors, such as cement, on their journey to net zero and beyond.

EARLY ENGAGEMENT

More than half of the Environment Agency's carbon currently comes from the construction of flood defences, canals and waterway schemes, which is the driver for using lower carbon cements in construction. Using research funding from the Environment Agency, Jackson Civils conducted trials in collaboration with our concrete technical team, using a product called Earth Friendly Concrete which is Portland cement-free. Instead it uses a geopolymer binder system made from the chemical activation of two industrial waste by-products – blast furnace slag and fly ash. This typically offers a 70% saving in embodied carbon compared to standard concrete mixes and helps to reduce the carbon footprint associated with concrete use in construction projects.

As part of a Transport Infrastructure Ireland series on innovation projects, Lagan used the latest available digital technology for recording traceability and quality of the asphalt laying process on the N4 Collooney to Castlebaldwin. The system provided real-time information on temperature, compaction and roller movements directly to the operators laying the road and to the technical teams back at the asphalt plant. The quality, environmental, health and safety benefits to our work practices were significant. Vehicle movements and associated emissions were reduced, material flows were optimised and accurate records were produced for the customer.

This project was so successful that the process was replicated on the Cork Airport runway project.

We worked with Stabilised Pavements to recycle and resurface a road for Fife Council. This was a cost-effective and environmentally responsible process which reused materials and: reduced material being sent to landfill; removed 450 truck movements; made the repair work 60% faster, resulting in few traffic disruptions and road congestion; and reduced CO_2 emissions by 30% overall.

In-situ road resurfacing in Fife with Stabilised Pavements

PLACES: OUR AMBITIONS FOR 2022

- Establish 'Places' working groups across our business Divisions.
- Establish a new GB technical development and innovation centre.
- Continue the research, development and promotion of sustainable products to help our customers mitigate climate change impacts.
- Increase sales volumes of bulk CEM II product.
- Develop EPDs for key products, including all our main cement products at Hope and Kinnegad.
- Work with alternative manufactured aggregate producers to develop suitable aggregate that may be used in our concrete blocks and ready-mixed concrete business.
- Expand the viability of the successfully developed geopolymer concrete that has a significantly reduced level of CO_2 and may be used in many applications.
- Ongoing collaboration with UK and Ireland universities to develop innovative products.
- The following new non-financial KPI will be reported from 2022: Revenue from concrete and asphalt eco products.

OUR PRINCIPLES

Our fundamental operating principles ensure we operate responsibly and transparently.

Underpinning the pillars of Planet, People, Places, we have a set of fundamental operating principles which focus on:

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

Our targets are:

- to ensure zero fatalities;
- to reduce total injury frequency rates;
- to ensure that, in addition to health checks, every employee is offered a wellbeing assessment;
- full compliance on all mandatory training requirements;
- all 'high-risk' suppliers to be assessed as compliant with recognised supply chain scheme requirements by 2022; and
- to increase stakeholder collaboration and engagement.

MEETING THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

3 GOOD HEALTH AND WELL-BEING — Our health, safety and wellbeing activities for our colleagues, contractors and visitors contribute towards SDG 3

16 PEACE, JUSTICE AND STRONG INSTITUTIONS — Our transparent governance, compliance with laws and regulations and our focus on ethics and anti-bribery and corruption contributes towards SDG 16

17 PARTNERSHIPS FOR THE GOALS — Our membership of organisations such as the GCCA contribute towards SDG 17

HEALTH, SAFETY AND WELLBEING

SAFETY

During 2021 we revitalised our focus on health, safety and wellbeing. Rob Wood, CEO, launched our 'Home, Safe and Well' campaign, linked to Group's corporate vision, to achieve a consistent and targeted approach to the welfare of our colleagues. Dedicated Executive Committee leaders took responsibility for the delivery of each segment of the vision.

We recorded an increase in 2021 in the LTIFR to 2.19 (2020: 1.95) and maintained a stable performance in the TIFR, the incident rate for all injuries (2021: 15.57, 2020: 15.42) while achieving a reduction in the severity rate for lost time injuries. See page 27 for data. It should be noted that Cemex sites contributed for only five months in 2020 so the data does not represent a like-for-like comparison.

Due to restrictions placed upon sites during the pandemic, our management team's ability to conduct VFLs was restricted. These visits promote safety conscious behaviours and conversations and are a positive leading indicator for site safety. Therefore when VFLs recommenced we were encouraged to see visits increase by more than 50% compared to 2020.

We are always looking to improve our health and safety practices. During the year we refreshed the training for safety critical staff and reviewed internal processes throughout the quarrying operations with a particular focus on blasting activities.

Early in 2021 the MPA launched a safety initiative identifying the 'Fatal 6' risks and we have aligned our strategy to ensure we are driving behaviour change and encouraging a safety culture throughout the Group. Our senior and middle managers are actively engaged in the MPA 'Safer by Leadership' training programme which has been attended by 116 colleagues.

As a result of the proactive way we have embraced health and safety in 2021 we were awarded the MPA's prestigious John Crabbe Trophy.

While on-site health and safety is important, we are also aware that Occupational Road Risk is a risk to our drivers that we must effectively control. A new Group policy was approved in 2021, driving a focus on proactive driver risk assessment and additional driver training for our people. Linked to this was the installation of the Lightfoot 'intelligent in-process telematics' system in company vans improving driver behaviour and reducing incidents still further with more benefits to come in 2022.

Further planned improvements include the continued transfer of sites to the principles of the revised ISO 45001 health and safety management standard.

HEALTH AND WELLBEING

Colleague wellbeing is a core element of our vision. We maintained Covid controls at all sites and reduced risks through online training, home working and shift rota systems. We upgraded our Employee Assistance Programme and maintained our proactive occupational health service to our colleagues.

We held 1,210 health surveillance visits, increased the number of trained Mental Health First Aiders to 70 and offered flu vaccinations to all colleagues,

Our Kinnegad site commissioned an onsite Wellbeing Park in 2021 – a development of the park boundary walkway track which is open to the community as well as our colleagues.

In 2022 we will extend our Health and Safety Wellbeing clinics, hosting dedicated sessions on men's and women's wellbeing. Our GB business will extend the provision of defibrillators to all operational sites and will register them with the British Heart Foundation to provide support to our colleagues and our close neighbours in the community.

HEALTH, SAFETY AND WELLBEING ACTIONS ACROSS THE DIVISIONS

- GB purchased new, safer 'low cab' mixer trucks in Birmingham as a first step towards replacing all our urban owned fleet.
- Cement became supporters of the 'Mates in Mind' charity.
- At Whitemountain, defibrillators were provided at all fixed depots in 2021 and training provided to all Whitemountain colleagues.
- In Ireland, impactful site-entry signage and efforts to embed the 'Home Safe and Well' campaign contributed to Cement receiving a National Irish Safety Organisation Merit Award.

GOVERNANCE

The Board has a duty to govern and promote the success of the Group.

Our Board comprises a number of executive and non-executive directors who have the appropriate skills, expertise and experience to discharge their duties effectively. The Board adopted the QCA Corporate Governance Code in 2018 and complies fully with the ten principles (see pages 77 to 81 on how it has done so in 2021).

In 2021 the Board introduced a standard item on its agenda at every meeting with regards to Sustainability, which follows that for HSE. Furthermore, during 2021 it approved its Sustainability Policy, an overarching policy integrating a philosophy of sustainable development into all the Group's activities, and establish and promote sound environmental, social and governance practice across the Group.

The Group has a number of working groups with which the Board is actively engaged through reporting mechanisms and a non-executive director was responsible for Sustainability in 2021.

In early 2022, the Board established a Sustainability Committee, to sit alongside its other delegated Committees, and Carol Hui, who had previously overseen the development of our sustainability agenda, now chairs that committee. The Sustainability Committee will be made up of non-executive directors with delegated authority from the Board to review strategies, policies and the performance of the Group, and to drive improvements to sustainability. For further details on governance, see the Governance Report set out on pages 72 to 107.

ETHICS AND COMPLIANCE

We recognise it is essential that all our interactions are professional and delivered with integrity.

We endeavour to conduct our operations on sound business principles with trust and honesty, and to recognise the human rights and legitimate interests with all those we have relationships with.

In support of those principles, we have a compliance framework with policies covering competition, data protection, anti-bribery and anti-corruption. These policies are made available to all new employees, with bi annual compliance reporting, and supported by regular topical guidance notes and underpinned by our Business Code of Conduct.

In 2021, as part of their induction into the business 143 new employees received an overview of our policies and compliance requirements, including modern slavery risks.

Suppliers are onboarded to the same standards of integrity, with an obligation to comply with our Supplier Code of Conduct. We operate a confidential whistleblowing service and all stakeholders are encouraged to use this to raise any actual or suspected breach of any of our policies or general areas of concern.

RESPONSIBLE SOURCING AND MODERN SLAVERY

Our commitment to sustainable development and ethical and responsible sourcing has been formally recognised through the accreditation of key sites to the BES 6001 Framework Standard for Responsible Sourcing. We now have 139 concrete plants with a 'Very Good' rating. Our Whitemountain business sought certification to BES 6001 for the first time in 2021 and achieved full certification to a 'Good' rating. Whitemountain plans to achieve BES 6001 for further key products in 2022.

Our ISO 50001:2018 and Considerate Contractor Scheme requirements are promoted to our supply chain through procedures and documents such as Whitemountain's Subcontractor and Supplier pack.

In 2021 we committed to support Scotland Against Slavery to ensure that we demonstrate our commitment to the ethical sourcing of goods and services. We continue to work collaboratively with the Gangmasters Labour Abuse Authority and 40 other construction companies across the UK to eradicate slavery and labour exploitation from supply chains across the building industry.

QUALITY

Quality is considered a fundamental requirement for our business, which is integral to our policies and objectives.

In 2022 a new technical development and innovation centre for GB will be operational and will bring quality and innovation to a new level.

STAKEHOLDER ENGAGEMENT

The Board is committed to and actively encourages effective relationships and communication with the Group's stakeholders.

The Board believes that this will realise a greater understanding of each stakeholder's needs, and by taking into account these needs and interests, this will help maximise value for the Group and ensure the continued long-term success of the Company.

The Board has identified key groups of stakeholders including colleagues, customers and suppliers, investors, communities and regulators, local government and trade associations. It is responsible for establishing the Group's long-term strategy and objectives, however, it needs the support of the executive and senior managers of our businesses in order to fulfil this responsibility.

The Board has an effective delegation structure in place which allows local boards and their workforce to engage effectively and react accordingly, to understand the needs of our stakeholders. They do this by various engagement methods structured to the stakeholders. Details of the material issues of our stakeholders, how we engage and the value we have created can be found on page 67. During 2021, the Board and the businesses endeavoured to engage with all stakeholders. Details can be found on pages 68 and 69.

PRINCIPLES: OUR AMBITIONS FOR 2022

- Establish a Board-level Sustainability Committee to review strategies, policies and the performance of the Group, and to drive improvement in relation to sustainability.
- Continue to embed a culture of looking after ourselves and each other to ensure we all go home safe and well.
- Defibrillators at all GB operational sites to provide support to colleagues and neighbours in the community.
- The development of a strategy for the improved support and monitoring of our colleague's mental health and wellbeing.
- Extend the provision of our Health and Safety Wellbeing clinics.
- Further enhancement of Kinnegad's on-site Wellbeing Park.
- Deliver online anti-bribery and competition law training.
- Undertake a Human Rights Risk Assessment exercise to identify potential risks in our supply chain.
- Extend BES 6001 certification to further key operations.

MANAGING OUR RISKS AND OPPORTUNITIES

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

RISK APPROACH

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

The level of the risk accepted in pursuit of our strategic goals is guided by our risk appetite, which is set by the Board and reviewed on an annual basis. This provides clear guidance to management on the nature and level of risk it considers acceptable and thus sets appropriate boundaries for business activities and behaviours. Risk appetite is disclosed for each of our principal risks on page 59.

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

RISK PROCESS

Our formal risk review processes apply a common methodology for identifying and assessing risk. Each Division maintains a risk register which is formally reviewed at least every six months. The outputs from these reviews are analysed and significant risks reported upwards for inclusion on the Group risk register. The Group risk register is reviewed at least every six months by the Executive Committee and the Board. Once identified and assessed, risks are assigned to a member of senior management, who has responsibility for embedding appropriate risk processes in the day-to-day operations which they oversee.

In addition to the principal risks, the Board considers those areas where an existing or an emerging threat may impact the Group in the longer term, such as digitalisation and the potential impact of future pandemics.

FOCUS DURING THE YEAR

In 2021 we continued to embed the 'three lines of defence' risk management and internal control framework across the Group with significant progress being made in developing and enhancing our processes.

This included a project to implement a consistent standard for financial controls across the Group, by defining and communicating our core control requirements. This project is being led by the Group risk and controls team with active involvement from each of the Divisions.

RSM completed its first full year as our outsourced independent internal auditor and conducted a number of reviews over key areas on behalf of the Audit & Risk Committee. These reviews delivered a number of value-added recommendations, which are in the process of being implemented.

CHANGES TO THE RISK METHODOLOGY

The nature of the principal risks we have identified remains consistent with 2020; although as part of our regular assessment of how risk might impact the Group and how best to manage and mitigate those risks, we made some changes to our risk reporting methodology during 2021. Previously the Group presented nine principal risks, each comprising multiple related risks. For 2021, these risks have been reported separately where appropriate and have been grouped into one of three overarching categories: Strategic, Operational and Financial.

- **Strategic risks** refer to events that may make it difficult, or even impossible, for the Group to achieve its strategic objectives.
- **Operational risks** refer to events or threats that are inherent in our day-to-day operations.
- **Financial risks** include risks arising from movements in the financial markets or ineffective management of the Group's financial resources.

THREE LINES OF DEFENCE RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

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

AUDIT & RISK COMMITTEE
Reviews the suitability and effectiveness of the risk management and internal control framework on behalf of the Board.

SENIOR MANAGEMENT/RISK OWNERS
Ensure that the risk management and internal control framework is embedded within their respective business area and develop an effective risk culture.

1ST LINE OF DEFENCE

MANAGEMENT
Responsible for identifying risks and implementing internal processes and controls to manage those risks.

2ND LINE OF DEFENCE

GROUP RISK AND CONTROLS
Responsible for designing the risk management policies, processes and controls, monitoring the ongoing effectiveness of internal controls and reporting of risk across the Group.

OTHER MONITORING FUNCTIONS
Responsible for designing policies and processes, and monitoring the effectiveness of processes and controls, for their area of accountability.

3RD LINE OF DEFENCE

INTERNAL AUDIT
Responsible for providing independent assurance over risk and control activities performed by first and second line.

EXTERNAL AUDIT

PRINCIPAL RISK CHANGES

While the nature of the Group's principal risks remains unchanged, the net rating for the following risks have changed compared with the 2020 financial year.

RISK INCREASES

- **Climate change** reflecting the increasing importance to our stakeholders from an already high base, alongside clear political will for change evidenced through COP26 and the escalating cost of carbon emissions allowances in both UK and EU markets.

  Breedon is committed to net zero by 2050 as well as to the manufacture of cement at its two well-invested cement plants. However, the Group recognises that the carbon intensive nature of the cement manufacturing process, combined with the fact that carbon capture technologies are not yet proven at scale, elevate the Group's climate change risk to 'Very high'.
- **Credit risk** as challenging economic conditions could cause difficulties for our customers.
- **Digitalisation** reflecting the increasing focus and pace at which businesses are digitalising their operations.
- **Health, safety and wellbeing** reflecting our increased focus as a Group on the cultural and behavioural aspects of health, safety and wellbeing and ensuring that our colleagues have a safe, clean and supportive working environment.
- **Input costs** due to significant cost increases for a number of our key inputs, which are expected to continue into 2022.

RISK DECREASES

- **Acquisitions** following the successful integration of the Cemex acquisition into the Group.
- **Financing and interest rates** due to the Group having refinanced its banking facilities and diversified its borrowing arrangements in 2021.

RISK HEAT TABLE

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

		PRINCIPAL RISK	APPETITE	NET RISK RATING	NET RISK RATING MOVEMENT FROM PRIOR YEAR
STRATEGIC	1	Acquisitions	High	Medium	Lower
	2	Climate change	Medium	Very high	Higher
	3	Digitalisation	Medium	High	Higher
	4	Market conditions	High	High	No change
	5	Mineral reserves	Low	Medium	No change
	6	People	Low	Medium	No change
OPERATIONAL	7	Environmental impact	Very low	High	No change
	8	Failure of a critical asset	Very low	High	No change
	9	Health, safety and wellbeing	Very low	High	Higher
	10	Input costs	Medium	High	Higher
	11	IT and cyber security	Very low	High	No change
	12	Legal and regulatory	Very low	Low	No change
	13	Product specification	Low	Low	No change
FINANCIAL	14	Credit risk	Low	Medium	Higher
	15	Currency risk	Low	Low	No change
	16	Financing and interest rate risk	Low	Low	Lower

KEY

Very low · Low · Medium · High · Very high · Lower · No change · Higher

MANAGING OUR RISKS AND OPPORTUNITIES CONTINUED

PRINCIPAL RISKS

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

STRATEGIC

1. ACQUISITIONS

RISK DESCRIPTION	MANAGEMENT RESPONSE
The Group could overpay for, fail to integrate, or not achieve the expected returns from an acquisition. The Group may fail to identify potential acquisitions to continue with its growth strategy, or regulatory bodies could prevent us from pursuing our growth strategy.	The Group has a strong acquisition track record over many years which has been achieved through the early identification of attractive targets, with most acquisitions to date conducted on a bi lateral basis. Our approach to acquisitions is underpinned by a rigorous and objective due diligence process, which is supported by specialist advisers and includes careful consideration of competition regulation. We have developed a management structure which facilitates our growth strategy and, where appropriate, we make arrangements to retain acquired senior management. All acquisitions are discussed by the Board and are subject to detailed integration plans, implemented by dedicated project teams with progress monitored by the Board.

2. CLIMATE CHANGE

RISK DESCRIPTION	MANAGEMENT RESPONSE
Risks related to the physical impacts of climate change such as increased severity of extreme weather events • Disruption to production caused by extreme weather events. • Loss of sites due to rising sea levels. • Availability, accessibility and affordability of key operational resources such as water, electricity and fuels. • Supply chain disruption and increased operational costs.	We identify specific physical climate risks at our sites and ensure that our business continuity plans consider the impact of physical climate risk. Climate risk is considered through our capital allocation process to ensure that the Group deploys resources effectively into geographies at lower risk of impact from the physical impacts of climate change. Our strategic purchasing programme aims to secure longer term contracts for energy and fuel supply to provide clean energy together with certainty of future costs.
Risks related to the transition to a lower-carbon economy • Failure to achieve expected reductions towards net zero carbon commitments could damage our reputation and reduce attractiveness to stakeholders such as customers, employees and investors, resulting in failure to win key contracts and an increased cost of capital. • Rising input costs in areas such as electricity, alternative fuels, and carbon emissions allowances are likely to arise as a result of the transition to a low carbon economy. • Significant capital investment might be required to transition our business to net zero, potentially limiting the ability of the Group to deploy its financial resources in other areas. • Increased consumer preference for lower carbon products could result in the emergence of substitute products.	Our Group Head of Sustainability has day-to-day management responsibility for climate risk and reports directly to the CEO. The Board established a Sustainability Committee in January 2022 in recognition of the importance of the Group's sustainability strategy. During 2021 we published a 2050 roadmap with key milestones and measures, which included setting Group-wide targets for carbon reduction. We have set a target to increase the sales of our products which have enhanced sustainability attributes, and we are increasing our capability to determine and transparently disclose the eco-credentials of Breedon products. We continue to monitor developments in emissions reducing technology, and our short- and medium-term financial forecasting processes reflect costs of expected sustainability projects. We maintain debt facilities with significant headroom to facilitate further investment in the future. We have ongoing engagement with relevant policy development and maintain industry influence. We are an active and engaged working member of the MPA and GCCA, supporting collaborative approaches to climate challenges across the sector. Following the materiality assessment undertaken by an independent third party in 2020, we undertook an operational environmental footprint exercise across all our Divisions in 2021. This established an operational baseline to identify gaps in environmental data and to benchmark performance and set operational improvement targets for ongoing management review and reporting.

3. DIGITALISATION

RISK DESCRIPTION	MANAGEMENT RESPONSE
Customers, suppliers and government agencies are increasingly seeking to simplify how they do business through digital solutions. Failure to keep up to date with advances in technology could lead to loss of custom and increases in the cost of doing business.	The Group's Information Services team lead an ongoing IT systems enhancement programme, which in 2021 included the implementation of an automated electronic proof of delivery solution, leading to improved customer interaction, a reduction in paper waste and increased administrative efficiency. During 2021 the Board received a presentation from the Head of Information Services setting out an updated digitalisation plan and we will continue to develop and deliver the Group's digital capabilities in 2022.

4. MARKET CONDITIONS

RISK DESCRIPTION	MANAGEMENT RESPONSE
Changes in the macroeconomic environment, including shifts in government policy and the level of competition within the market, could all have an impact on demand for our products and utilisation of our assets. In the current high inflation environment, there is a risk that rising construction costs might impact the level of demand for our products if projects become too costly and are deferred.	The Group maintains a diversified customer base which includes government and local authority backed infrastructure projects together with private clients in the commercial and residential sectors. Our presence in the UK and Irish markets provides an element of geographical diversity. We closely follow published indicators of activity in our sectors, including market data and economic forecasts drawn from a wide range of sources in order to evaluate the likelihood of shifts in market conditions. We maintain regular contact with our key suppliers and customers to identify significant trends or events which could potentially impact the Group. Our formal budgeting and forecasting process takes account of these assessments and allows us to adapt accordingly for any long-term changes in the economic environment.

5. MINERAL RESERVES

RISK DESCRIPTION	MANAGEMENT RESPONSE
Failure to replenish our mineral reserves and resources on an adequate and timely basis could deprive the Group of a key raw material. Planning, licensing and emissions restrictions could prevent us from operating facilities or extracting mineral reserves economically.	Our Land and Mineral Resources teams monitor the level of mineral reserves and resources across the Group together with forecast extraction rates, and support the business through the process of gaining additional reserves where required. We consult regularly with our stakeholders, especially those directly impacted by our operations, and proactively monitor our compliance with environmental and other requirements.

6. PEOPLE

RISK DESCRIPTION	MANAGEMENT RESPONSE
Failure to recruit, develop and retain the right people could have an adverse impact on our ability to meet our strategic objectives, as could failing to maintain a positive culture and working environment.	During 2021 we appointed a new Group People Director and developed a People Plan to help take Breedon through the next phase of our development. The People Plan focuses on attracting a talented and diverse workforce, providing opportunities for everyone within the organisation, ensuring Breedon remains a great place to work and making us fit for the future. The People Plan is underpinned by a review of key business systems, policies and processes and ensuring we continue to embed our values. Employee engagement is a key part of our strategy and in 2021 we invested in our internal communications function to ensure we communicate more effectively with our workforce.

MANAGING OUR RISKS AND OPPORTUNITIES CONTINUED

OPERATIONAL

7. ENVIRONMENTAL IMPACT

RISK DESCRIPTION	MANAGEMENT RESPONSE
The Group's impact on the environment, including the treatment of water, waste disposal and our impact on biodiversity could expose us to regulatory breaches, disruption and increased reputational risk. The growing focus on biodiversity net gain, natural capital and COP26's new commitment to reverse deforestation by 2030 brings forward the need to ensure that our land holdings deliver a positive contribution to nature.	We have Group policies in place for Environment, Energy and Carbon, Circular Economy, Quality and Biodiversity setting clear expectations to our businesses on how we should manage our environmental impact. We closely monitor environmental compliance and seek continued improvement across all areas of environmental impact. Management, training and control systems are in place to prevent environmental incidents, and we have stringent monitoring, maintenance and inspection regimes at key sites. Group targets have been adopted by the Board and communicated to the businesses which aim to improve our impacts relating to energy, carbon, water, waste and biodiversity.

8. FAILURE OF A CRITICAL ASSET

RISK DESCRIPTION	MANAGEMENT RESPONSE
Although the Group's network of over 320 operating locations serves to limit its reliance on any one asset, an unplanned production outage at one of our two cement plants or at a small number of critical quarries could cause significant operational disruption. Possible reasons for an unplanned production outage include: • Failure due to mechanical or electrical breakdowns. • Site infrastructure could be lost or damaged because of fire, flood, frost or explosion. • Loss of rail or road access to a plant. • Supplier non-delivery of key raw materials to our cement plants. • Breach of planning authorisation, permitted emission levels or a major health and safety incident could lead to our approval to operate being withdrawn.	Our sites have real-time performance monitoring and preventative maintenance and inspection programmes. Each of our cement kilns is subject to an annual shutdown in accordance with a planned maintenance schedule. Back-up processes and facilities are in place across critical areas of the plants and spare parts held for critical equipment. Specialist plant engineers are employed and external support is utilised when appropriate. We operate a strategic purchasing plan to minimise key supplier risks, with alternative suppliers identified and reserve stocks of critical raw materials held where possible. We hold Business Interruption Insurance and continue to strengthen business continuity plans. We proactively engage with relevant authorities to ensure that they are made aware of any potential breaches or notifiable incidents and are transparent in our dealings with all such authorities.

9. HEALTH, SAFETY AND WELLBEING

RISK DESCRIPTION	MANAGEMENT RESPONSE
Failure to manage adequately health, safety and wellbeing risks could result in harm to colleagues, contractors, others working on behalf of the Group or to the public. This could additionally expose the Group to significant disruption, financial liabilities and reputational damage.	We safeguard the health, safety and wellbeing of employees, contractors, others working on behalf of the Group and the public, by employing experienced professionals who promote a strong safety culture, provide relevant training, and facilitate personal ownership of health, safety and wellbeing at our operating locations. We are constantly improving communication and reporting across the Group. VFL visits are conducted, our Executive Committee holds regular safety days and our Driver Risk Group considers safety issues associated with our haulage operations. Resilience training and additional health and wellbeing support is available to employees. In 2021 we launched our 'Home Safe and Well' campaign, aiming to encourage open and challenging conversations that promote consistent safe behaviours across all our teams and we formalised our reporting of 'high potential' incidents. We conducted an Internal Audit review of our health, safety and wellbeing processes and commissioned an independent external review focused on the behavioural and cultural aspects of health, safety and wellbeing to help identify areas where we can further improve. The recommendations from these reviews will form the basis of our actions in 2022.

OPERATIONAL

10. INPUT COSTS

RISK DESCRIPTION	MANAGEMENT RESPONSE
Along with the rest of the industry and wider economy, the Group has seen significant increases in the cost of a number of key inputs in 2021 and volatility is expected to continue into 2022. These increases in input costs could significantly impact profitability.	The majority of the Group's raw material requirements comprise aggregates which have been purchased at historic pricing and sit as mineral reserves and resources in our quarries. The remaining exposure to input costs is mitigated through adopting a dynamic approach to pricing to ensure input cost increases are recovered from our end markets. This is supported by our layered hedging strategy which provides a degree of cost certainty around energy, bitumen and carbon emissions credits under both UK and EU schemes.

11. IT AND CYBER SECURITY

RISK DESCRIPTION	MANAGEMENT RESPONSE
Disruption to the IT environment, whether due to a failure of infrastructure or a cyber security breach, could affect our operational performance and lead to reputational damage, regulatory penalties and significant financial loss.	Our IT support teams, with the support of external service providers, continue to monitor and respond to new and expanding cyber risks by implementing best practice in IT Security Management and by continuing to strengthen the Group's disaster recovery plans. All IT system development projects are carefully planned and managed with defined governance and control procedures, and we have an ongoing IT systems enhancement programme. During 2021 a number of enhancements to security controls were implemented following a review by RSM of the General IT Control Environment which was completed in 2020. A further review focusing on cyber security was completed during the year.

12. LEGAL AND REGULATORY

RISK DESCRIPTION	MANAGEMENT RESPONSE
The Group and all our employees and business partners are required to comply with all applicable laws and regulations, including taxation, and we conduct our operations in accordance with accepted principles of good corporate governance. A legal or regulatory breach could result in significant disruption, financial liabilities and reputational damage.	Our legal and tax teams monitor and respond to legal and regulatory developments, supported by external expertise where required. Compliance policies including competition law, anti-bribery and corruption, data protection and modern slavery are maintained and a rolling training programme is in place. Our Group code of conduct is regularly reviewed and we have clearly defined our purpose and corporate values. We operate a confidential whistleblowing process and reporting line to help people raise legitimate concerns or worries about our activities and practices. All whistleblowing reports and the corresponding responses together with follow-up actions are shared with the Audit & Risk Committee.

13. PRODUCT SPECIFICATION

RISK DESCRIPTION	MANAGEMENT RESPONSE
Although the Group does not have a history of significant quality claims, our materials need to meet customer and regulatory specifications, and failure to deliver to this standard could result in customer claims and impact upon the Group's reputation. New materials or construction methods and technologies could reduce the demand for our core products and services, which could have an adverse effect on our business, finances and operations.	We have clear contracting terms with our customers and suppliers, maintain strict quality control policy and procedures, with high-quality laboratories and experienced technical teams, and hold all appropriate business accreditations and insurances. Our product technical teams evaluate and research new products, materials, methods and technologies and test these in the field to assess their performance. Our materials technical development and innovation centre will be operational from 2022 to bring quality and innovation to a new level.

MANAGING OUR RISKS AND OPPORTUNITIES CONTINUED

FINANCIAL

14. CREDIT RISK

RISK DESCRIPTION	MANAGEMENT RESPONSE
Difficult economic conditions could increase our exposure to credit risk from our customers. Although we have not experienced significant credit losses, these may be more likely to arise in coming years with companies weakened in the aftermath of the pandemic and as government support measures become due for repayment.	We maintain regular contact with our key customers to identify significant events which could potentially impact the Group, and monitor credit limits closely. We maintain a well-diversified customer base across different sectors and geography. Credit risk insurance cover is maintained over the majority of our private sector customers and formal authorisation procedures are in place for both insured and uninsured risk.

15. CURRENCY RISK

RISK DESCRIPTION	MANAGEMENT RESPONSE
Our operations are located in the UK and RoI which use Sterling and Euro respectively as currency. We also transact in other currencies as both customer and supplier. Accordingly, the Group is exposed to both transactional and translation currency risk.	Our activities are conducted primarily in the local currencies of our respective businesses, resulting in a low level of foreign currency transactional risk. Translation risk is partially mitigated by matching foreign currency investments to borrowings, but we do not generally hedge against income statement transactional exchange risks.

16. FINANCING AND INTEREST RATE RISK

RISK DESCRIPTION	MANAGEMENT RESPONSE
If liquidity is not adequately managed, the Group may not have sufficient financial resources to meet our obligations as they fall due, or to continue to invest organically or to undertake acquisitions. The Group borrows from financial institutions and is therefore exposed to fluctuations that occur to the interest rates charged on those borrowings.	We maintain strong relationships with our lenders and shareholders. The Group refinanced its banking facilities in 2021. The new facilities comprise a three-year £350m revolving credit facility and a £250m USPP with tenors ranging between 7 and 15 years. This provides significant levels of liquidity headroom and provides a solid platform for future growth. We actively monitor forecasts and cash flows to ensure that we maintain significant headroom on our facilities. We aim to minimise interest costs while maintaining appropriate levels of liquidity. The new facilities reduce interest rate risk through including both fixed and floating rates.

⊕ **See pages 12 to 19 for mapping of risk to strategy**

OTHER RISKS

These principal risks do not comprise all the risks and uncertainties associated with the Group. Additional risks not presently known or currently deemed to be less material may also have an adverse effect on the Group's business in the future.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURE

The Group has chosen to voluntarily adopt the TCFD disclosure recommendations. The identification, assessment and effective management of climate-related risks and opportunities are considered through the Group's Risk Management process, detailed on page 58. The table below references where the disclosures aligned to the requirements of TCFD can be found within the Annual Report.

Governance	Strategy	Risk management	Metrics and targets
Disclose the organisation's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risk and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	Disclose how the organisation identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Board oversight The Board retains overall responsibility for climate-related risks and opportunities. Carol Hui was appointed Chair of the Sustainability Committee on its formation in January 2022, having previously been the DNED with specific responsibility for Sustainability. Group Sustainability policy and Group Energy & Carbon policy issued. Sustainability targets agreed and published. Refer to 'Risk and opportunities' section, 'Risk Approach' and 'Risk Process' on page 58.	**Risks and opportunities over the short, medium and long term** Our assessment of climate-related risk arising from both the physical impact of climate change and from the transition to a low carbon economy are disclosed on page 60.	**Climate change-related risks identification and assessment** Climate change-related risk identification and assessment is considered through the Group's overall risk management and internal control framework, which is set out on page 58.	**Reporting CO_2 metrics** Our reported CO_2 metrics include both absolute emissions (Scope 1 and 2) alongside intensity measures relative to revenue and volumes. Further details can be found on page 42 and in our KPI reporting on page 27.
Management's role Head of Sustainability has day-to-day management responsibility. The achievement of sustainability related objectives is linked to senior managers' bonus incentive schemes. Refer to 'Risk and opportunities' section and 'Risk Process' on page 58.	**Impact on the organisation's business, strategy and financial planning** The strategic actions we have taken to mitigate climate-related risk arising from both the physical impact of climate change and from the transition to a low carbon economy are disclosed on page 60.	**Climate change-related risks management** Climate change-related risk identification and assessment is considered through the Group's overall risk management and internal control framework, which is set out on page 58.	**Details of Scope 1, 2 and 3** We have completed our third year of reporting our Scope 1 and 2 emissions in line with the UK SECR legislation, which is included in this report on page 42. In 2021 we extended our internal reporting to include a sub-set of Scope 3 emissions, which are less than 10% of our total emissions and will refine this process further in 2022.
	Scenario planning The Group is in the process of modelling specific climate scenarios and will include further detail on this in the 2022 Annual Report.	**Integration into overall risk management** Climate change-related risk identification and assessment is considered through the Group's overall risk management and internal control framework, which is set out on page 58.	**CO_2 targets** At our Capital Markets Event in 2021 we laid out our sustainability targets for our business, which included a target to reduce emissions intensity per tonne of cementitious product. These targets are summarised on page 39.

STAKEHOLDER REPORT

We understand and respond to the needs of our stakeholders.

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

COLLEAGUES

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

CUSTOMERS AND SUPPLIERS

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

REGULATORS/ LOCAL GOVERNMENT/ INDUSTRY ASSOCIATIONS

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

COMMUNITIES

We are at the heart of the communities in which we operate so recognise our responsibility to be good, supportive and engaged neighbours. Our businesses have active liaison programmes with the communities in which they operate, and they seek to take into account their interests and concerns in their operational activities. Our communities are firmly featured within our three strategic pillars.

INVESTORS & LENDERS

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

We are making a material difference through the impact we have with everyone who lives, works, travels and socialises in communities throughout GB and Ireland. The Board believes that it has acted in a way which is likely to promote the success of the Company for the benefit of its members and other stakeholders through the decisions it has taken in the year to 31 December 2021.

The Board is responsible for establishing the Group's long-term strategy and objectives, however, it recognises that the executive and senior managers of our businesses play an important role in achieving these goals. The Board has an effective delegation structure in place which allows local boards and their workforces to engage effectively and react accordingly, to understand the needs of their suppliers, customers, communities and regulators at a local level.

The Board is of the opinion that engaging the majority of its stakeholders on a local level is the most effective process for the long-term success of the Group.

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

STAKEHOLDER REPORT CONTINUED

HIGHLIGHTS OF STAKEHOLDER ENGAGEMENT IN 2021

The Board, together with members of the Executive Committee and other senior and local managers, continued to engage proactively with all our stakeholders. The following are just some examples of those engagements in 2021.

The colleague engagement survey in 2021 saw an increase in the response rate by participants, with overall engagement having improved 5% against the previous survey, now at 69%. Findings have been shared with colleagues through new local colleague forums. Key themes that our colleagues have brought to the Board's attention include areas of communication, sustainability and people. The Board is addressing these through a review of our internal and external communications with a straightforward strategy, creating and developing clearer career paths and better learning opportunities and sharing the sustainability agenda so that colleagues can contribute and be actively involved.

The Board approved a communications strategy to deliver effective strategic communications to underpin and enhance the successful operation of the Group.

Following feedback on health, safety and wellbeing, we have enhanced our occupational health provision with regards to mental health, which has seen the introduction and training in 2021 of 45 new mental health first aiders across the Group.

We introduced a programme focused on 'Home Safe and Well' to equip our colleagues with an understanding of their role, the risk we are mitigating and responsibilities we all have in promoting health, safety and wellbeing best practice.

Colleagues at a training session

We produced an introductory guide on blasting in quarries for our neighbours and held events with our communities who have concerns about the process. Blasting is an essential part of any quarrying operation and we understand that we have a clear responsibility to try and minimize the impact on the local community.

Denbigh quarry blasting consultation

Following public consultation on our ARM project at Hope cement works, we have continued dialogue following concerns regarding any potential increase in rail noise and vibration. This has led to a planning resubmission including the reduction in proposed trains from nine to seven per week, a specific liaison committee with Freightliner regarding noise, and reviews relating to weld and curvature of the track. Two On Train Monitoring systems were introduced to two Class 20 locomotives to gather a wealth of information as they move along the branchline.

Hope planning consultation

KEY

COLLEAGUES | **CUSTOMERS & SUPPLIERS** | **COMMUNITIES** | **INVESTORS & LENDERS** | **REGULATORS/ LOCAL GOVERNMENT/ INDUSTRY ASSOCIATIONS**

In response to a customer request, we were challenged to engage with the Ecovadis platform and share our corporate and social responsibility performance. We were awarded the Ecovadis Silver Medal and this result was shared with our customer.

We worked to make improvements for our contract hauliers, who supply haulage services for us, with new and improved welfare facilities, improved core payment terms, have invited them to join in Breedon arranged certificate of professional competence training and have provided access to our sites more safely.

We worked with a local council to provide a sustainable solution for the supply of asphalt in locations where roads are constructed through bog land. Using our Mobile Foamix Plant we produced a Cold Asphalt Mix by mixing foamed bitumen, with locally available virgin and recycled aggregates. This offers significant environmental benefits as no energy is required to dry or heat aggregates and fewer HGV movements are needed for materials supply to site.

During 2021 we had interactions with our investors and analysts through calls, site visits and conferences. We continue to invite our investors, analysts and lenders to attend at our Capital Markets Events, AGM and results presentations.

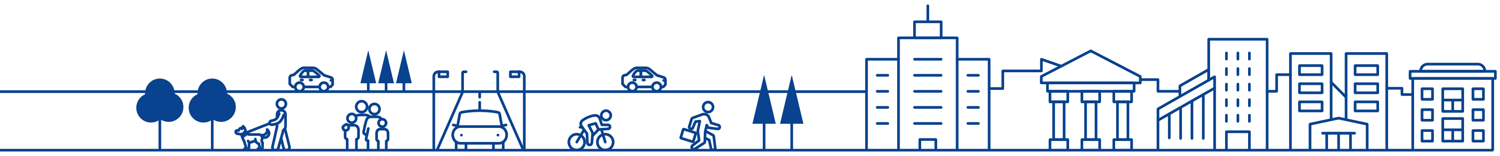
Our Capital Markets Event was held in November in which the executive directors and senior management communicated our growth strategy, sustainability strategy and our financial framework. The event was attended by over 150 participants.

We have had engagement with our investors on topics such as carbon emissions, diversity and inclusion and social value to explain our alignment with their expectations.

Capital Markets Event November 2021

We worked with BEIS on developing the Government's CCUS for dispersed sites and engaged with the HyNet cluster consortium to explore how Hope cement works might be involved in cross-industry decarbonisation solutions including hydrogen and/or CCUS. We have had several interactions with the local MP for Hope and hosted a visit from BEIS at Hope cement works to explain the challenges of a dispersed site operating in a National Park environment.

Breedon representatives work collaboratively with a number of our industry associations such as the MPA and GCCA regarding topics of industry relevance, ranging from Biodiversity to Circular Economy, Policy/Regulation to Decarbonisation and Safety and Wellbeing.



GOVERNANCE REPORT

In the following pages we report on the governance framework and how it drives the long-term success of our business.

Breedon Board visit at Hope

BOARD OF DIRECTORS

OUR LEADERSHIP

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

KEY

A Member of the Audit & Risk Committee

R Member of the Remuneration Committee

N Member of the Nomination Committee

S Member of Sustainability Committee

I Senior Independent Director

AMIT BHATIA

Chairman of the Board

N S

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

Independent: No

Skills, experience and contribution

Amit has over 20 years' corporate finance and private equity experience and has held previous Board and Chairman positions. He is a Gold Leaf member at the Aspen Institute and a William Pitt group member at Chatham House. He was Executive Chairman of Hope Construction Materials until it was acquired by Breedon Group in August 2016 when he joined the Board. He has a strong strategic and entrepreneurial approach which he brings to the Board together with his governance and stewardship experience which as Chairman, continues to ensure the long-term success of the Group.

Other positions held:

- Chairman, Queens Park Rangers Football Club
- Partner at Summix Capital, Swordfish Investments and Initial Capital and Director, Brimary Investments Sarl

BOARD INDEPENDENCE

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

ROB WOOD

Chief Executive Officer

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

Skills, experience and contribution

Rob has nearly 20 years' experience in the international building materials industry. He qualified as a Chartered Accountant with Ernst & Young and subsequently joined Hanson PLC where he held a number of senior positions including Finance Director Brick Continental Europe, Finance Director Building Products UK and Chief Financial Officer Australia and Asia Pacific. Following the acquisition of Hanson PLC by HeidelbergCement AG, Rob returned to the UK and joined Drax Group plc as Group Financial Controller. During his time at Drax he also spent a period of time as Head of Mergers & Acquisitions. Rob has held an executive position on the Board for a number of years bringing solid and invaluable operational leadership, as both Group Finance Director and Chief Executive Office and fully understands the challenges and opportunities for the Group.

Other positions held:

- Director, Mineral Products Association Limited

JAMES BROTHERTON

Chief Financial Officer

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

Skills, experience and contribution

James joined Breedon in January 2021. Previously he was CFO of Tyman Plc between 2010 and 2019, prior to which he was Director of Corporate Development for five years. Earlier in his career, James worked in investment banking roles at Citi and HSBC, after qualifying as a chartered accountant at Ernst and Young. James has considerable international construction sector and corporate experience in the areas of finance, strategy, operational efficiency, mergers and acquisitions and business integration and has contributed significantly to the financial longevity and strategic direction of the Group.

Other positions held:

- Director, The Quoted Companies Alliance and sits as a QCA representative on the Panel of Takeovers and Mergers and the Pre-emption Group.

CAROL HUI

Non-executive Director

A R N S

Carol was appointed to the Board in May 2020 and as Designated Non-executive Director for Sustainability in September 2020. She was appointed as Chair of the Sustainability Committee following its establishment in January 2022.

Independent: Yes

Skills, experience and contribution

Previously, Carol was the Chairman at Robert Walters plc, an Executive Board Director at Heathrow Airport Limited and held senior positions at Amey plc, British Gas plc and TDG plc. She was originally a corporate finance lawyer London law firm Slaughter and May. Carol was a Board member of Action for Blind People and London South Bank University and a Review Body member for Doctors' and Dentists' Remuneration. She has received numerous awards in her career including from the Financial Times, the International Law Office, Sinopro and PwC. Carol brings a diverse perspective to the Board and her extensive corporate, commercial and sustainability expertise provides the Board with a valuable contributor especially in her role as Chair of the Sustainability Committee ensuring that sustainability issues are key in the Board's decision-making process.

Other positions held:

- Non-executive Director, The British Tourist Authority, Chair of Audit and Risk Committees
- Non-executive Director, Grainger plc, Chair of Responsible Business Committee
- Trustee, Christian Aid

PAULINE LAFFERTY

Non-executive Director

A R N S

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

Independent: Yes

Skills, experience and contribution

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

Other positions held:

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

HELEN MILES

Non-executive Director

A R N S

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

Independent: Yes

Skills, experience and contribution

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

Other positions held:

- Capital and Commercial Services Director, Severn Trent plc

CLIVE WATSON

Non-executive Director

A R N S I

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

Independent: Yes

Skills, experience and contribution

Clive has considerable finance experience, having previously been the Group Finance Director of Spectris plc, Chief Financial Officer and Executive Vice President for business support at Borealis, Group Finance Director at Thorn Lighting Group and held a variety of finance roles at Black & Decker. In 2019, Clive retired as a non-executive director of Spirax Sarco Engineering plc, where he was Chair of the Audit Committee and Senior Independent Director. Clive is both a Chartered Accountant and member of the Chartered Institute of Tax with significant finance experience in a variety of industries which allows him to continue to support the Board with its long-term success.

Other positions held:

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

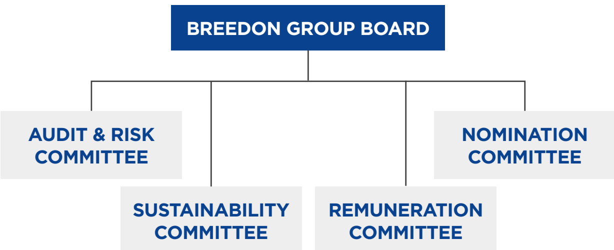
CORPORATE GOVERNANCE STATEMENT

AMIT BHATIA
Chairman

I am pleased to introduce this year's corporate governance statement, in which we describe our governance arrangements, how the Board and its committees have operated, and how the Board has discharged its responsibilities.

The Board is made up of two executive directors and five non-executive directors who together have a combined diverse range of skills and experiences (see pages 72 and 73 for individual biographies). The governance structure in 2021 has seen the continued development of our board committees, whose membership consist solely of non-executive directors, together with the strengthening of our Board in terms of membership and experience. My role as Chairman is separate to that of CEO, held by Rob Wood, and we both have distinct and agreed responsibilities. Clive Watson is our appointed Senior Independent Director and he also has agreed responsibilities. The Board has an agreed schedule of delegated responsibility, which it reviews at least annually. All these responsibilities can be found on our website at www.breedongroup.com/investors.

As well as formal meetings such as Board meetings and strategy sessions, during 2021 the Board met on an informal basis for dinners and site visits, together with sessions without the executive directors present.



The Executive Committee consists of the two executive directors and a number of senior executives within the business. Members of the Executive Committee are invited to Board meetings on a regular basis.

OVERVIEW OF AUDIT & RISK COMMITTEE

Good governance means ensuring we have rigorous risk management and controls in place and we have reviewed and strengthened our approach in this area, particularly with the appointment of RSM in 2020 to provide a fully independent internal audit function.

We have continued to embed the three lines of defence model within the Group and have closely monitored and reviewed a Risk Management Framework, incorporating the three lines of defence assurance model, which includes a robust Financial Controls Framework.

This work culminated in the committee recommending to the Board that its Terms of Reference should be widened to allow it to become the Audit & Risk Committee.

More details on the work of the Audit & Risk Committee can be found on pages 82 to 86.

OVERVIEW OF REMUNERATION COMMITTEE

The Remuneration Committee has continued to add value to the governance of the Group and, following consultation with major shareholders in 2020, has implemented changes to the annual bonus scheme aligning the pension contribution levels of executive directors with those of the wider workforce.

The updated Performance Share Plan Rules were approved by shareholders at the AGM in 2021 which allowed future awards to be subject to a two-year holding period following vesting and malus and clawback provisions to be applied. The Committee welcomed a new Chair and Group People Director during the year to support the work of the Remuneration Committee.

More details on the work of the Remuneration Committee can be found on pages 87 to 102.

OVERVIEW OF NOMINATION COMMITTEE

Following a number of recommendations made to the Board in 2020 relating to changes which were effective in 2021, the Nomination Committee welcomed the fact that these appointments were supported by shareholders at the AGM in April 2021.

The Nomination Committee recommended the appointment of a new Chair of the Remuneration Committee in the year and two appointments to the Executive Committee in line with the forthcoming retirement of certain individuals. Succession planning is a key priority for the Committee to ensure that the Board and the Executive Committee has the necessary skills, knowledge, expertise and diversity.

More details on the work of the Nomination Committee can be found on pages 103 to 104.

OVERVIEW OF SUSTAINABILITY COMMITTEE

In January 2022, the Board established a new board committee in recognition of the importance of the Group's sustainability strategy. The Sustainability Committee comprises non-executive directors and Carol Hui has been appointed as Chair having previously been the Designated Non-executive Director responsible for Sustainability since 2020.

2021 WORK OF THE BOARD

Three new members joined the Board during the year, with one new executive director and two new independent non-executive directors, together with Rob Wood taking up the role of CEO. The Board now comprises seven members, who present a balance of skills and expertise to help drive the strategy forward for the long-term success of the Company. More details on our Board can be found on pages 72 and 73.

The Board continues to focus on strategy and health and safety and, during 2021, introduced sustainability as a further standard agenda item for every meeting. The Board approved the Group Sustainability Policy which encompassed the revised policies relating to biodiversity, energy and carbon, and the environment during the year. The Board approved a Diversity and Inclusion Policy for the Group which Breedon sees as a key driver to a sustainable business as it allows access to a broader set of talent and skills and strengthens links with stakeholders. For more details on sustainability, see pages 39 to 57 and for engagement with our stakeholders see pages 66 to 69.

In line with a recommendation from the external board effectiveness review in 2020, the Board has invited members from the Executive Committee and the wider business to present to the Board, or to interact more through Board lunches and site visits.

BOARD EFFECTIVENESS

Following the external evaluation of the effectiveness of the Board carried out in 2020, all material recommendations were implemented during 2021. Three key areas that were identified relate to: the strategy framework; the Board's wider interaction with the management team, colleagues and other stakeholders; and the embedding of the three lines of defence of risk management within the risk management and internal controls. Further details can be found on pages 58, and 66 to 69.

In line with good governance practice, during 2021 the Board undertook an internal review of its own effectiveness together with that of its Committees, noting that an independent objective process had been undertaken the previous year.

The review encompassed a self-assessment of individual Board member's skills, knowledge and expertise and challenged them to seek any areas that they would like to explore to ensure that they could contribute effectively. A separate individual review of the Chairman's performance was carried out by the Senior Independent Director. The Board was also asked to review its performance and what could be improved in terms of the Board's structure and governance and how well they perceived it was functioning. A small number of areas relating to function and administration were identified and the Board has agreed to take these forward during 2022.

BOARD MEETING ATTENDANCE

The Board held six formal meetings during the year.

	Meetings attended	Eligible to attend
Amit Bhatia	6	6
James Brotherton[1]	4	4
Pat Ward[2]	2	2
Rob Wood	6	6
Carol Hui	6	6
Pauline Lafferty[3]	2	2
Moni Mannings[4]	3	4
Helen Miles[5]	3	4
Clive Watson	6	6

1 Appointed 1 April 2021
2 Retired 31 March 2021
3 Appointed 1 August 2021
4 Resigned 31 July 2021
5 Appointed 1 April 2021

APPOINTMENTS

James Brotherton
appointed as an executive director

Pauline Lafferty
appointed as an independent non-executive director, Chair of the Remuneration Committee and non-executive director responsible for workforce engagement

Helen Miles
appointed as an independent non-executive director

RETIREMENTS AND RESIGNATIONS

Moni Mannings
resigned as an independent non-executive director

Pat Ward
retired as an executive director

LOOKING FORWARD TO 2022

The Board's focus in 2022 remains the health, safety and wellbeing of the Group's employees and its continued improvement on sustainability performance, with the establishment of a Board Sustainability Committee constituted of non-executive directors; the long-term success strategy of the company which will see the Group look for further growth opportunities whether organic or through acquisition in the UK, Ireland and internationally.

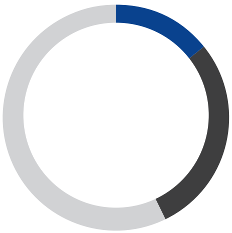
For further information on our strategy, see pages 12 to 19.

GOVERNANCE

CORPORATE GOVERNANCE STATEMENT CONTINUED

The following are a number of key governance highlights from 2021:

INDEPENDENCE BALANCE
as at 31 December 2021



Non-executive Chairman*
1
Not independent
2
Independent
4

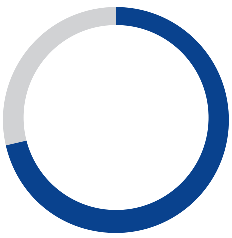
See page 72 regarding independence of the Chairman.

GENDER BALANCE
as at 31 December 2021

Male
4
Female
3

Gender identity as declared by each director.

ETHNICITY BALANCE
as at 31 December 2021



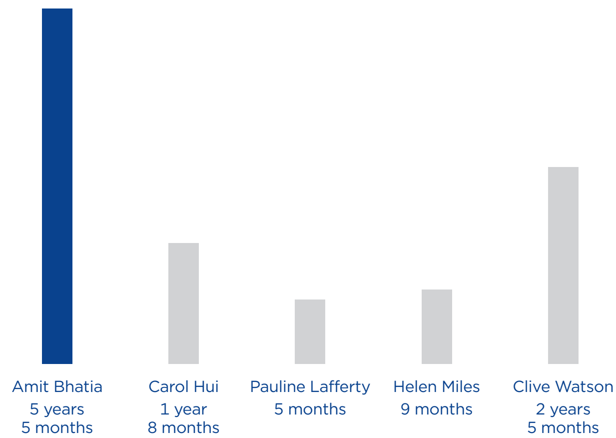
White
5
BAME
2

Ethnicity declared against ONS classification.
(2 Asian or Asian British, 0 Black, African, Caribbean or Black British, 0 mixed or multiple groups, 5 white, 0 other ethnic group)

NON-EXECUTIVE EXPERIENCE
as at 31 December 2021

This diagram sets out the number of non-executive directors with specific skills and experience as a way of demonstrating the different aspects the directors bring to the Board. All non-executive directors appear in more than one category.

NON-EXECUTIVE TENURE
as at 31 December 2021



*See page 72 regarding independence.

CORPORATE GOVERNANCE CODE

The Board adopted the QCA Corporate Governance Code with effect from 1 January 2019 and a summary of our approach during 2021 together with an explanation of how we comply fully with the QCA Code is provided below. The Company will provide updates on its compliance with the QCA Code in its future annual reports, which will be published on the Group's website.

	Principle	What we did in 2021
DELIVER GROWTH	1. Establish a strategy and business model which promote long-term value for shareholders	The Board held a Board Strategy Day in 2021 focused on the three priorities of its long-term growth strategy, particularly agreeing actions around divisional strategies, sustainable long-term growth, sustainability, a progressive dividend policy and a potential move to the main market in due course.
	2. Seek to understand and meet shareholder needs and expectations	During 2021 meetings and calls were held with shareholders and investors representing a significant proportion of the Group's issued share capital. Due to the pandemic, the 2021 AGM was held as a closed meeting, therefore the Board set up a facility whereby questions could be asked directly by shareholders in advance of the AGM.
	3. Take into account wider stakeholder and social responsibilities and their implications for long-term success	The Board appointed a new designated non-executive director for workforce engagement and carried out an employee engagement survey with follow-up focus groups. Sustainability targets were shared at our first Capital Markets Event. See pages 66 to 69 on stakeholder activity in 2021.
	4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	The Board appointed an independent Internal Audit function in 2020 and has continued to embed the three lines of defence assurance model within the Group. The Board changed the Audit Committee to an Audit & Risk Committee, with terms of reference setting out more responsibility regarding Group risk.
MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK	5. Maintain the Board as a well-functioning, balanced team led by the Chair	The Board was complemented in 2021 with the appointment of two independent non-executives, one is an additional appointment whereas the second is a replacement. Both directors bring a wealth of experience and skills to complement those already on the Board. An annual evaluation of the Chairman was undertaken by the Senior Independent Director.
	6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	During 2021, the Nomination Committee reviewed the current skills matrix and made recommendations on appointments in the year based on skills, experience and knowledge that would complement the Board.
	7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	Following an externally facilitated review in 2020, the Board undertook a self- assessed effectiveness review in 2021 with notable strengths continuing to be identified together with some suggestions for continuous improvements. The Board completed all the material recommendations from the external review in 2020.
	8. Promote a corporate culture that is based on ethical values and behaviours	The Board continued to embed culture and values throughout the Group during 2021, through seeking to embed the Group's agreed values of keeping it simple, make it happen, strive to improve and showing we care.
	9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	The Board met six times formally in the year. The outcome of the self-assessed board effectiveness review was that the Board and its committees were all considered to be effective in 2021.
BUILD TRUST	10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	The Company published its full year and half year results together with a trading statement in November 2021 and held its first Capital Markets Event, which set out to investors, stakeholders and interested parties the Group's growth and sustainability strategy and its financial framework.

DELIVER GROWTH

PRINCIPLE 1

Establish a strategy and business model which promote long-term value for shareholders

The Board has established the Group's strategy and regularly reviews progress towards the Group's objectives. The strategy for sustainable long-term growth consists of three priorities governed by a disciplined financial framework. These are embedding a culture of sustainability – operating a sustainable business is our highest priority and the lens through which all strategic decisions must pass; optimising our business - we are a trusted and credible custodian of scarce reserves and resources, delivering continuous improvement to drive efficiencies of scale and increase utilisation of our assets; and expanding growth through multiple routes – we have a variety of routes to grow the business.

The Board ensures that the Group communicates its strategy to investors, colleagues and other stakeholders using means appropriate for each group.

Breedon's sustainable long-term growth business model is highly cash generative, supporting the introduction of a progressive dividend. The Group provides essential construction materials into markets with multi-year growth tailwinds, particularly infrastructure and housebuilding which have long-term pipelines. Breedon's high-quality earnings stream and disciplined risk framework offers significant growth.

The Group's Strategy and Business Model, together with the key challenges faced by the Group in their execution, are described in more detail on pages 12 to 19, and 24 and 25.

PRINCIPLE 2

Seek to understand and meet shareholder needs and expectations

The Board is committed to and actively encourages effective relationships and communication with the Company's shareholders.

Members of the Board have meetings with representatives of institutional shareholders and potential investors to promote a greater understanding of the business, and the Board's strategy for the continued long-term success of the business. Through these meetings, the Board gains a clear understanding of the views of the major shareholders, and the needs of potential shareholders. The executive directors play an important role in ensuring that shareholder views are communicated to the Board, and we believe that we have been successful in ensuring that all directors have a clear understanding of major shareholders' views.

The executive directors are primarily responsible for shareholder liaison and may be contacted via investors@breedongroup.com. Any individual can subscribe for the Group's regulatory news and information via www.breedongroup.com.

All shareholders are actively encouraged to participate in the AGM. At general meetings the Company proposes separate resolutions on each substantially separate issue. The Company provides shareholders with the opportunity to appoint a proxy. In addition, proxy votes are counted, and the results announced.

The Chair of the Remuneration, Audit & Risk, Sustainability and Nomination Committees, the Senior Independent Director, and all other directors are normally available to answer questions at each AGM.

The Company arranges that notice of the AGM and related papers are sent to shareholders at least 20 working days before the meeting, giving time for all shareholders to consider resolutions properly.

PRINCIPLE 3

Take into account wider stakeholder and social responsibilities and their implications for long-term success

We recognise the importance of balancing the interests of our key stakeholders – colleagues, customers, investors, suppliers, industry regulators and associations together with the wider communities in which we operate. Engaging with our stakeholders strengthens our relationships and helps us make better business decisions to deliver on our commitments. We have a non-executive director responsible for workforce engagement and recognise that the executive and senior managers of our businesses can support engagement with our stakeholders to ensure that the Board fully understands any concerns.

The Group has several policies in place including Biodiversity, Circular Economy, Diversity and Inclusion, Energy and Carbon, Health Safety and Wellbeing, Quality and Environment, Social Responsibility and Sustainability and these guide our behaviours in relation to our stakeholders.

The way in which the Board engages and takes into account stakeholder issues, together with the resultant impact is detailed on pages 66 to 69.

PRINCIPLE 4

Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board recognises its responsibility for determining the nature and extent of the principal risks the Group has to take to achieve its strategic objectives and priorities, and maintains sound risk management and internal control systems to do so. The Board reviews and approves the Group's risk appetite on an annual basis.

Risk management processes are embedded throughout the Group to help management identify and understand the risks that they face in delivering business objectives and the key controls to managing those risks. By identifying and managing those existing and emerging risks, the Board can focus on long-term business opportunities.

The Board is responsible for the Group's systems of risk management and internal control, and reviewing their effectiveness. The Audit & Risk Committee reviews the suitability and effectiveness of risk management processes and controls on behalf of the Board.

Further details of the Group's approach to risk management, together with a full description of the key risks faced by the Group, are set out in pages 58 to 64.

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

PRINCIPLE 5

Maintain the Board as a well-functioning, balanced team led by the Chair

The Chair sets the Board's agenda and the Board is provided with clear, regular and timely information on the financial performance of the businesses within the Group, and of the Group as a whole. In addition, other trading reports, contract performance and market reports and data, including reports on personnel-related matters such as health and safety and environmental issues, are provided. The Board has approved a schedule of matters reserved for the Board.

The Chair encourages and facilitates each directors contribution to ensure that no one individual can dominate its proceedings. All directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. The Senior Independent Director undertakes an evaluation of the Chair annually and the Board undertakes an external validation of its effectiveness every three years.

The Board has established Audit & Risk, Remuneration, Sustainability and Nomination Committees to support the Board in the performance of its duties, and the Board believes that the members of those committees have the appropriate skills and knowledge to perform the functions delegated to them. A review of the effectiveness of the committees is carried out annually.

The time commitment expected from Directors is set out in their service agreements or letters of appointment (as appropriate). Executive directors are required to work such hours as may be necessary for the proper performance of their duties. The Board has agreed that each executive director may take on one non-executive directorship of a public company outside of the Breedon Group.

Non-executive directors are expected to devote such time as is necessary for the proper performance of their duties, including in preparation for and attendance at Board, Committee and shareholder meetings. When accepting their appointment, each non-executive director confirms that they can allocate sufficient time to meet the expectations of their role.

The Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the Group on the other, to enable the Board to discharge its duties and responsibilities effectively. The Board considers all of its non-executive directors, with the exception of the non-executive Chairman, to be independent in character and judgement.

PRINCIPLE 6

Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The composition and performance of the Board, and the skills and experience of each director, are regularly evaluated, to ensure that they best fit the evolution of the Group's business. The Nomination Committee regularly reviews the succession plan to ensure that when seeking to recommend new members to the Board, consideration of a range of relevant matters including the diversity of its composition is given.

The Board considers that each of the directors brings a senior level of experience and judgement to bear on issues of operations, finance, strategy, performance, resources (including key appointments) and standards of conduct. Directors are given regular access to the Group's operations and personnel as and when required. Non-executive directors have a wealth and breadth of experience gained through their directorships on the Boards of other listed companies. The individual biographical details of directors including the skills, experience and contribution that they bring to the Board can be found on pages 72 and 73.

The roles of Non-executive Chairman and CEO are not exercised by the same individual and the division of responsibility is clear and set out on the Group's website.

CORPORATE GOVERNANCE STATEMENT CONTINUED

The primary role of the Chairman is to ensure the Board is effective in setting and implementing the Group's direction and strategy and the operation of the Company's governance structures. He is responsible for leadership of the Board and ensuring that the Group maintains an appropriate level of dialogue with its shareholders. The role of the CEO is to oversee the operational management of the Group's businesses, and the role of the Senior Independent Director is to act as a sounding board for the Chairman and other members of the Board and to be an alternative point of access for shareholders for matters that they do not wish to raise through other channels.

The Board considers and reviews the requirement for continued professional development and each director is encouraged to reflect on their own individual needs. The Board seeks to ensure that their awareness of developments in corporate governance and the regulatory framework is current, as well as remaining knowledgeable of any industry-specific updates. The Group General Counsel, the Group's Nominated Adviser and other external advisers serve to strengthen this development by providing guidance and updates as required.

PRINCIPLE 7

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board regularly reviews its own effectiveness and considers whether the Board comprises the appropriate skills to meet the needs of the business. The Chairman is in regular contact with each member of the Board to ensure that any concerns are identified and acted upon. The Senior Independent Director undertakes an annual performance review of the Chairman.

The Board carries out an externally facilitated Board Effectiveness Review every three years and welcomes input as part of the process from stakeholders outside of the Board. The Board also conducts an internal review of its effectiveness during the intervening period. The Board is committed to actioning any suggestions or recommendations that are made to improve its effectiveness.

PRINCIPLE 8

Promote a corporate culture that is based on ethical values and behaviours

All Group colleagues are expected to maintain an appropriate standard of conduct in all of their activities, and the Directors seek to set the tone for such behaviour through their own actions.

To promote a common culture across the organisation, we have defined a clear purpose and set of values that support the successful delivery of our strategy. Led by the Board and Executive Committee, the Group is embedding the purpose 'to make a material difference to the lives of our colleagues, customers and communities' to create a workplace where people feel safe, proud and motivated to do their best. The values at the heart of our business: keep it simple; make it happen; show you care; and strive to improve, will drive the performance of the business, motivating and engaging colleagues, building customer loyalty and strengthening our relationship with local communities.

The Group has established a robust compliance framework to regulate its activities in respect of inter alia business conduct, modern slavery, competition law compliance, anti-bribery and corruption, data protection, whistleblowing, non-facilitation of tax evasion and conduct of suppliers and closely monitors compliance with these. The Group has a Diversity and Inclusion Policy which the Board oversees adherence to.

Through our VFL programme, our leaders ensure that there is a culture of safe behaviour, by allowing an exchange of views in an open and honest environment.

PRINCIPLE 9

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board meets at least six times per year in accordance with its scheduled meeting calendar. The Board receives appropriate and timely information prior to each meeting, a formal agenda is produced, and these papers are distributed in good time before each meeting. At the start of each meeting, the Board considers any Directors' Conflicts of Interest.

The Board is responsible for the long-term success of the Group. It is responsible for overall Group strategy, approval of annual budgets, annual and interim results, dividend policies and approval of major investments, including long-term contracts, acquisitions or large capital items. However, the Board recognises that governance is not just about compliance. The Board strives for good and effective governance, with informed and transparent decisions contributing to the delivery of the Group strategy. The Chairman is responsible for maintaining strategic focus and direction and the CEO is responsible for implementing the strategy and overseeing the management of the Group through the executive and management teams.

There is a formal schedule of matters reserved to the Board which includes strategy and management, structure and capital, financial reporting and controls, internal controls, contracts, communication, board membership and other appointments, remuneration, governance, sustainability and corporate policies.

The Board is supported by the Audit & Risk, Remuneration, Sustainability and Nomination Committees. Terms of reference of each Board committee, and the schedule of matters reserved to the Board are set out on the Group's website at www.breedongroup.com. The activities of the Audit & Risk, Remuneration and Nomination Committees during 2021 are described on pages 82 to 104.

The executive and management teams, which are overseen by the CEO with input from the individual business managing directors, are responsible for day-to-day management of the Group's business and its overall trading, operational and financial performance.

BUILD TRUST

PRINCIPLE 10

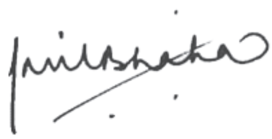
Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

We are committed to maintaining good communications with our shareholders, and have put in place appropriate processes and structures to allow that to happen. The Company communicates with our shareholders through the Annual Report and Accounts, trading announcements, the AGM, the Capital Markets Event and in the manner set out in the commentary in relation to Principle 2.

We maintain a dedicated email address which current or potential investors can use in order to communicate with the Group's investor relations team (investors@breedongroup.com).

The Company announces the result of the proxy votes cast for each resolution proposed at each general meeting of the Company immediately after such meeting, and a range of corporate information (including all historical annual reports and notices of meetings, announcements, dividend information and presentations) is made available on the Group's website at www.breedongroup.com.

The Board receives regular updates on the views of shareholders through reports from its brokers and from directors following shareholder engagement. Analysts notes are reviewed and discussions held with the Company's brokers to maintain a broad understanding of varying investor views.

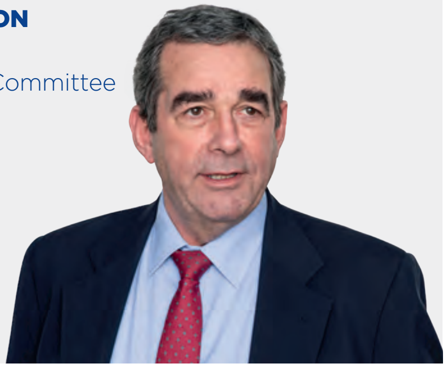


Amit Bhatia
Chairman
9 March 2022

AUDIT & RISK COMMITTEE REPORT

The Audit & Risk Committee maintained its focus on ensuring high standards of financial governance during the year.

CLIVE WATSON
Chair,
Audit & Risk Committee



AUDIT & RISK COMMITTEE

The role of the Committee is to monitor the integrity of the Group's Financial Statements and ensure that the interests of shareholders are properly protected in relation to financial reporting, internal control and risk management.

The Committee monitors and reviews the effectiveness of the internal control and risk management framework, alongside the wider compliance environment operating within the Group, including the Group's whistleblowing arrangements.

The Committee makes recommendations to the Board in respect of the appointment of the external auditor, reviews and monitors their independence and objectivity, and approves their remuneration. It consults with the external auditor on the scope of their work and reviews all major points arising from the audit.

The Committee oversees the Group's outsourced internal audit function which reports directly to the Committee, and has responsibility for appointing the Head of Internal Audit, approving the annual internal audit plan, reviewing key outputs from internal audit reviews and assessing the performance of the function.

The Committee has relevant financial experience at a senior level as set out in their biographies on pages 72 and 73.

TERMS OF REFERENCE

During the year, the Committee's terms of reference were expanded to more formally encapsulate their responsibilities around risk which are performed on behalf of the Board, including changing the name of the Committee, previously the Audit Committee, to the Audit & Risk Committee.

These revised terms of reference were adopted by the Board on 23 November 2021 and are available from the Group's website.

MEETING ATTENDANCE

	Meetings attended	Eligible to attend
Clive Watson Committee Chairman	3	3
Moni Mannings[1] Non-executive Director	2	2
Carol Hui Non-executive Director	3	3
Pauline Lafferty[2] Non-executive Director	1	1
Helen Miles[3] Non-executive Director	1	2

1 Resigned 31 July 2021
2 Appointed 1 August 2021
3 Appointed 1 April 2021

KEY ACTIVITIES CARRIED OUT IN THE YEAR:

During the year, the Committee met three times. Relevant members of management including the CEO, CFO, Group Financial Controller and Group Risk & Controls Manager were in attendance at these meetings, which covered the following topics:

MARCH

- Review of the Annual Report, including:
  - Significant accounting issues and disclosures
  - Going Concern and Viability
  - Fair, balanced and understandable reporting
- Discussion of KPMG's findings from the 2020 audit
- Review of auditor independence and effectiveness
- Review of risk management processes and principal risks
- Review of tax strategy and compliance status
- Update on findings of internal control reviews
- Approval of internal audit plan

JULY

- Review of Interim Financial Statements, including interim risk disclosure
- Review of interim dividend
- Update on findings of internal control reviews
- Approval of KPMG engagement letter and fees for 2021 audit

NOVEMBER

- Approval of KPMG's external audit strategy
- Review of planned year end reporting timetable
- Review of effectiveness of risk management and internal control framework, including an update on progress in embedding the three lines of defence model
- Update on findings of internal control reviews
- Review of whistleblowing reports and actions taken
- Approval of revisions to Committee Terms of Reference, including change of name to Audit & Risk Committee

SIGNIFICANT ACCOUNTING MATTERS

The Committee considered key accounting issues, judgements and disclosures in relation to the Group's 2021 Financial Statements, the most significant of which were goodwill impairment testing and restoration provisions.

These key issues were discussed and reviewed with management and the external auditors. The Committee challenged judgements made and sought clarification where necessary.

The Committee received a report from the external auditors on the work they had performed to arrive at their conclusions and discussed in detail all significant findings contained within that report. The information contained in the table below should be considered together with KPMG's independent external audit report on pages 109 to 115 and the accounting policies disclosed in the notes to the Financial Statements as referenced in the table.

Area of focus	Audit & Risk Committee review	Conclusions
IMPAIRMENT OF GOODWILL ❗		
See notes 9 and 28 to the Financial Statements	The Group has £454.8m of goodwill arising from acquisitions. This is not amortised but is reviewed for impairment on an annual basis, or more frequently if there are indications that the goodwill may be impaired. The recoverable amounts for each segment to which goodwill has been allocated are calculated by determining the value in use of each segment, based on the net present value of projected cash flows, with the most significant judgements being the forecast financial performance, longer-term growth rates and discount rates. The Committee was presented with a written report from management setting out the basis of the calculation, support for the key assumptions used and a reconciliation to the Group's market capitalisation. This report included detail on the judgements made about the impact of climate change on forecast financial performance in the impairment review, in particular for the Cement operating segment. The Committee discussed these judgements with both management and the external auditor, and considered the appropriateness of the key assumptions and the adequacy of the disclosure provided in note 9 of the Financial Statements.	The recoverable amounts of each segment showed significant headroom compared to their carrying value when reasonably possible changes are made to key assumptions. The Committee was satisfied that no impairment of goodwill was necessary, and that the disclosures in the Financial Statements, including those provided for the first time in 2021 around the impact of climate change, were appropriate.
PROVISIONS ❗		
See notes 17 and 28 to the Financial Statements	The Group holds a provision of £70.7m for the future costs of restoring and decommissioning its trading assets. These amounts can be especially significant for the Group's quarries and our two cement plants. The Group conducts an annual process to review the ongoing accuracy and adequacy of these provisions, with the aid of external experts where appropriate. During the year, the level of provision increased to reflect expected future increases in restoration costs, including both the impact of cost inflation and updated external reports for a number of sites. The Committee discussed the output from the annual review of provisions with management and the external auditor.	The Committee concluded that provisions were appropriately updated to reflect the expert reports received in the period, and were correctly calculated and fairly stated in the accounts.

❗ Denotes external audit significant risk area

AUDIT & RISK COMMITTEE REPORT CONTINUED

Area of focus	Audit & Risk Committee review	Conclusions
TAXATION		
See notes 7 and 12 to the Financial Statements	Taxation represents a significant cost to the Group, which is required to comply with the tax regimes in both the UK and Ireland. Following substantive enactment by the UK Government of legislation to increase the rate of corporation tax from 19% to 25%, a deferred tax charge of £17.3m was recognised during the year to measure the Group's UK deferred tax liabilities at a higher rate. This charge has been presented on the face of the Consolidated Income Statement as 'Underlying', but on a separate line to aid users of the accounts in understanding the impact of such a material item. The Committee reviewed papers from management on the tax compliance position of the Group and considered the presentation of the deferred tax charge.	The Committee was satisfied that the accounting and disclosure of the Group's tax affairs, including deferred tax, was appropriate.
ACCOUNTING IMPACT OF CLIMATE CHANGE		
See notes 9 and 28 to the Financial Statements	Climate change has been identified by the Group as a principal risk, and both the physical and transitional risks posed by climate change could affect accounting judgments made in preparing the Financial Statements. The Committee was presented with a paper from management which assessed this potential impact, concluding that the judgements made in the impairment of non-current assets was the only area which was likely to impact the Financial Statements materially, as a result of the uncertainty surrounding the costs involved to transition to net zero by 2050. The Committee reviewed the disclosure of this as a key accounting judgement in the Financial Statements.	The Committee was satisfied that the potential impact of climate change had been appropriately considered in preparing the Financial Statements, and that the disclosure fairly reflected the nature of the risk and judgements made by management.
IDENTIFICATION OF NON-UNDERLYING ITEMS		
See note 3 to the Financial Statements	The identification and presentation of certain items as non-underlying on the face of the Consolidated Income Statement requires management to apply judgement in identifying and appropriately disclosing these items. In 2021, total non-underlying items before tax were £6.2m (2020: £14.9m), being primarily the amortisation of acquired intangible assets and costs associated with integrating the Cemex acquisition. The Committee considered the nature of the items which were presented as non-underlying and the associated disclosures in the notes to the Financial Statements.	The Committee was satisfied that the non-underlying items identified by management were appropriately disclosed and that this presentation provides stakeholders with useful additional understanding of business performance by reflecting the way in which the business is managed. They noted that the nature of such items were consistent over time and were clearly disclosed in the accounts with reconciliations provided to statutory measures.

Area of focus	Audit & Risk Committee review	Conclusions
HINDSIGHT PERIOD ADJUSTMENTS TO ACQUISITION ACCOUNTING		
See note 26 to the Financial Statements	During the prior year, the Group completed the acquisition of the Cemex UK assets. Due to the hold separate requirement which was in place until the CMA review of the acquisition was completed, the Group was only able to commence the provisional fair value exercise in December 2020. During the hindsight period permitted by IFRS 3, a number of adjustments were identified, resulting in an increase in goodwill of £5.7m. These adjustments included both upwards and downwards adjustments to the value of property, plant and equipment, and the derecognition of certain deferred tax assets following external advice from the Group's tax advisor. The Audit Committee reviewed and discussed with both management and the external auditor a paper prepared by management setting out the process followed to identify adjustments in the hindsight period and the basis of calculation for the significant items.	The Committee was satisfied that the adjustments identified within the hindsight period had been accounted for appropriately. They noted that these included both upwards and downwards valuation of assets and that the disclosure contained a clear reconciliation between the provisional and final fair values.
ALTERNATIVE PERFORMANCE MEASURES		
See note 29 to the Financial Statements	The Group utilises a number of Alternative Performance Measures in response to demand from its shareholders. Care is required to ensure that the use of these measures is compatible with the Group's obligation to prepare an Annual Report which is fair, balanced and understandable. In particular, these measures should be calculated on a consistent and transparent basis over time and given no more prominence than related statutory measures. During 2021, the primary change was the inclusion of an adjusted EPS measure, which excludes the impact on earnings of deferred tax rate changes of £17.3m (2020: £5.9m). This is presented alongside both statutory and Underlying EPS measures to allow easier comparison between previous periods which did not contain these significant charges. The Committee reviewed the use and presentation of these measures throughout the Annual Report, alongside the full reconciliations back to statutory measures provided in note 29 to the Financial Statements.	The Committee was satisfied the use of Alternative Performance Measures enhances the reporting of the Group by providing additional information that is useful to users of the accounts. Noting the size and distortive impact of deferred tax charges arising from rate changes, they agreed it was useful to present the adjusted EPS measure. They further concluded that these Alternative Performance Measures were consistently calculated and have been presented fairly together with full reconciliations alongside the relevant statutory measures.
GOING CONCERN AND VIABILITY		
See note 1 to the Financial Statements and the Viability Statement on page 106	At each reporting date the Group assesses whether it remains appropriate to prepare accounts on a Going Concern basis and makes a statement on its longer-term viability as part of its risk reporting. The Committee reviewed and considered a paper setting out why management believe that the Group remains a Going Concern. This included details of available facilities, the profit and cash generation of the Group and a sensitivity analysis in the form of a 'severe but plausible' downside scenario. Going Concern was also discussed with the External Auditor. The Viability Statement was reviewed, alongside a supporting paper from management, incorporating both a base case and downside scenario covering the three-year period of the statement.	The Committee recommended to the Board the use of the Going Concern assumption and approved the Viability Statement. They noted that following the successful refinancing and the strong levels of profit and cash generation, the risks facing the Group had reduced. They were satisfied that the disclosure in the basis of preparation note to the Financial Statements included all factors relevant to users of the accounts.

AUDIT & RISK COMMITTEE REPORT CONTINUED

FAIR, BALANCED AND UNDERSTANDABLE ASSESSMENT

The Committee reviewed the Annual Report and was able to confirm to the Board that the Committee considered the Annual Report and Accounts, taken as a whole, was fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's performance, business model and strategy.

EXTERNAL AUDITOR

The external auditor, KPMG, attended all Committee meetings held in 2021. At these meetings, the Committee met KPMG without the executive directors being present to provide a forum to raise any matters of concern in confidence.

The Committee discussed and agreed the scope of the audit plan with KPMG, and subsequently reviewed their findings, covering the control environment in the Group, key accounting matters and mandatory communications.

The Committee considers the effectiveness of KPMG's audit on an annual basis, including consideration of the standard of KPMG's formal communication around audit strategy and findings, ad hoc engagements throughout the year and the feedback which is provided by management following an internal survey of relevant stakeholders. The Committee remains satisfied with the quality of the audit provided by KPMG and that they remain objective and independent.

Following the conclusion of the 2021 audit, the lead audit partner, Craig Parkin, has served four years of a maximum tenure of five years before mandatory rotation.

KPMG, either directly or via KPMG Channel Islands Limited, has acted as auditor to the Group since its formation in 2008, with the audit last put out to a full competitive tender in 2019.

There were no non-audit services provided by KPMG in respect of 2021, and therefore there were no circumstances where KPMG was engaged to provide services prohibited by the FRC's 2016 ethical standard or which might have led to a conflict of interest.

INTERNAL AUDIT

2021 was the first full year where RSM provided an outsourced internal audit function to the Group. They work closely with the Group Risk & Controls Manager, but are independent of management and the Head of Internal Audit, provided by RSM, reports directly to the Chair of the Committee.

The 2021 audit plan was completed in line with the plan approved by the Committee, who received reports from RSM on the outcome of those reviews and regular updates on actions taken in addressing issues previously identified.

The audit plan for 2022 has been approved and includes reviews covering IT controls, haulage management and controls over fraud, alongside a range of other financial and non-financial processes.

The Committee considered the performance of the function in 2021, and concluded that it was satisfied with the work performed by RSM.

RISK MANAGEMENT AND INTERNAL CONTROL

The Committee completed its annual review of the effectiveness of the Group's internal control and risk management framework, concluding that this remained effective. They identified some areas of improvement which management are addressing.

The Committee also received regular updates through the year on a project commencing in 2021 to implement a consistent standard for financial controls across the Group. They were satisfied with the progress which had been made.

WHISTLEBLOWING

The Group has adopted a whistleblowing policy which gives its colleagues, or indeed any other third party, the means to raise concerns in confidence and, if they wish, anonymously. The Committee reviews reports on notifications received and ensures that arrangements are in place for the proportionate and independent investigation of such matters and for follow-up action.

COMMITTEE EFFECTIVENESS

The last triennial external Board Evaluation took place during the latter half of 2020, which included a review of the effectiveness of the Committee and confirmed that the Committee was effective. All substantive recommendations arising from the review were implemented by the Committee during 2021.

The Committee undertook a self-assessed review of its own effectiveness in 2021, reviewing a number of indicators against their performance and discussed areas we believed we were doing well and where any improvements could be made. This resulted in the Committee declaring that they believed that they had been effective in 2021.

AREAS OF FOCUS FOR 2022

During 2022, the Committee will focus on further strengthening the Group's internal control systems, including overseeing completion of the project to implement a consistent standard for financial controls across the Group alongside a number of other improvements to the internal control and risk management framework.

Clive Watson
Chair, Audit & Risk Committee
9 March 2022

DIRECTORS' REMUNERATION REPORT

Our policy for senior executives' pay ensures that pay and benefits practices are competitive in the market place and will attract high-calibre people, incentivising them to perform and retaining them as colleagues for the long term.

PAULINE LAFFERTY
Chair,
Remuneration Committee

REMUNERATION COMMITTEE

The role of the Remuneration Committee is to determine the remuneration policy and outcomes for the executive directors and senior management of the Group within the framework agreed by the Board. The Committee works within agreed terms of reference and makes recommendations to the Board. The terms of reference for the Committee are available on the Group's website.

Moni Mannings chaired the Remuneration Committee until she resigned from the Board on 31 July 2021. On 1 August 2021, Pauline Lafferty was appointed as a non-executive director and took over chairing of the Committee. Other members of the Committee during the year were Clive Watson, Carol Hui and Helen Miles, who joined the Board on 1 April 2021.

KEY ACTIVITIES CARRIED OUT IN THE YEAR:

During the year, the Remuneration Committee met formally four times and discussed the following:

- Executive Committee remuneration;
- annual bonus outcomes for 2020 and the determination of measures and targets for 2021;
- 2018 PSP award vesting and determination of 2021 PSP awards, performance measures and targets;
- a revised PSP scheme as approved by shareholders at the 2021 AGM;
- a review of pay and benefit levels across the Group;
- preparation of the Directors' Remuneration Report; and
- a review of the Committee's terms of reference.

MEETING ATTENDANCE

	Meetings attended	Eligible to attend
Pauline Lafferty[1] Committee Chair	1	1
Moni Mannings[2] Committee Chair	2	3
Carol Hui Independent Non-executive Director	4	4
Helen Miles[3] Independent Non-executive Director	1	2
Clive Watson Independent Non-executive Director	3	4

1 Appointed to the Board and the Committee on 1 August 2021
2 Resigned from the Board and the Committee on 31 July 2021
3 Appointed to the Board and the Committee on 1 April 2021

DEAR SHAREHOLDER

I joined the Board as non-executive director and Chair of the Remuneration Committee on 1 August 2021 and am pleased to present the Directors' Remuneration Report for the year ended 31 December 2021. Having undertaken a comprehensive review of the remuneration policy in 2020, taking into account shareholders' views, the focus in 2021 has been on implementing the policy and ensuring pay outcomes fairly reflect the performance of the business as we emerge from the second consecutive year impacted by the pandemic.

This report comprises three sections: this Annual Statement; the Directors' Remuneration Policy which summarises our current remuneration policy; and the Annual Report on Remuneration which sets out the amounts earned by Directors in 2021, and how we propose to apply the policy in the future.

At the 2022 AGM, shareholders will have the opportunity to vote on the Directors' Remuneration Report and we look forward to your continued support.

2021 BUSINESS PERFORMANCE

2021 was an outstanding year for Breedon. Despite a volatile economic environment we delivered record revenue and earnings. During a second year of the pandemic, we built on the recovery that began in the second half of 2020. In 2021, we delivered revenue of £1,232.5m and Underlying EBIT of £133.6m, at the same time as reducing our leverage and paying a maiden dividend. Throughout the year, we made progress towards our key strategic priorities, which will support our next chapter of future growth. We could not have achieved this without the commitment of all our colleagues, who have been paramount to our success. During 2021, we did not furlough any colleagues and no government support was accessed. We have continued to invest in our people to support the future growth of Breedon.

DIRECTORS' REMUNERATION REPORT CONTINUED

REMUNERATION OUTCOMES FOR 2021 PERFORMANCE

Last year the Committee undertook a full review of the executive remuneration policy and introduced changes following a consultation with major shareholders. A key outcome of the review was the decision to broaden the choice of performance metrics attached to our incentive schemes, thereby providing a more rounded assessment of business and individual performance.

As a result, the 2021 annual bonus included Underlying EBIT and, for the first time, objectives relating to sustainability, people and communications. In addition, the CFO had specific corporate objectives relating to his role.

The 2021 Underlying EBIT targets were set in early 2021 in the context of continued pandemic-related uncertainty and were stretching in the circumstances, requiring c.10% growth over 2019 actual Underlying EBIT. As mentioned above, the Company performed very strongly as the year unfolded as strong momentum in residential housebuilding and infrastructure spending drove volume growth. Underlying EBIT for 2021 was above the maximum target set and this measure, applying to 75% of the overall bonus, was achieved in full.

Of the overall bonus, 25% related to strategic plans for sustainability, people and communications as well as specific objectives for the CFO. This element of the bonus was also achieved in full in 2021.

The Committee carefully considered whether the annual bonus outcome reflects the underlying performance of the business, as well as the experience of shareholders and other stakeholders during the year and whether any discretion should have been exercised. In doing so, the Committee considered performance more holistically, including broader financial performance (revenue and Free Cash Flow) and overall delivery of strategy. The Committee was satisfied that the bonus outcome was fair, and no discretion was exercised.

The 2019 PSP awards were subject to an EPS measure and were set prior to the onset of the pandemic. As a result of the strong business and financial recovery in 2021, EPS growth over the three-year period was 8.5% p.a. and the targets, which seemed unlikely to be achieved a year ago, were partially met. Therefore these awards will vest at 70.8%.

COLLEAGUE THANK YOU BONUS

As mentioned above, Breedon has delivered a strong financial performance which is down to the endeavour and hard work of all of our colleagues. Recognising their efforts in delivering our success in 2021, c.3,000 employees will receive a special thank you bonus of £400. Senior employees including those in bonus schemes (c.500 employees) will not receive this special award.

LOOKING FORWARD TO 2022

As set out in last year's report, the Committee conducted a review of policy and consulted with our major shareholders. A reminder of the key changes introduced last year is as follows:

- A broader look at performance assessment including the introduction of a non-financial element to the annual bonus scheme and relative TSR in the PSP. The Committee felt that these changes would provide a more rounded assessment of Group performance over the short and medium-term.
- The 2021 PSP and all future awards made to executive directors of the Group under the PSP will include a two-year holding period following vesting, further aligning executives' interests with those of shareholders.
- Malus and clawback provisions are included in the incentive schemes together with the ability to exercise Committee discretion to moderate the formulaic outcome of such schemes if it considers that such outcome does not reflect the experience of the Group's wider stakeholders over the relevant performance periods.
- Pension contribution alignment with the workforce for current and future executive directors.
- Introduction of a shareholding guideline for executive directors at 200% of base salary.

For 2022, the Committee will implement the policy as follows:

- In last year's report we explained how both the CEO's and CFO's salaries were set below their predecessors' final salary reflecting their different levels of experience. The Committee has considered carefully the increases that should apply in 2022 and reflecting his strong performance in the role and his increased experience, the CEO's salary will increase to £615,000 which is equal to his predecessor's final salary. This represents a 7% increase on his initial salary on appointment as CEO. The CFO's salary will increase by 4%, in line with the general workforce increase, to £416,000. Further detail of the increases is provided on page 101.
- No change to benefits or pension arrangements.
- The annual bonus opportunity will continue to be 125% of salary for executive directors and be based at 75% on adjusted Underlying EBIT with a moderator applied to reflect actual capital employed in the business versus budget and 25% on strategic objectives relating to the implementation of sustainability and people strategies.
- It is expected that PSP awards will be granted to senior executives in 2022. This year we intend to extend participation to include more senior employees than in previous years. The face value of awards will be 150% of salary for both the CEO and CFO and a two-year holding period will apply. This is an increase to the CFO's award level and reflects the Committee's desire to align the CFO with the long-term success of the business and to ensure there is an appropriate level of retention in his package. Lower award levels will apply to participants below Board level. The performance measures will be related to stretching EPS growth targets and relative TSR in equal proportions.

SHAREHOLDERS' AND EMPLOYEES' VIEWS

We were very grateful for the views received from major shareholders and seek to engage with shareholders on a continuous basis on remuneration matters. I can be contacted via the Group Secretary should you have any questions on this report or more generally in relation to the Group's approach to remuneration.

While Breedon applies the QCA Code, the Board takes into account the principles and provisions in the UK Corporate Governance Code. Under the main Code companies are required to establish a mechanism for gathering the views of the workforce on all matters, including pay. The Board has considered carefully the most effective way of achieving this and has appointed me as non-executive director for workforce engagement. I look forward to undertaking this role in 2022 and bringing the employee voice back to the boardroom.

REMUNERATION AT A GLANCE

The key elements of executive directors' remuneration packages and our approach to implementation in 2022 are summarised below:

		Remuneration 2021	Remuneration 2022
FIXED PAY	**Salary (annual base)**	• CEO £575,000 • CFO £400,000	• CEO £615,000 • CFO £416,000
	Pension	• 5% of salary in line with the workforce	• No change
	Benefits	• Includes private medical insurance, car allowance, and executive medical screening	• No change
ANNUAL BONUS	**Maximum opportunity**	• 125% of salary	• No change
	Performance measures	• 75% Underlying EBIT • 25% corporate objectives • Capital employed moderator • Malus and clawback provisions apply and Committee discretion to adjust the bonus outcome	• No change
LONG-TERM INCENTIVES	**Award level**	• CEO 150% of salary • CFO 125% of salary • Two-year hold period applies	• CEO 150% of salary • CFO 150% of salary • Two-year hold period applies
	Performance measures	• 50% relative TSR (against the FTSE 250 constituents excluding investment trusts) • 50% EPS growth • Malus and clawback provisions apply and Committee discretion to adjust the vesting outcome	• No change
SHAREHOLDING GUIDELINES	**In employment**	• 200% of salary	• 200% of salary • Executive directors are required to retain half of any vested share awards (net of tax) until guideline is achieved

REMUNERATION OUTCOMES FOR 2021

Summary of incentive outcomes

Annual bonus	Weighting	% of maximum achieved	% of bonus achieved
Underlying EBIT	75%	100%	75%
Corporate objectives	25%	100%	25%

Overall, bonuses of 125% of salary became payable to executive directors.

PSP	Weighting	% of PSP award achieved
EPS	100%	70.8%

James Brotherton joined the Board in 2021 and was not a recipient of the 2019 PSP award which vested in 2021.

DIRECTORS' REMUNERATION POLICY

Operation	Maximum opportunity	Performance conditions
BASE SALARY To provide a competitive base salary reflective of the particular skills, calibre and experience of an individual.		
Normally reviewed annually or on a significant change of responsibilities and typically take effect from 1 April. Salaries are determined by reference to the skills and personal performance of the individual. The Committee takes into account external market data and pay and employment conditions elsewhere in the Group when considering increases to base salary levels.	While there is no maximum salary, increases will normally be broadly in line with the range of salary increases awarded (in percentage of salary terms) to the wider workforce. Salary increases above this level may be awarded to take into account individual circumstances, including a change in the scope or responsibilities of the role, a change in market practice, a change in the size or complexity of the business or to reflect development and performance in role. Other factors which will be taken into account will include progression within the role and competitive salary levels in companies of a broadly similar size and complexity.	Although there are no formal performance conditions, any increase in base salary is only implemented after careful consideration of individual contribution and performance and having due regard to the factors set out in the 'Operation' column of this table.
ANNUAL BONUS To incentivise the delivery of annual financial, strategic and safety objectives.		
Executive directors may participate in the annual bonus scheme. Performance measures and targets are set by the Committee and, subject to the achievement of performance criteria, bonuses are paid in cash shortly after the completion of the audit of the annual results.	For executive directors, the maximum opportunity is 125% of salary. This level of incentive opportunity reflects the Committee's desire to retain a high proportion of remuneration on variable pay. Bonuses are not pensionable. Malus and clawback provisions will apply and the Committee will have a discretion to moderate the formulaic outcome under the scheme to ensure it is consistent with other stakeholders' experiences.	Performance measures will be determined each year and may be based on financial and non-financial objectives. Financial measures will normally determine the majority of the bonus opportunity and the balance may be based on non-financial, strategic, personal and/or ESG-related objectives. Where possible, a graduated scale of targets is normally set for financial measures, with no payout for performance below a threshold level of performance. Any payment is discretionary and will be subject to the achievement of stretching performance targets. The Committee has discretion to adjust the formulaic outcome arising from the performance conditions in the event that it considers such an outcome is not consistent with the wider stakeholder experience.

Operation	Maximum opportunity	Performance conditions
PERFORMANCE SHARE PLAN (PSP) To drive superior performance of the Group and delivery of the Group's long-term objectives, aid retention and align directors' interests with those of the Company's shareholders.		
Share-based awards of nil cost options or conditional awards are granted annually, typically based on performance measures set over a three-year performance period. A two-year post vesting holding period will apply for awards made in 2021 and thereafter. A 10% in ten years' dilution limit governing the issue of new shares to satisfy all share scheme operated by the Company will apply. Dividend equivalents may be paid for awards to the extent they vest.	The maximum award limit in any financial year under the plan rules is 250% of base salary. The normal award level is 150% of salary for executive directors.	The vesting of awards is subject to the satisfaction of performance conditions, typically measured over a period of at least three years. Performance conditions, and their weightings where there is more than one metric, are reviewed annually to maintain appropriateness and relevance. Awards may be based on measures which could include, but are not limited to, EPS and relative TSR. Typically, up to 25% of the award will vest for threshold performance with full vesting for 'maximum' performance. Malus and clawback provisions will apply for awards made in 2021 and thereafter.
PENSION To aid recruitment and retention by allowing the directors to make provision for long-term retirement benefits.		
A salary supplement equivalent to the contribution that would otherwise be made to a defined contribution pension plan or a contribution into the Group Pension Plan.	The CEO and CFO, and any future director appointments, receive pension contributions aligned with the wider workforce pension contribution, currently set at 5% of base salary per annum.	None
OTHER BENEFITS To provide market-competitive, cost-effective benefits.		
Other benefits may include private medical insurance, car allowance, and executive medical screening. The Company operates Sharesave schemes on an annual basis. These schemes are open to all colleagues of the Group, including executive directors who have completed the requisite length of service at the launch of each invitation. For external and internal appointments or relocations, the Company may pay certain relocation and/or incidental expenses as appropriate.	As it is not possible to calculate in advance the cost of all benefits, a maximum is not pre-determined. Sharesave contribution limits and the Sharesave option exercise price are set as permitted by the applicable tax legislation and apply in the same way to all qualifying colleagues.	None

APPROACH TO PERFORMANCE MEASURES

The Committee's approach to the setting of performance measures for the annual bonus and PSP is to select measures that are aligned with the Group's key performance indicators and the interests of shareholders. Targets are set at levels which require stretching performance to be achieved for maximum payout, but without encouraging excessive risk-taking. When setting targets, the Committee considers a number of reference points, including the Company's own plans, external expectations and the economic environment.

ANNUAL BONUS

The executives' annual bonus arrangements are focused on the achievement of the Company's short- and medium-term financial objectives, with financial measures selected to closely align the performance of the executive directors with the strategy of the business and with shareholder value creation. Where non-financial objectives are set, these are chosen to support the delivery of the longer-term strategic milestones and which link to those KPIs of most relevance to each director's individual responsibilities.

Details of the measures used for the annual bonus are given in the Annual Report on Remuneration.

PSP

The aim of the PSP is to motivate executive directors and other senior executives to achieve performance superior to the Company's peers and to maintain and increase earnings levels while at the same time ensuring that it is not at the expense of longer-term shareholder returns. This is reflected in the performance conditions of the PSP which are currently based on relative TSR and EPS growth.

The Committee will review the choice of performance measures and the appropriateness of the performance targets prior to each PSP grant.

The EPS measure is based on growth in adjusted earnings per share over the performance period. The target range is a sliding scale set at the time of award taking account of internal and external forecasts, to encourage continuous improvement and incentivise the delivery of stretch performance.

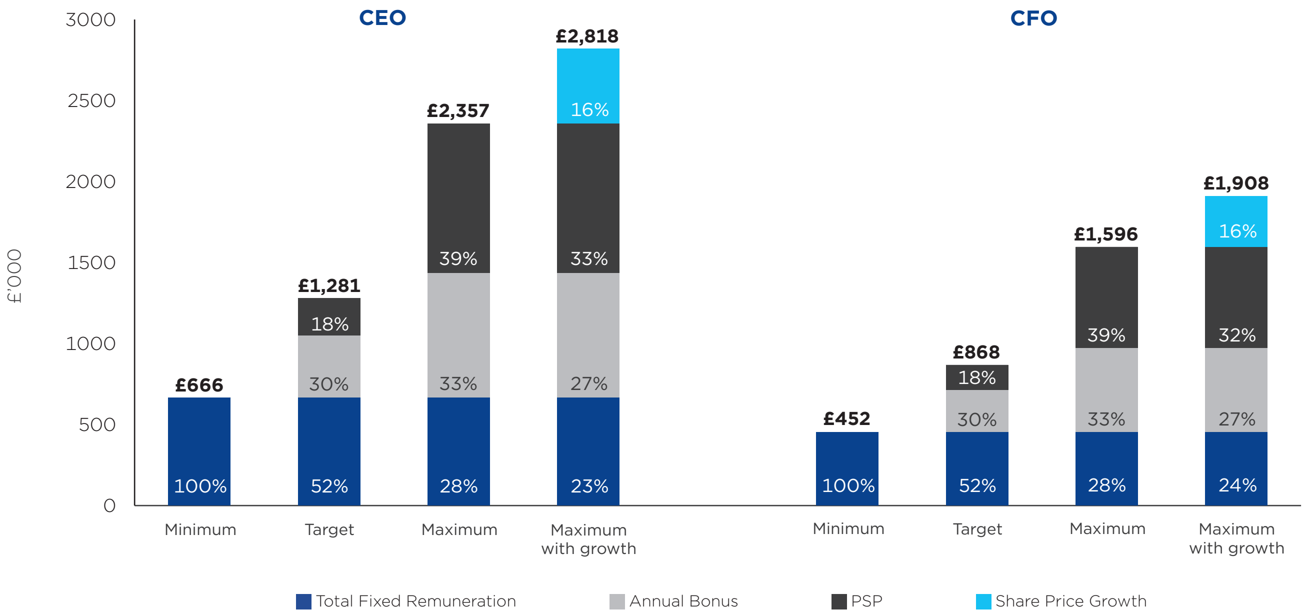
The TSR measure takes the total return received by the Group's shareholders in terms of share price growth and dividends over a three-year period and compares it with the total returns received by shareholders in companies within a predetermined and appropriate comparator group. The Remuneration Committee's intention is to reward only TSR performance which outperforms the comparator group.

The PSP is operated in accordance with its terms, which includes the ability of the Committee to adjust awards in the event of a variation of share capital and to apply its discretion to ensure that the formulaic outcome under the scheme is consistent with other stakeholders' experiences.

ILLUSTRATION OF THE APPLICATION OF POLICY

The balance between fixed and variable 'at risk' elements of remuneration changes with performance. Our policy results in a significant proportion of remuneration received by executive directors being dependent on Company performance. The charts below illustrate how the policy would function for minimum, on target and maximum performance for each executive director in 2022.

ILLUSTRATION OF THE APPLICATION OF POLICY



Assumptions for the chart above:

- Minimum: Comprises fixed pay made up of base salary levels (applying from 1 April 2022), the value of pension at 5% of annual basic salary and other benefits estimated at the value shown in the single total figure of remuneration table for 2021.
- On-target: bonus achieved at 50% of the maximum opportunity, i.e. 62.5% of salary and the on-target level of vesting under the PSP taken to be 25% of the face value of the award at grant.
- Maximum: full bonus achieved and PSP vesting in full i.e. 125% of salary bonus payout and PSP awards to the value of 150% of salary vesting for the CEO and CFO.
- Share price appreciation of 50% has been assumed for the PSP awards under the final 'maximum with growth' scenario (but no share price appreciation has been assumed for the first three sections).
- Amounts relating to all-employee share schemes have, for simplicity, been excluded from the charts.

FLEXIBILITY, DISCRETION AND JUDGEMENT

The Committee operates the annual bonus and PSP according to the rules of each respective plan which, consistent with market practice, include discretion in a number of respects in relation to the operation of each plan. Discretions include:

- who participates in the plan, the quantum of an award and/or payment and the timing of awards and/or payments;
- determining the extent of vesting;
- treatment of awards and/or payments on a change of control or restructuring of the Group;
- whether an executive director or a senior manager is a good/bad leaver for incentive plan purposes and whether the proportion of awards that vest do so at the time of leaving or at the normal vesting date(s);
- how and whether an award may be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or for special dividends);
- what the weighting, measures and targets should be for the annual bonus plan and PSP awards from year to year;
- the ability within the policy, if events occur that cause the Committee to determine that the conditions set in relation to an annual bonus plan or a granted PSP award are no longer appropriate or unable to fulfil their original intended purpose, to adjust targets and/or set different measures or weightings for the applicable annual bonus plan or PSP awards. Any adjusted performance conditions for PSP awards held by executive directors will not be materially less difficult to satisfy than the original conditions would have been but for the relevant event(s); and
- the ability to override formulaic outcomes in line with policy.

All assessments of performance are ultimately subject to the Committee's judgement and discretion is retained to adjust payments in appropriate circumstances as outlined in this policy. Any discretion exercised (and the rationale) will be disclosed.

NON-EXECUTIVE DIRECTORS

Operation

NON-EXECUTIVE DIRECTORS' FEES

To provide market-competitive fee levels that reflect the time undertaken in performing the role and the director's experience.

Non-executive directors each receive a basic fee for holding the office of non-executive director and may receive an additional fee for further responsibilities (such as holding the office of Senior Independent Director, chairing a Board committee or being designated as having Board responsibility for a particular area of the Group's activities). Fees are set by the Board as a whole, taking into account market rates and the required time commitment.

Non-executive directors do not participate in any incentive scheme, share scheme or pension arrangement, but may be eligible to receive benefits such as the use of secretarial support, travel costs or other benefits that may be appropriate.

DIRECTORS' REMUNERATION REPORT CONTINUED

SERVICE AGREEMENTS/LETTERS OF APPOINTMENT AND LOSS OF OFFICE

Each director has a service agreement or letter of appointment with the Company as follows:

		Notice Period	
Director	Date of contract/letter of appointment	From the Director	From the Company
Amit Bhatia	1 August 2016	N/A	N/A
Rob Wood	27 February 2014	12 months	12 months
James Brotherton[1]	17 November 2020	12 months	12 months
Carol Hui	3 March 2020	N/A	N/A
Pauline Lafferty[2]	17 June 2021	N/A	N/A
Helen Miles[3]	18 November 2020	N/A	N/A
Clive Watson	24 July 2019	N/A	N/A

1 Appointed to the Board on 1 April 2021
2 Appointed to the Board on 1 August 2021
3 Appointed to the Board on 1 April 2021

The Board's overriding approach to payments for loss of office is to act in shareholders' interests. The principles on which payments for loss of office will be approached are set out below.

Notice periods and payments in lieu of notice	The maximum notice period for executive directors is 12 months. The Committee retains the right to terminate an executive director's service agreement by making a payment in lieu of notice, consisting of salary, cost of benefits and loss of pension provision for the notice period (or the unexpired portion of it). It is the Company's policy to have regard to the executive director's duty to mitigate their loss in respect of those contractual rights that they would otherwise be entitled to receive.
Annual bonus	The payment of bonus for the year in which the executive director leaves is determined by the Committee, taking into consideration their contribution up to the leaving date and normal pro-rating for time in service during the year.
PSP	PSP awards will usually lapse on cessation of employment. However, if a participant leaves due to death, ill health, injury, retirement with the agreement of the Committee, or any other reason at the discretion of the Committee, their award shall either vest on the normal vesting date or at the date of cessation of employment. In either case, the extent of vesting will be determined by reference to the extent the performance conditions are satisfied and, unless the Committee determines otherwise, the proportion of the vesting period that has elapsed.
Other payments	Payments may be made in the event of a loss of office under the Sharesave scheme, which is governed by its rules and the applicable legislation and which does not provide discretion in the case of leavers. In appropriate circumstances, other payments may be made, such as in respect of accrued holiday and outplacement and legal fees and the Company may pay any statutory entitlements or settle compromise claims in connection with a termination of employment, where considered in the best interests of the Company.

RECRUITMENT POLICY

When appointing a new executive director, the Committee will seek to ensure that their remuneration arrangements are in the best interests of the Company, and not more than is appropriate. The Committee will typically determine a new executive director's remuneration package in line with the policy set out above. However, the Committee retains discretion to award different elements of remuneration in appropriate circumstances, such as:

- if an interim appointment is being made to fill a role on a short-term basis;
- if, in exceptional circumstances, a non-executive director is required to take on an executive function;
- if the circumstances of the recruitment make it appropriate to provide relocation, travel and subsistence payments;
- where it is considered appropriate to reflect remuneration arrangements provided by a previous employer, including that the Committee may grant 'buy-out' awards to reflect remuneration forfeited on leaving a previous employer. Any such buy-out award would be determined taking into account relevant factors of the forfeited award – including the period over which it would have vested and any applicable performance conditions; and
- where it is considered appropriate to reimburse the new director for any costs they may have incurred as a consequence of resigning from their previous employment.

The Committee would not use this discretion to make a non-performance-based incentive payment, such as a guaranteed bonus.

EXTERNAL APPOINTMENTS FOR EXECUTIVE DIRECTORS

The Company recognises that its executive directors may be invited to become non-executive directors of other companies. Such non-executive duties can broaden a director's experience and knowledge which can benefit Breedon. Subject to approval by the Board, executive directors are allowed to accept non-executive appointments, provided that these appointments are not likely to lead to conflicts of interest, and the Committee will consider its approach to the treatment of any fees received by executive directors in respect of non-executive roles as they arise.

CONSIDERATION OF SHAREHOLDERS' VIEWS

The Committee is committed to an ongoing dialogue with shareholders and welcomes feedback on directors' remuneration. The Committee seeks to engage directly with major shareholders and their representative bodies on changes to the policy. The Committee also considers shareholder feedback received in relation to the remuneration-related resolutions each year following the AGM. This, together with any additional feedback received from time to time (including any updates to shareholders' remuneration guidelines), is then considered as part of the Committee's annual review of remuneration policy and its implementation.

In its 2020 review of executive remuneration the Committee conducted a comprehensive consultation exercise which elicited feedback from the Company's largest shareholders. The Committee was very grateful for the views received. The feedback, which was largely positive, was used constructively to shape our remuneration arrangements.

CONSIDERATION OF EMPLOYMENT CONDITIONS ACROSS THE GROUP

The Committee closely monitors the pay and conditions of the wider workforce and the design of the Directors' Remuneration Policy is informed by the policy for employees across the Group.

While employees are not formally consulted on the design of the Directors' Remuneration Policy, the Board will receive views through our designated non-executive director for workforce engagement on a variety of areas including pay.

DIFFERENCES IN PAY POLICY FOR EXECUTIVE DIRECTORS COMPARED TO EMPLOYEES

As for the executive directors, general practice across the Group is to recruit employees at competitive market levels of remuneration, incentives and benefits to attract and retain employees, accounting for national and regional talent pools. When considering salary increases for directors, the Committee will take into account salary increases and pay and employment conditions across the wider workforce. The pension contribution for executive directors is consistent with that for the general workforce. Senior employees are able to earn annual bonuses for delivering exceptional performance, with corporate performance measures aligned to those set for the executive directors. All employees, including the executive directors, have the opportunity to participate in the tax-approved share incentive plans.

There are some differences in the structure of the Remuneration Policy for the executive directors compared to that for other employees within the organisation, which the Committee believes are necessary to reflect the differing levels of seniority and responsibility. At senior levels, remuneration is increasingly long-term, and 'at risk' with an increased emphasis on performance-related pay and share-based remuneration. This ensures the remuneration of the executives is aligned with both the long-term performance of the Company and the interests of shareholders.

ANNUAL REPORT ON REMUNERATION

SINGLE TOTAL FIGURE OF REMUNERATION

The remuneration of the directors for the year ended 31 December 2021 is shown in the table below:

Director	Salary/Fees	Benefits (note 1)	Pension (note 2)	Fixed pay Sub-total	Annual bonus (note 3)	PSP awards vesting (note 4)	Variable pay Sub-total	Total
Amit Bhatia	170,000	–	–	170,000	–	–	–	170,000
Pat Ward*	153,750	4,851	23,643	182,244	192,188	835,143	1,027,331	1,209,575
Rob Wood**	533,750	19,787	34,710	588,247	718,750	513,127	1,231,877	1,820,124
James Brotherton***	300,000	14,820	13,181	328,001	375,000	–	375,000	703,001
Carol Hui	55,000	–	–	55,000	–	–	–	55,000
Pauline Lafferty****^	27,083	–	–	27,083	–	–	–	27,083
Moni Mannings*****	37,917	–	–	37,917	–	–	–	37,917
Helen Miles******	37,500	–	–	37,500	–	–	–	37,500
Clive Watson	70,000	–	–	70,000	–	–	–	70,000
Total	1,385,000	39,458	71,534	1,495,992	1,285,938	1,348,270	2,634,208	4,130,200

* Retired from the Board on 31 March 2021 and remained an employee of the Group for the remainder of the financial year.
** Appointed to the role of CEO on 1 April 2021. Pay comprises remuneration for undertaking the role of Group Finance Director and CEO.
*** Appointed CFO and joined the Board on 1 April 2021
**** Appointed to the Board and appointed Chair of the Remuneration Committee on 1 August 2021
***** Resigned from the Board and Remuneration Committee on 31 July 2021
****** Appointed to the Board on 1 April 2021
^ Appointed as Designated Non-executive Director for Workforce Engagement on 1 August 2021

Notes:
1 Benefits paid to Pat Ward, Rob Wood and James Brotherton comprise the provision of private medical insurance, and the provision of a car allowance.
2 Pat Ward, Rob Wood and James Brotherton received a salary supplement in lieu of a contribution to a pension arrangement.
3 Further information in relation to the bonuses payable to Pat Ward, Rob Wood and James Brotherton is given on pages 97 to 99 and these bonuses were earned pursuant to their service agreements and the rules of the Group's executive bonus scheme.
4 Further information in relation to the PSP awards vesting for Pat Ward and Rob Wood is given on page 99. These PSP awards will vest in April 2022 in accordance with the scheme rules. The value of vested awards is estimated using the three-month average share price to 31 December 2021 (96.5p).

The remuneration of the directors for the year ended 31 December 2020 was as shown in the table below:

	2020							
Director	Salary/Fees	Benefits (note 1)	Pension (note 2)	Fixed Pay Sub-total	Annual bonus (note 3)	PSP awards vesting (note 4)	Variable pay Sub-total	Total
Amit Bhatia	170,000	–	–	170,000	–	–	–	170,000
Pat Ward	615,000	19,919	95,925	730,844	384,375	–	384,375	1,443,802
Rob Wood	410,000	20,244	63,950	494,194	256,250	–	256,250	947,594
Peter Cornell*	12,500	–	–	12,500	–	–	–	12,500
Susie Farnon*	17,500	–	–	17,500	–	–	–	17,500
Carol Hui**^	34,805	–	–	34,805	–	–	–	34,805
Moni Mannings^^	61,472	–	–	61,472	–	–	–	61,472
Clive Watson***	67,500	–	–	67,500	–	–	–	67,500
Total	1,388,777	40,163	159,875	1,588,815	640,625	–	640,625	2,755,173

* Retired from the Board on 31 March 2020
** Appointed to the Board on 1 May 2020
*** Appointed Chair of the Audit Committee and Senior Independent Director on 1 April 2020
^ Appointed as Designated Non-executive Director for Sustainability on 8 September 2020
^^ Appointed as Designated Non-executive Director for Workforce Engagement on 8 September 2020

Notes:
1 Benefits paid to Pat Ward and Rob Wood comprise the provision of private medical insurance, and the provision of a car allowance.
2 Both Pat Ward and Rob Wood received a salary supplement in lieu of a contribution to a pension arrangement.
3 The bonuses payable to Pat Ward and Rob Wood were earned pursuant to their service agreements and the rules of the Group's executive bonus scheme.
4 These PSP awards relate to the awards granted in 2018 which lapsed in 2021 as the performance condition measured to 31 December 2020 was not achieved. In the 2020 report, the single figure table reported the values of the 2017 PSP awards. In line with reporting requirements the values shown above relate to awards with a performance period completing in the relevant financial year, i.e. the 2018 PSP awards.

ANNUAL BONUS FOR THE YEAR ENDED 31 DECEMBER 2021

The annual bonus opportunity for each executive director was 125% of base salary (pro-rated for service). The 2021 annual bonus was based on the achievement of stretching Underlying EBIT targets for 75% with the remaining 25% based on corporate objectives.

UNDERLYING EBIT (75% OF THE TOTAL BONUS)

Threshold level of Underlying EBIT £m	Maximum level of Underlying EBIT £m	Actual level of Underlying EBIT £m	Bonus earned (percentage of maximum) %
95.0	**126.4**	**133.6**	**100.0**

The rules of the bonus scheme provide that the actual level of Underlying EBIT is subject to a capital employed moderator. In 2021, as actual capital employed was lower than budgeted capital employed, the moderator would have increased the actual level of Underlying EBIT achieved. Given that the actual level of Underlying EBIT was significantly ahead of the maximum bonus target, the moderator has not been applied.

Reflecting the strong financial performance of the group in the context of a recovery from the pandemic, the profit outcome for the year was ahead of the maximum EBIT target of £126.4m. As a result the Underlying EBIT measure was achieved in full. Based on a bonus opportunity of 125% of salary, and a 75% weighting against the EBIT condition, performance against this measure delivered a bonus outcome of 93.75% of salary.

CORPORATE OBJECTIVES (25% OF THE TOTAL BONUS)

The Group introduced corporate objectives into the annual bonus for the first time in 2021. These were related to the development of strategic plans in three key areas: Sustainability, People and Communications. The table below provides full disclosure of the objectives against each area and actual performance.

DIRECTORS' REMUNERATION REPORT CONTINUED

	Objectives	Assessment
SUSTAINABILITY	Develop and agree with the Board a strategic plan for sustainability management to be delivered over the next three to five years with outcomes including: • Identifying and publishing an appropriate suite of sustainability targets and KPIs; • Agreeing an appropriate disclosure framework for Breedon to adopt, and put in place the processes required to satisfy it; • Embedding a culture of sustainability improvement across the business; • Putting in place the processes and procedures to satisfy the requirements of the GCCA's Sustainability Charter by the end of 2023 together with a roadmap for adoption.	A new Sustainability Framework was introduced in 2021 linked to the company vision, purpose and strategy: Making a Material Difference to People, Planet and Places. • A range of KPIs and targets were set by the Board in April 2021 and November 2021. Three main targets to 2030 were published with a focus on: achieving a carbon reduction in cementitious products; positively impacting society; and increasing the percentage of revenue from sustainable products and solutions. • We have chosen to voluntarily adopt the externally reported TCFD disclosure recommendations and have included this reporting framework on page 65. • Our leaders are committed to our sustainability goals, a number of which are linked to remuneration with working groups and division specific targets in place. • In 2021 we published a 2050 roadmap with key milestones and measures for carbon reduction and this aligns with the industry roadmap of the GCCA and the recommendation of the UK independent Climate Change Commission.
PEOPLE	Develop and agree with the Board a strategic plan for people and talent management to be delivered over the next three to five years with outcomes including: • Attracting and retaining the next generation of workforce; • Developing and promoting the female talent pipeline; • Embedding an effective culture of diversity and inclusion together with a roadmap for adoption.	• Our People Strategy for the next five years was developed, and agreed by the Board in September 2021, focusing around four key themes: building a talented and diverse workforce; creating the right opportunities for all our colleagues; ensuring Breedon is a great place to work; and that we are fit for the future. • Priorities for each of these areas have been set for 2022. • Initial work in 2021 focused on early-year careers with our first Breedon-wide intake of graduates and the strengthening our apprenticeship programmes alongside an improvement in our engagement with colleagues through our annual survey results and the establishment of a network of focus groups across the business.
COMMUNICATIONS	Develop and agree with the Board a communication plan to the internal and external stakeholder groups together with a roadmap for adoption.	• A new communications strategy and plan was developed, which included the appointment of a Head of Communications, and agreed by the Board in November 2021. • We have started to transform our approach to internal communications and engagement and this will continue to be a key focus for us in 2022. • We held our first Capital Markets Event in November 2021.

The above objectives made up 25% of the CEO's total bonus and, for the CFO, the corporate objectives made up 10% of his overall bonus. The CFO had an additional 15% of his bonus relating to the delivery of a successful refinancing which was achieved during the year and the development of our M&A and IT/Digital strategies which were agreed by the Board.

The Committee determined that very strong progress had been made against each of the objectives and that the targets had been met in full in 2021.

Overall the bonus outcome for the year, taking into account financial performance and the delivery of corporate objectives, was 100% of maximum.

The overall bonus for the period in service as a director was as follows:

Rob Wood – 125% of salary

James Brotherton – 125% of salary

Pat Ward – 125% of salary (based on a pro-rated salary as a director of £153,750)

The Remuneration Committee believes these outcomes fairly reflect the performance of the business over the 2021 financial year.

PSP AWARDS VESTING IN RESPECT OF PERFORMANCE TO 31 DECEMBER 2021

Awards were granted under the PSP in April 2019, with vesting subject to a performance condition based on Underlying Diluted EPS growth over a performance period running from 2019 to 2021, using 2018 EPS as the base figure (4.68p).

Threshold EPS growth (20% vesting)	Maximum EPS growth (100% vesting)	Actual EPS growth	PSP vesting earned (percentage of maximum)
4.9% p.a.	**10.5% p.a.**	**8.5% p.a.**	**70.8%**

At the date of writing the 2020 Directors' Remuneration report, while it appeared unlikely that any of this award would have vested following the outbreak of the pandemic, the strong recovery of the business in 2021 has resulted in vesting at 70.8%. The Committee believes the vesting outcome is commensurate with performance over the three-year period.

PSP AWARDS GRANTED IN 2021

The table below provides details of PSP awards made to Executive Directors on 23 April 2021.

Director	Type of Award	Basis of Award	Number of Shares under Award	Face value of award (£'000)[1]	% vesting at threshold	End of performance period
Rob Wood	Conditional shares	150% of salary	859,063	862	25%	31 December 2023
James Brotherton	Conditional shares	125% of salary	498,007	500	25%	31 December 2023

1 The number of awards was based on a share price of £1.004 being the middle market price on the dealing day prior to grant

The vesting of the above awards is subject to the achievement of two performance conditions, measured independently.

The first performance condition for 50% of the award measures the Group's compound annual growth rate in the Group's adjusted EPS over the performance period. No portion of the EPS element may vest unless the Group's fully Underlying Diluted EPS for 2023 is at least 5.3p, for which 25% of the EPS element may vest, rising on a straight-line basis to full vesting of the EPS element for EPS 6.5p or better.

The second performance condition for the other 50% of the award compares the Group's TSR performance over the performance period relative to a comparator group. The comparator group for the TSR element is the constituents of the FTSE 250 Index (excluding investment trusts) as at the start of the performance period. No portion of the TSR element may vest unless the Group's TSR performance over the performance period at least equals the median TSR performance within the comparator group, for which 25% of the TSR element may vest, rising on a straight-line basis to full vesting of the TSR element for median plus 7.5% p.a.

Adjusted Underlying EPS (based on EPS for the year ending 31 December 2023)	**Relative TSR** (against the FTSE 250 excluding investment trusts)	**Percentage of award relating to that part of the performance condition that vests**
Less than 5.3p	Below median	0%
Equal to 5.3p	Median TSR	25%
Between 5.3p and 6.5p	Between median and outperformance TSR (plus 7.5% p.a.)	Between 25% and 100% on a straight-line basis
6.5p or more	Outperformance TSR or more (median plus 7.5% p.a.)	100%

DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS

PSP

			Movements in the year				
	Year of Award	Options held as at 31 December 2020	Granted	Vested	Lapsed	Options held as at 31 December 2021	Vesting date
Rob Wood	2018	594,530	–	–	(594,530)	–	April 2021
	2019	751,466	–	–	–	751,466	April 2022
	2020	657,051	–	–	–	657,051	August 2023
	2021	–	859,063	–	–	859,063	April 2024
Total		2,003,047	859,063	–	(594,530)	2,267,580	
James Brotherton	2021	–	498,007	–	–	498,007	April 2024

SAYE

	Shares under option	Option date	Maturity date	Term (months)	Options matured during the year
Rob Wood	54,545	1 April 2019	1 May 2024	60	Nil
James Brotherton	42,134	1 April 2021	1 May 2026	60	Nil

BENEFICIAL INTERESTS

Beneficial interests of directors, their families and trusts in ordinary shares of the Company at 31 December 2021 were:

	No. of shares owned outright (including connected persons)	Unvested shares subject to performance conditions	SAYE Options held	Shareholding as a % of salary as at 31 December 2021	Shareholding guidelines (200% of salary) met?
Amit Bhatia	500,000	n/a	n/a	n/a	n/a
Rob Wood	1,077,161	2,267,580	54,545	195%	No
James Brotherton	75,000	498,007	42,134	18%	No
Carol Hui	–	n/a	n/a	n/a	n/a
Pauline Lafferty	–	n/a	n/a	n/a	n/a
Helen Miles	–	n/a	n/a	n/a	n/a
Clive Watson	100,000	n/a	n/a	n/a	n/a

Executive directors are expected to build and maintain a shareholding equivalent to 200% of their base salary. James Brotherton joined the Board in 2021 and acquired 75,000 shares from his own resources during the year. There was no change in the interests set out above between 31 December 2021 and 9 March 2022.

PAYMENTS TO PAST DIRECTORS

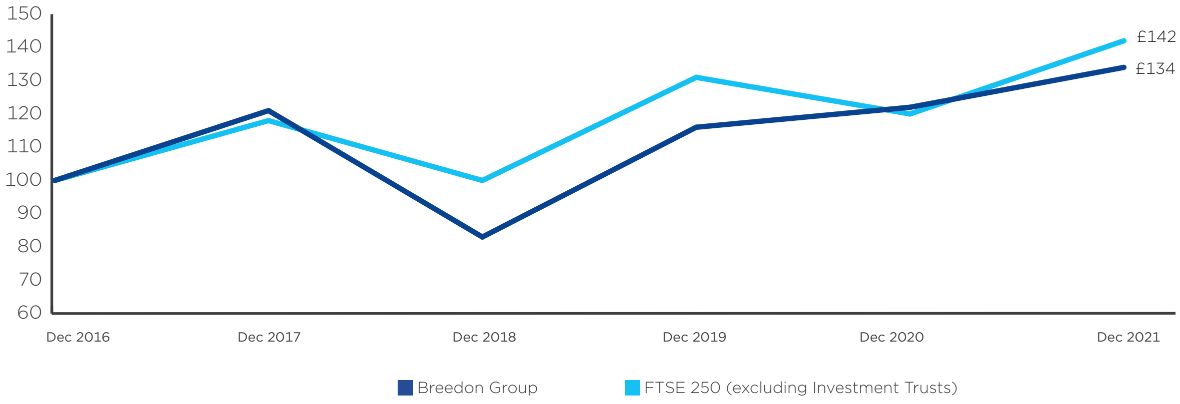
Pat Ward resigned from the Board and remained an employee of the Group until the end of his notice period. He did not receive a payment for loss of office. As a retiree, Pat Ward was treated as a good leaver under the incentive schemes with his unvested PSP awards vesting on their normal vesting dates and being subject to performance assessment and a pro-rata reduction to reflect his time in employment.

TOTAL SHAREHOLDER RETURN PERFORMANCE GRAPH AND CEO TOTAL PAY

The following graph illustrates the total return, in terms of share price growth and dividends on a notional investment of £100 in the Company over the last five years relative to the FTSE 250 Index (excluding investment trusts). This index was chosen by the Committee as a competitive indicator of general UK market performance for companies of a broadly similar size.

TSR CHART

Source: Datastream (a Refinitiv product)



CEO TOTAL REMUNERATION

The total remuneration figures, including annual bonus and vested PSP awards (shown as a percentage of the maximum that could have been achieved) for the CEO for each of the last five financial years are shown in the table below.

Year	CEO	CEO single figure of total remuneration £	Annual bonus payout against maximum opportunity %	PSP vesting rates %
2021	Rob Wood[1]	1,820,124	100.0	70.8
2021	Pat Ward[2]	1,209,575	100.0	70.8
2020	Pat Ward	1,443,802	100.0	0
2019	Pat Ward	2,076,492	82.6	61.9
2018	Pat Ward	1,333,757	60.5	83.5
2017	Pat Ward	1,055,742	67.1	100

1 Total remuneration for Rob Wood including the period 1 January 2021 to 31 March 2021 when he served as GFD.
2 Pat Ward remuneration above is for the period ended 31 March 2021 when he retired from the Board.

IMPLEMENTATION OF POLICY IN 2022

BASE SALARIES

The CEO was promoted to his role last year having previously held the role of Group Finance Director and an executive director since 2014. Upon appointment, the Committee set the CEO's base salary at a lower level relative to his predecessor to reflect his experience, but with the intention that, subject to strong performance in the role, his salary will be increased as appropriate over time.

The Committee has considered the CEO's salary for 2022 carefully and has agreed to apply a 7% salary increase (in the context of a workforce increase of 4%), which increases his salary to £615,000 from 1 April 2022. The Committee believes this is appropriate for the following reasons:

- Rob Wood has performed very strongly in the role, having navigated the business carefully through the second phase of the pandemic, delivered exceptional financial performance in 2021 and positioned the company in a good position for future growth;
- He led the development of Breedon's sustainability agenda, embedding a culture of sustainability throughout the business and communicating to the market and internally its ambitious Planet, People and Places goals;
- He delivered a successful Capital Markets Event in November 2021 and has gained trust amongst all key stakeholders;
- His new salary is equal to but not greater than his predecessor's salary, noting that his predecessor's salary was last increased in April 2019; and
- The base salary reflects fairly his value to the Breedon business and is not excessive by market standards for companies of Breedon's size and scale.

The CFO's salary will increase by 4% to £416,000 from 1 April 2022, in line with the general workforce increase.

DIRECTORS' REMUNERATION REPORT CONTINUED

NON-EXECUTIVE DIRECTORS' FEES

The fee for the non-executive chairman for 2022 has been increased by 4% to £177,000.

The fees payable to the non-executive directors for 2022 are:

- Basic fee of £52,000 (an increase of 4% over 2021);
- An additional fee for holding the office of Senior Independent Director, or for chairing the Audit & Risk, Remuneration or Sustainability Committee of £10,000;
- An additional fee of £5,000 to non-executive directors designated with responsibility for workforce engagement.

ANNUAL BONUS

For 2022, the executive directors will have the opportunity to earn a bonus of up to 125%. The bonus will be subject to stretching performance conditions based on Underlying EBIT (75%) and corporate objectives (25%). The performance targets contain confidential information and so are not disclosed on a prospective basis. The Committee proposes to disclose the targets, and performance against them, retrospectively as was the case for 2021.

PSP AWARDS

The Committee expects to grant awards under the PSP in 2022 at the level of 150% of salary for both the CEO and CFO. The CFO's award has been increased from 125% to 150% to be in line with the CEO's award level. The Committee believes this positioning is appropriate as it further aligns the CFO to Breedon's long-term success, it reflects his excellent contribution since taking on the role of CFO and it provides further retention. The 150% grant level remains well under the scheme limit and is not high by market standards for a company of Breedon's size.

The awards will vest subject to the satisfactory performance conditions assessed over 2022, 2023 and 2024. These awards will be subject to performance conditions based on measures of EPS and TSR.

The EPS measure will be assessed on the basis of growth in EPS between the base year ended 31 December 2021 and the year ending 31 December 2024.

The TSR measure will compare Breedon's relative TSR against the constituents of the FTSE 250 excluding investment trusts over the three-year performance period commencing on 1 January 2022. At a median ranking of 25% this part of the award will vest with full vesting for upper quartile ranking or better

DIRECTORS' REMUNERATION REPORT VOTING

At last year's AGM held on 20 April 2021 Breedon submitted the Directors' Remuneration Report for a shareholder vote for the first time. The vote was advisory and received the following support.

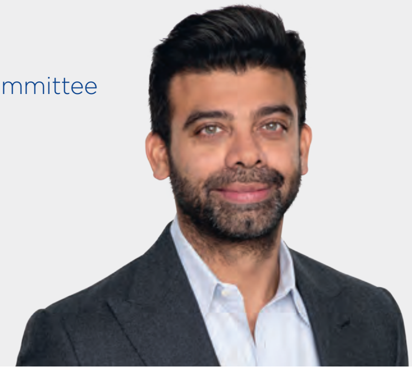
	Directors' Remuneration Report (2021)	
	Total number of votes	% of votes cast
For	1,292,423,212	96.55
Against	46,167,056	3.45
Total votes cast (for and against)	1,338,590,268	
Votes withheld	120,774	

Pauline Lafferty
Chair, Remuneration Committee
9 March 2022

NOMINATION COMMITTEE REPORT

The Nomination Committee has continued to keep the leadership of the Group under review to ensure the Board is able to govern effectively now and in the future.

AMIT BHATIA
Chair,
Nomination Committee



NOMINATION COMMITTEE

It is the responsibility of the Nomination Committee to:

- regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes;
- give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future;
- keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates; and
- be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.

The Terms of Reference for the Nomination Committee are available on our website.

As required by the Committee's Terms of Reference, throughout the year the Nomination Committee was chaired by the Chairman of the Company. The quorum for Committee meetings is a minimum of two directors and which must comprise a majority of independent directors.

The Committee was quorate for all meetings in 2021.

KEY ACTIVITIES CARRIED OUT IN THE YEAR:

During the year, the Nomination Committee met twice and discussed the following:

- Reviewed the succession plan for the Board and Executive Committee and made recommendations on the appointment of a non-executive director together with appointments to the Executive Committee
- Reviewed its own effectiveness
- Reviewed its Terms of Reference

MEETING ATTENDANCE

	Meetings attended	Eligible to attend
Amit Bhatia Committee Chair	2	2
Carol Hui Independent Non-executive Director	2	2
Pauline Lafferty[1] Independent Non-executive Director	1	1
Moni Mannings[2] Independent Non-executive Director	1	1
Helen Miles[3] Independent Non-executive Director	1	2
Clive Watson Independent Non-executive Director	2	2

1 Appointed to the Board on 1 August 2021
2 Resigned from the Board on 31 July 2021
3 Appointed to the Board on 1 April 2021

REVIEW OF 2021

The early part of 2021 saw the executive appointments recommended by the Committee to the Board in 2020 come to successful fruition, with Rob Wood taking up his appointment as CEO and James Brotherton's appointment to the Board as CFO. The Nomination Committee in 2020 also made a recommendation to the Board for the appointment of Helen Miles as an additional independent non-executive director, and she joined the Board on 1 April 2021. Helen has a wealth of skills and experience in growth and sustainability strategies and customer-focused businesses together with an understanding of the broader infrastructure sector. Her current financial skills are aligned with those who support the Audit & Risk Committee and she is a valued additional member to the Committee. I was pleased to see that all these appointments were subsequently supported by shareholders at the 2021 AGM.

GOVERNANCE

NOMINATION COMMITTEE REPORT CONTINUED

Following notification by Moni Mannings of her resignation from the Board, the Board asked the Committee to recommend an appointment of an independent non-executive director with the appropriate skills and experience to hold the position of Chair of the Remuneration Committee. The Nomination Committee, before making any recommendations to the Board, always ensure that a transparent process is undertaken and that any recommendations on appointment to the Board would complement the existing Board on a range of criteria, including independence, time commitment, inclusivity, diversity, industry experience and skills. The Nomination Committee therefore reviewed the required skills identified, and key strengths that a new independent Board member was required to hold, to effectively complement the Board. Following the recommendation of the Nomination Committee in June 2021, Pauline Lafferty was appointed to the Board with effect from 1 August 2021. Pauline brings to the Board significant experience in HR and employee engagement. For the non-executive search, the Nomination Committee used the services of Korn Ferry, who were engaged solely for that purpose.

During 2021 the Nomination Committee oversaw the succession plan for the senior executives within the business, particularly in light of a number of intended retirements from the Executive Committee. The Nomination Committee ensured that a considered approach in the pursuit of the best executive leadership for the organisation, to secure its long-term future, was undertaken. The Nomination Committee used the services of Odgers Berndtson who were encouraged to compile a diverse and inclusive list of candidates which were considered together with some candidates who were already known.

All recommendations made by the Nomination Committee in 2021 were accepted by the Board and, as Chairman, I look forward to working with both new and current colleagues in 2022.

Following the triennial externally facilitated Board Evaluation which took place in 2020, and as part of a wider internal effectiveness review of the Board, the Nomination Committee undertook a self-assessed review of its own effectiveness in 2021. The Nomination Committee looked at a number of indicators against their performance and discussed areas in which we believed we were doing well and where any improvements could be made. I am pleased to confirm that this resulted in the Committee declaring that they believed that they had been effective in 2021. As an outcome of the Committee's review of effectiveness, it reviewed its Terms of Reference and proposed no changes to the Board for 2022.

FOCUS FOR 2022

The Nomination Committee will continue to review and explore the Board and Executive Committee succession plan, with an emphasis on ensuring that there is appropriate succession planning in place taking into account the challenges and opportunities facing the Company. The Nomination Committee will also oversee and review the skills, knowledge and experience of the Board to ensure those qualities are up to date and appropriate for the Board to discharge its duties fully.

The Nomination Committee firmly believes that an inclusive Board culture, with a range of perspectives should continue as a key driver of business success and is committed to ensuring that there is a diverse Board with key skills and experiences, so as to make effective contribution to the sustainable long-term growth of the Company.

Amit Bhatia
Chair, Nomination Committee
9 March 2022

DIRECTORS' REPORT

The Directors present their report, together with the audited Financial Statements, for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Company are the quarrying of aggregates and manufacture and sale of construction materials and building products in GB and Ireland, including cement, asphalt and ready-mixed concrete, and specialist building products and delivery of surfacing solutions as a further route to market for our construction materials. Further details of the Group's activities and future developments are included in the Statement from the Chairman, the CEO's review on pages 4 to 11, the Business reviews on pages 28 to 33 and the CFO's review on pages 34 to 38.

RISK MANAGEMENT

The Board is responsible for the Group's system of risk management and continues to develop policies and procedures that reflect the nature and scale of the Group's business. Further details of the key areas of risk to the business identified by the Group are included on pages 58 to 64. Details of the Group's operational key performance indicators are shown on pages 26 and 27.

RESULTS AND DIVIDENDS

For the year to 31 December 2021, the Group's profit before tax was £114.3m (2020: £48.1m) and after tax was a profit of £78.6m (2020: £33.7m). The Company paid a maiden interim dividend on 10 September 2021 of 0.5p per share to holders of ordinary shares of no par value who were on the register on 13 August 2021. A final dividend of 1.1 p per share will be proposed for shareholder approval at the AGM on 28 April 2022. If approved it will be paid on 20 May 2022 to shareholders on the Register of Members on 22 April 2022.

STATED CAPITAL

Details of the Company's shares in issue are set out in note 18 to the Financial Statements.

DIRECTORS

The following Directors served during the year:

Amit Bhatia	Non-executive Chairman
Pat Ward[1]	Group Chief Executive
Rob Wood	Chief Executive Officer[2]
James Brotherton[3]	Chief Financial Officer
Carol Hui	Independent Non-executive Director
Pauline Lafferty[4]	Independent Non-executive Director
Moni Mannings[5]	Independent Non-executive Director
Helen Miles[3]	Independent Non-executive Director
Clive Watson	Independent Non-executive Director

1 Retired 31 March 2021
2 With effect from 1 April 2021; Group Finance Director prior to that date
3 Appointed 1 April 2021
4 Appointed 1 August 2021
5 Resigned 31 July 2021

Biographical details of the Directors serving at 31 December 2021 can be found on pages 72 and 73 and details of their service contracts and interests in the issued share capital of the Company are given in the Directors' Remuneration Report on pages 94 and 100.

SUBSTANTIAL SHAREHOLDINGS

The Company is aware that, as at 18 February 2022, other than the Directors, the interests of shareholders holding 3% or more of the issued share capital of the Company were as shown in the table below:

	Number	%
Abicad Holding Limited*	**164,959,102**	9.8
Lansdowne Partners	**155,042,138**	9.2
Octopus Investments	**90,553,417**	5.4
Columbia Threadneedle Investments	**89,989,069**	5.3
Blackrock Investment Management	**79,984,718**	4.7
Baillie Gifford & Co	**79,000,398**	4.7
Polar Capital	**57,119,689**	3.4
Soros Fund Management	**52,686,359**	3.1
Aviva Investors	**51,399,402**	3.0

* Amit Bhatia has been appointed as Abicad Holding Limited's Representative Director on the Board of the Company pursuant to a relationship deed dated 17 November 2015.

DIRECTORS' REPORT CONTINUED

COLLEAGUES

The Group recognises the importance of colleague involvement in the operation and development of its business units, which are given autonomy, within a Group policy and structure, to enable management to be fully accountable for their own actions and gain maximum benefit from local knowledge. Colleagues are informed by regular consultation, intranet, and internal newsletters of the progress of both their own business units and the Group as a whole.

The Group is committed to providing equal opportunities for individuals in all aspects of employment. It considers the skills and aptitudes of disabled persons in recruitment, career development, training and promotion. If existing colleagues become disabled, every effort is made to retain them, and retraining is arranged wherever possible.

POLITICAL CONTRIBUTIONS

The Group did not make any contributions to political parties during either the current or the previous year.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at Park Plaza Westminster Bridge London, 200 Westminster Bridge Road, Lambeth, London SE1 7UT on 28 April 2022 at 2.00pm. The formal notice convening the AGM, together with explanatory notes on the resolutions contained therein, is included in the separate circular accompanying this document and which is available on the Company's website at www.breedongroup.com/investors.

GOING CONCERN

The Financial Statements are prepared on a Going Concern basis which the Directors consider to be appropriate for the following reasons.

The Group meets its day-to-day working capital and other funding requirements through its banking facilities, which include an overdraft facility. Longer term debt financing is accessed through the Group's USPP loan note programme. The facilities comprise a £350m multi-currency RCF, which runs to at least June 2024 and £250m of USPP loan notes with maturities between seven and 15 years. Further details of these facilities are provided in note 15 to the Financial Statements.

The Group comfortably met all covenants and other terms of its borrowing agreements in the period, and maintained its track record of profitability and cash generation, with an overall profit before taxation of £114.3m and net cash from operating activities of £194.1m.

The Group has prepared cash flow forecasts for a period of more than 12 months from the date of signing these Financial Statements, which show a sustained trend of profitability and cash generation. At 31 December 2021, the Group had cash of £83.9m and undrawn banking facilities of £350.0m, and at the date of this report retains similar levels of liquidity which it is expected will provide sufficient liquidity for the Group to discharge its liabilities as they fall due and retain covenant headroom, even under a 'severe but plausible' downside scenario of forecast cash flows.

Based on the above, the Directors believe that it remains appropriate to prepare the Financial Statements on a Going Concern basis.

VIABILITY STATEMENT

The Directors have assessed the viability of the Group over a period to December 2024. This is the same period over which financial projections were prepared for the Group's strategic financial plan.

In making their assessment the Directors have taken into account the Group's current position and the potential impact of the principal risks and uncertainties set out on pages 58 to 64 on its business model, future performance, solvency or liquidity. They stress-tested their analysis by running a number of credible scenarios and considered the availability of mitigating actions. Based on this assessment, the Directors confirm they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to December 2024.

In making this statement, the Directors have assumed that financing remains available and that mitigating actions are effective.

DISCLOSURE OF INFORMATION TO AUDITOR

The Directors who hold office at the date of this Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware, and each Director has taken all steps that he or she ought to have taken to make himself or herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

AUDITOR

KPMG LLP has expressed willingness to continue in office and, in accordance with Article 113 of the Companies (Jersey) Law 1991, a resolution to reappoint KPMG LLP will be proposed at the forthcoming AGM.

By order of the Board

Amit Bhatia
Non-executive Chairman

Rob Wood
Chief Executive Officer

9 March 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Jersey company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with IFRS as adopted by the UK and applicable law.

Under Jersey company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to Going Concern; and
- use the Going Concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with Companies (Jersey) Law, 1991. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

FINANCIAL STATEMENTS

For the year ended 31 December 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BREEDON GROUP PLC

1. OUR OPINION IS UNMODIFIED

We have audited the Consolidated Financial Statements of Breedon Group plc ('the Company' and 'the Group') for the year ended 31 December 2021 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and the related notes, including the accounting policies in note 1.

IN OUR OPINION:

- the Consolidated Financial Statements give a true and fair view, in accordance with UK adopted international accounting standards, of the state of the Group's affairs as at 31 December 2021 and of its profit for the year then ended; and
- the Consolidated Financial Statements have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview

Materiality:		£5.0m (2020: £3.5m)
Group Consolidated Financial Statements as a whole		4.4% of Group profit before tax (2020: 4.4% of 3 years' average Group profit before tax adjusted for acquisition costs)
Coverage		93% (2020: 94%) of Group profit before tax
Key audit matters		**vs 2020**
Recurring risks	Recoverability of goodwill allocated to Cement.	◀▶
	Provision for restoration and decommissioning obligations.	▼

Key

◀▶ Risk unchanged from 2020

▼ Risk decreased from 2020

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BREEDON GROUP PLC CONTINUED

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the Consolidated Financial Statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the prior year we reported a key audit matter in respect of the recognition and valuation of the mineral assets acquired in the Cemex business combination. As there have been no material acquisitions in the current year, we do not consider there to be a key audit matter in relation to business combinations for the current year audit and therefore it is not separately identified in our report this year.

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows;

	The risk	Our response
Recoverability of goodwill allocated to Cement £160.0 million; (2020 restated: £164.0 million (note 1)) Refer to page 83 (Audit & Risk Committee Report), note 1 (accounting policy) and note 9 (financial disclosures).	**Subjective estimate:** Goodwill is significant and at risk of impairment due to the impact of climate change on the Cement business. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cashflows. In addition, the Group is not able to quantify the longer-term gross cost of the transition to net zero, as the technology to achieve this is not yet proven at scale. Demand for cement could be impacted by the price increases needed to recover these costs, substitute products becoming available or longer-term changes in consumer behaviour. The future cash flows are also dependent on the continued availability of limestone resources over the remaining life of the asset base. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the value in use of goodwill had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Consolidated Financial Statements as a whole, and possibly many times that amount. In conducting our final audit work we concluded that reasonably possible changes in the assumptions would not be expected to result in a material change to the carrying value of goodwill.	Our procedures included: • **Benchmarking assumptions:** We challenged, using observable market data including available sources for comparable companies, the key inputs used in the Group's calculation of the discount rate; • **Our ESG expertise:** Using our specialists to identify industry practise and key risks relevant to the Group's business; • **Our sector experience:** We assessed whether the assumptions used, in particular those relating to the continued availability of limestone resources, forecast cash flow growth and long term growth rates, reflect our knowledge of the business and industry, including known or probable changes in the business environment and the impact of climate change; • **Historical comparisons:** We considered the historical forecasting accuracy, by comparing previously forecast cash flows to actual results achieved; • **Comparing valuations:** We compared the sum of the discounted cash flows of all CGUs to the Group's market capitalisation, thus assessing the reasonableness of these cash flows; • **Sensitivity analysis:** We performed our own sensitivity analysis over the reasonably possible combination of changes in the forecasts on the assumptions noted above; • **Assessing transparency:** We assessed whether the Group's disclosures regarding the sensitivity of the outcome of the impairment assessment to changes in key assumptions, specifically those relating to climate change, reflected the risks inherent in the recoverable amount of goodwill. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

2. KEY AUDIT MATTERS: INCLUDING OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT CONTINUED

	The risk	Our response
Restoration and decommissioning provision £70.7 million; (2020: £62.7 million) Refer to page 83 (Audit & Risk Committee Report), note 1 (accounting policy) and note 17 (financial disclosures).	**Subjective estimation:** The calculation of restoration and decommissioning provisions requires the Group to estimate the quantum and timing of future costs to restore and decommission sites. These calculations also require the Group to determine an appropriate rate to discount future costs to their net present value. There is limited restoration and decommissioning activity and historical precedent against which to benchmark estimates of future costs. The effect of these matters is that, as part of our risk assessment, we determined that restoration and decommissioning provisions have a high degree of estimation uncertainty, with a potential range of outcomes greater than our materiality for the Consolidated Financial Statements as a whole. The Consolidated Financial Statements (note 28) disclose the sensitivities estimated by the Group.	Our procedures included: • **Assessing experience of external experts:** We evaluated the competence and objectivity of external experts appointed by the Group to determine an estimate of restoration and decommissioning costs; • **Validation of obligations:** We evaluated the existence of legal obligations with respect to restoration and decommissioning costs; • **Challenging assumptions and inputs:** We challenged the consistency of the assumptions used by the Group in generating the estimated costs of restoration and decommissioning and agreed a sample of costs back to quotes received; • **Historical comparisons:** We considered historical forecasting accuracy, by comparing previously forecast costs to actual costs incurred; • **Benchmarking assumptions:** We challenged the inflation and discount rates by comparing them to externally derived data, including available sources for comparable companies; • **Assessing disclosures:** We evaluated whether appropriate disclosures have been provided in the Consolidated Financial Statements. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BREEDON GROUP PLC CONTINUED

3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the Consolidated Financial Statements as a whole was set at £5.0m (2020: £3.5m), determined with reference to a benchmark of Group profit before tax (of which it represents 4.4% (2020: 4.4% of 3 years' average Group profit before tax adjusted for acquisition costs)).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the Consolidated Financial Statements as a whole.

Performance materiality for the Group was set at 75% (2020: 75%) of materiality for the Consolidated Financial Statements as a whole, which equates to £3.8m (2020: £2.6m). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit & Risk Committee any corrected or uncorrected identified misstatements exceeding £0.3m (2020: £0.2m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

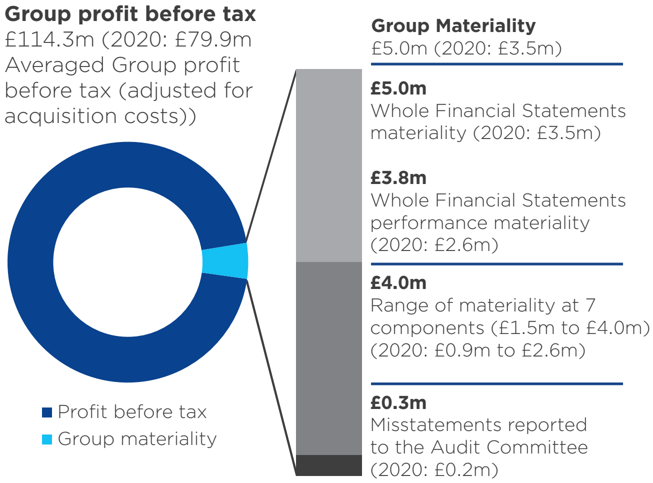
Our audit of the Group was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

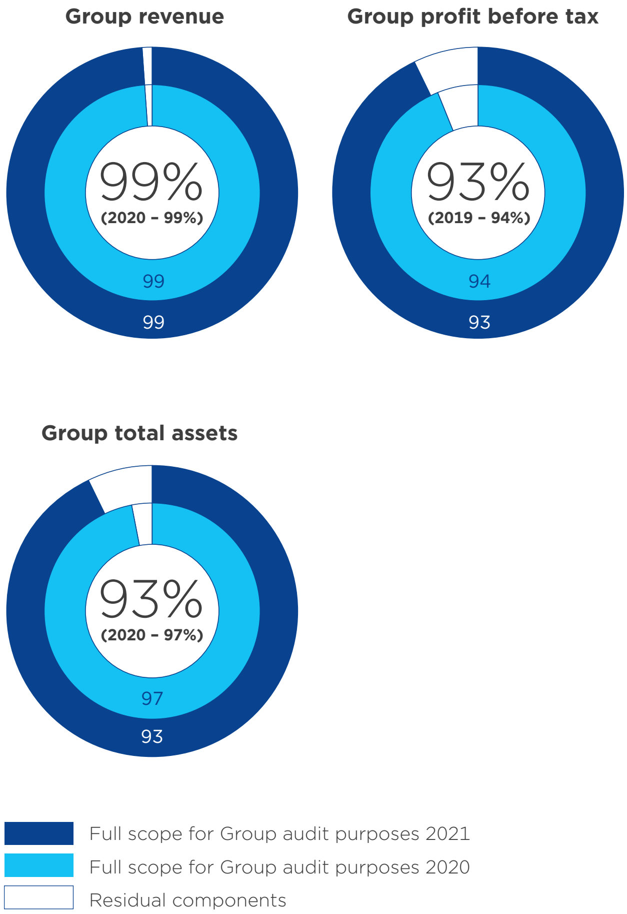
Audits for group reporting purposes were performed by component auditors at the key reporting components in the United Kingdom and the Republic of Ireland and by the Group audit team in the United Kingdom. These Group procedures covered 99% (2020: 99%) of total Group revenue, 93% (2020: 94%) of Group profit before taxation and 93% (2020: 97%) of total Group assets. The segment disclosures in note 2 set out the individual significance of a specific country.

The audits undertaken for group reporting purposes at the key reporting components of the Group were all performed to materiality levels set by, or agreed with, the Group audit team. These materiality levels were set individually for each component and ranged from £1.5m to £4.0m, (2020: £0.9m to £2.6m).

Detailed audit instructions were sent to all the auditors in these locations. These instructions covered the significant audit areas that should be covered by these audits (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported back to the Group audit team.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.





4. THE IMPACT OF CLIMATE CHANGE IN OUR AUDIT

In planning our audit, we considered the potential impacts of climate change on the Group's business and its Consolidated Financial Statements.

The Group has set out its targets to reduce gross carbon intensity in the Cement division by 30% by 2030, and to be net carbon neutral by 2050 for Scope 1 and Scope 2 emissions.

However, whilst the Group has set targets to be carbon neutral by 2050, the gross cost of this transition, how the demand for cement might be impacted by the price increases needed to recover these costs, the possibility of substitute products becoming available and the longer term changes in customer behaviour are not yet known.

To the extent there are known implications, these have been reflected in the Consolidated Financial Statements in accordance with IFRS requirements and have been considered in our audit as set out in our Key Audit Matter. It is therefore possible that the future carrying amounts of assets will change for these judgements and estimates as the Group responds to its climate change targets.

Our Key Audit Matter on the recoverability of goodwill allocated to the cement cash generating unit explains how we have assessed the Group's climate-related assumptions and relevant disclosures in arriving at our audit conclusions. This included holding discussions with our own climate change professionals to challenge our risk assessment.

We have also read the Group's disclosure of climate-related information in the front half of the annual report and compared this to our knowledge gained from our Consolidated Financial Statement audit work.
The Group has given more disclosure in the Consolidated Financial Statements of the potential impacts of climate change and the assumptions used in setting key estimates and judgements this year.

5. GOING CONCERN

The Directors have prepared the Consolidated Financial Statements on the Going Concern basis as they do not intend to liquidate the Group or to cease its operations, and as they have concluded that the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the Consolidated Financial Statements ('the Going Concern period').

In our evaluation of the conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group's financial resources or ability to continue operations over the Going Concern period. The risks that we considered most likely to affect Group's financial resources or ability to continue operations over this period were:

- The continued availability of capital to meet operating costs and other financial commitments; and
- The ability of the Group to comply with debt covenants.

We considered whether these risks could plausibly affect the liquidity in the Going Concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Group's financial forecasts.

We considered whether the going concern disclosure in note 1 to the Consolidated Financial Statements gives a full and accurate description of the assessment of going concern.

Our conclusions based on this work:

- We consider that the Directors' use of the Going Concern basis of accounting in the preparation of the Consolidated Financial Statements is appropriate;
- We have not identified, and concur with the Directors' assessment that there is not a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for the Going Concern period; and
- We found the going concern disclosure in note 1 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BREEDON GROUP PLC CONTINUED

6. FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT

IDENTIFYING AND RESPONDING TO RISKS OF MATERIAL MISSTATEMENT DUE TO FRAUD

To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors and other management as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for 'whistleblowing', as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board, Audit & Risk Committee and Remuneration Committee minutes;
- Considering remuneration incentive schemes and performance targets for management and the directors; and
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group to full scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the estimation of restoration and decommission provisions. On this audit we do not believe there is a fraud risk related to revenue recognition because product revenue recognition is straightforward and contract revenue contains limited management judgement, therefore limiting the opportunity to commit a material fraud.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included journals that move costs from above EBITDA to below EBITDA;
- Incorporating an element of unpredictability in our audit procedures; and
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

IDENTIFYING AND RESPONDING TO RISKS OF MATERIAL MISSTATEMENT DUE TO NON-COMPLIANCE WITH LAWS AND REGULATIONS

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Consolidated Financial Statements from our general commercial and sector experience, and through discussion with the Directors and other management (as required by auditing standards) and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to full-scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full scope component auditors to report to the Group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the Consolidated Financial Statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the Consolidated Financial Statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation.

We assessed the extent of compliance with these laws and regulations as part of our procedures on the related Consolidated Financial Statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Consolidated Financial Statements, for instance through the imposition of fines or litigation.
We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law and certain aspects of company legislation recognising the nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

CONTEXT OF THE ABILITY OF THE AUDIT TO DETECT FRAUD OR BREACHES OF LAW OR REGULATION

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Consolidated Financial Statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Consolidated Financial Statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

7. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The Directors are responsible for the other information presented in the Annual Report together with the Consolidated Financial Statements. Our opinion on the Consolidated Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our Consolidated Financial Statements audit work, the information therein is materially misstated or inconsistent with the Consolidated Financial Statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

8. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies (Jersey) Law, 1991 we are required to report to you if, in our opinion:

- Proper accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Consolidated Financial Statements are not in agreement with the accounting standards; or
- We have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

9. RESPECTIVE RESPONSIBILITIES

DIRECTORS' RESPONSIBILITIES

As explained more fully in their statement set out on page 107, the Directors are responsible for: the preparation of Consolidated Financial Statements that give a true and fair view; such internal control as they determine is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error; assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the Going Concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

10. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Company's members as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Craig Parkin
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

9 March 2022

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

		2021			2020		
	Note	**Underlying £m**	**Non-underlying* (note 3) £m**	**Total £m**	Underlying £m	Non-underlying* (note 3) £m	Total £m
Revenue	1,2	**1,232.5**	**–**	**1,232.5**	928.7	–	928.7
Cost of sales		**(804.1)**	**–**	**(804.1)**	(630.8)	–	(630.8)
Gross profit		**428.4**	**–**	**428.4**	297.9	–	297.9
Distribution expenses		**(210.6)**	**–**	**(210.6)**	(158.1)	–	(158.1)
Administrative expenses		**(87.1)**	**(6.2)**	**(93.3)**	(65.0)	(14.9)	(79.9)
Group operating profit		**130.7**	**(6.2)**	**124.5**	74.8	(14.9)	59.9
Share of profit of associate and joint ventures	10	**2.9**	**–**	**2.9**	1.7	–	1.7
Profit from operations	2	**133.6**	**(6.2)**	**127.4**	76.5	(14.9)	61.6
Financial expense	6	**(13.1)**	**–**	**(13.1)**	(13.5)	–	(13.5)
Profit before taxation		**120.5**	**(6.2)**	**114.3**	63.0	(14.9)	48.1
Tax at effective rate	7	**(19.4)**	**1.0**	**(18.4)**	(9.8)	1.3	(8.5)
Changes in deferred tax rate	7	**(17.3)**	**–**	**(17.3)**	(5.9)	–	(5.9)
Taxation		**(36.7)**	**1.0**	**(35.7)**	(15.7)	1.3	(14.4)
Profit for the year		**83.8**	**(5.2)**	**78.6**	47.3	(13.6)	33.7
Attributable to:							
Equity holders of the parent		**83.7**	**(5.2)**	**78.5**	47.2	(13.6)	33.6
Non-controlling interests		**0.1**	**–**	**0.1**	0.1	–	0.1
Profit for the year		**83.8**	**(5.2)**	**78.6**	47.3	(13.6)	33.7

* Non-underlying items represent acquisition-related expenses, redundancy and reorganisation costs, property losses, amortisation of acquisition intangibles and related tax items.

Earnings per share		2021	2020
Basic	24	**4.65p**	1.99p
Diluted	24	**4.62p**	1.99p

Underlying earnings per share are shown in note 24.

Dividends in respect of the year		2021	2020
Dividend per share	18	**1.60p**	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £m	2020 £m
Profit for the year		**78.6**	33.7
Other comprehensive income			
Items which may be reclassified subsequently to profit and loss:			
Foreign exchange differences on translation of foreign operations, net of hedging		**(14.7)**	11.6
Effective portion of changes in fair value of cash flow hedges		**1.2**	1.7
Taxation on items taken directly to other comprehensive income	7	**(0.2)**	(0.2)
Other comprehensive (expense)/income for the year		**(13.7)**	13.1
Total comprehensive income for the year		**64.9**	46.8
Total comprehensive income for the year is attributable to:			
Equity holders of the parent		**64.8**	46.7
Non-controlling interests		**0.1**	0.1
		64.9	46.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	Note	2021 £m	2020 (restated*) £m
Non-current assets			
Property, plant and equipment	8	**799.5**	812.2
Intangible assets	9	**501.5**	512.6
Investment in associate and joint ventures	10	**12.2**	11.2
Trade and other receivables	14	**4.5**	3.2
Total non-current assets		**1,317.7**	1,339.2
Current assets			
Inventories	13	**62.0**	59.4
Trade and other receivables	14	**205.9**	189.7
Current tax receivable		**–**	0.9
Cash and cash equivalents		**83.9**	31.7
Total current assets		**351.8**	281.7
Total assets		**1,669.5**	1,620.9
Current liabilities			
Interest-bearing loans and borrowings	15	**(7.2)**	(64.7)
Trade and other payables	16	**(257.7)**	(245.5)
Current tax payable		**(4.7)**	–
Provisions	17	**(9.5)**	(5.0)
Total current liabilities		**(279.1)**	(315.2)
Non-current liabilities			
Interest-bearing loans and borrowings	15	**(289.2)**	(285.3)
Provisions	17	**(63.9)**	(60.3)
Deferred tax liabilities	12	**(87.5)**	(71.7)
Total non-current liabilities		**(440.6)**	(417.3)
Total liabilities		**(719.7)**	(732.5)
Net assets		**949.8**	888.4
Equity attributable to equity holders of the parent			
Stated capital	18	**553.0**	551.6
Hedging reserve	18	**1.2**	0.2
Translation reserve	18	**(9.8)**	4.9
Retained earnings		**405.2**	331.6
Total equity attributable to equity holders of the parent		**949.6**	888.3
Non-controlling interests		**0.2**	0.1
Total equity		**949.8**	888.4

* Restated for review of prior year acquisition accounting during the IFRS 3 hindsight period and classification of trade and other receivables. See note 1 for further details.

These Financial Statements were approved by the Board of Directors on 9 March 2022 and were signed on its behalf by:

Rob Wood
Chief Executive Officer

James Brotherton
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Stated capital £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	**Attributable to equity holders of parent £m**	Non-controlling interests £m	**Total equity £m**
Balance at 1 January 2020	550.0	(1.3)	(6.7)	297.0	**839.0**	0.1	**839.1**
Shares issued	1.6	–	–	–	**1.6**	–	**1.6**
Dividend to non-controlling interests	–	–	–	–	**–**	(0.1)	**(0.1)**
Total comprehensive income for the year	–	1.5	11.6	33.6	**46.7**	0.1	**46.8**
Share-based payments (inclusive of deferred tax recognised in equity)	–	–	–	1.0	**1.0**	–	**1.0**
Balance at 31 December 2020	**551.6**	**0.2**	**4.9**	**331.6**	**888.3**	**0.1**	**888.4**
Shares issued	1.4	–	–	–	**1.4**	–	**1.4**
Dividends paid	–	–	–	(8.4)	**(8.4)**	–	**(8.4)**
Total comprehensive income for the year	–	1.0	(14.7)	78.5	**64.8**	0.1	**64.9**
Share-based payments (inclusive of deferred tax recognised in equity)	–	–	–	3.5	**3.5**	–	**3.5**
Balance at 31 December 2021	**553.0**	**1.2**	**(9.8)**	**405.2**	**949.6**	**0.2**	**949.8**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £m	2020 £m
Cash flows from operating activities			
Profit for the year		**78.6**	33.7
Adjustments for:			
Depreciation and mineral depletion		**83.3**	74.4
Amortisation		**3.6**	3.6
Financial expense		**13.1**	13.5
Share of profit of associate and joint ventures		**(2.9)**	(1.7)
Net (gain)/loss on sale of property, plant and equipment		**–**	4.6
Share-based payments		**2.9**	1.0
Taxation		**35.7**	14.4
Operating cash flow before changes in working capital and provisions		**214.3**	143.5
(Increase) in trade and other receivables		**(17.6)**	(26.4)
(Increase)/decrease in inventories		**(3.5)**	10.4
Increase in trade and other payables		**17.2**	64.6
Increase in provisions		**6.7**	7.4
Cash generated from operating activities		**217.1**	199.5
Interest paid		**(6.8)**	(7.7)
Interest element of lease payments		**(2.6)**	(2.6)
Dividend paid to non-controlling interests		**–**	(0.1)
Income taxes paid		**(13.6)**	(20.7)
Net cash from operating activities		**194.1**	168.4
Cash flows used in investing activities			
Acquisition of businesses	26	**(6.1)**	(151.7)
Divestment of businesses	27	**–**	9.0
Dividends from associate and joint ventures	10	**1.9**	1.3
Purchase of property, plant and equipment	8	**(76.9)**	(38.1)
Proceeds from sale of property, plant and equipment		**5.6**	1.7
Net cash used in investing activities		**(75.5)**	(177.8)
Cash flows (used in)/from financing activities			
Dividends paid		**(8.4)**	–
Proceeds from the issue of shares (net of costs)	18	**1.4**	1.6
Proceeds from new interest-bearing loans (net of costs)		**513.9**	79.5
Repayment of interest-bearing loans		**(563.1)**	(53.4)
Repayment of lease obligations		**(9.7)**	(10.8)
Net cash (used in)/from financing activities		**(65.9)**	16.9
Net increase in cash and cash equivalents		**52.7**	7.5
Cash and cash equivalents at 1 January		**31.7**	23.8
Foreign exchange differences		**(0.5)**	0.4
Cash and cash equivalents at 31 December		**83.9**	31.7

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The principal activities of the Group are the quarrying of aggregates and manufacture and sale of construction materials and building products, including cement, asphalt and ready-mixed concrete, together with related activities in GB and Ireland. Breedon Group plc is a company domiciled in Jersey. The address of the Company's registered office is 28 Esplanade, St Helier, Jersey JE2 3QA.

BASIS OF PREPARATION

These Financial Statements consolidate the results of the Company and its subsidiary undertakings, and equity account for the Group's interest in its associate and its joint ventures (collectively 'the Group').

Applicable laws and accounting standards

These Financial Statements have been prepared in accordance with IFRS as adopted by the UK. The Consolidated Financial Statements have been prepared under the historical cost convention except for the revaluation to fair value of certain financial instruments. Parent company information has not been provided in accordance with Article 105 (11) of the Companies (Jersey) Law 1991.

The accounting policies set out below have, unless otherwise stated, been applied consistently throughout the year.

Going Concern

These Financial Statements are prepared on a Going Concern basis which the Directors consider to be appropriate for the following reasons:

The Group meets its day-to-day working capital and other funding requirements through its banking facilities, which include an overdraft facility. Longer term debt financing is accessed through the Group's USPP loan note programme. The facilities comprise a £350m multi-currency RCF, which runs to at least June 2024 and £250m of USPP loan notes with maturities between seven and 15 years. Further details of these facilities are provided in note 15.

The Group comfortably met all covenants and other terms of its borrowing agreements in the period, and maintained its track record of profitability and cash generation, with an overall profit before taxation of £114.3m and net cash from operating activities of £194.1m.

The Group has prepared cash flow forecasts for a period of more than 12 months from the date of signing these Financial Statements, which show a sustained trend of profitability and cash generation. At 31 December 2021, the Group had cash of £83.9m and undrawn banking facilities of £350.0m, and at the date of this report retains similar levels of liquidity which it is expected will provide sufficient liquidity for the Group to discharge its liabilities as they fall due and retain covenant headroom, even under a 'severe but plausible' downside scenario of forecast cash flows.

Presentation

These Financial Statements are presented in Sterling, which is the Group's currency. All financial information presented has been rounded to the nearest £0.1m.

Basis of consolidation

Subsidiary undertakings are entities controlled by the Group. Control exists when the Group is exposed to or has rights to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The Group considers a company a subsidiary undertaking when it has control over the company. Ordinarily this is when the Group holds more than 50% of the shares and voting rights. The Financial Statements of subsidiary undertakings are included in the Group's Financial Statements from the date that control commences until the date that control ceases.

Associates are those entities in which the Group holds more than 20% of the shares and voting rights and has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, requiring unanimous consent for strategic financial and operating decisions. The Group's Financial Statements includes the Group's share of the total comprehensive income of its associate and joint ventures on an equity accounted basis, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an associate or joint venture, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate or joint venture.

ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Financial Statements requires the use of certain critical accounting estimates, and for management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements, are disclosed in note 28.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 ACCOUNTING POLICIES CONTINUED

RESTATEMENT OF 2020 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Consolidated Statement of Financial Position has been restated for the following:

- Finalisation of provisional fair values of the assets and liabilities recognised in respect of the Cemex acquisition in 2020, following a review during the IFRS 3 hindsight period. See note 26 for further details.
- Classification of £3.2m of trade and other receivables between current and non-current.

The table below reconciles the Consolidated Statement of Financial Position originally reported in the 2020 Annual Report to the restated position.

	2020	2021	
	Previously reported £m	**Adjustment £m**	**Restated Values £m**
Property, plant and equipment	816.3	**(4.1)**	**812.2**
Intangible assets	506.9	**5.7**	**512.6**
Trade and other receivables	–	**3.2**	**3.2**
Total non-current assets	1,334.4	**4.8**	**1,339.2**
Trade and other receivables	192.9	**(3.2)**	**189.7**
Total current assets	284.9	**(3.2)**	**281.7**
Total assets	1,619.3	**1.6**	**1,620.9**
Trade and other payables	(245.1)	**(0.4)**	**(245.5)**
Total current liabilities	(314.8)	**(0.4)**	**(315.2)**
Deferred tax liabilities	(70.5)	**(1.2)**	**(71.7)**
Total non-current liabilities	(416.1)	**(1.2)**	**(417.3)**
Total liabilities	(730.9)	**(1.6)**	**(732.5)**
Net assets	888.4	**–**	**888.4**

There is no cash implication to this adjustment. The impact on the Consolidated Income Statement is not significant and this has therefore not been restated.

NEW IFRS STANDARDS AND INTERPRETATIONS

New IFRS Standards and Interpretations adopted in the year

The Group has adopted the following standards from 1 January 2021:

- Amendments to IFRS 16 – *COVID-19 Related Rent Concessions*
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 – *Interest Rate Benchmark Reform*

The adoption of these standards has not had a material impact on the Financial Statements.

New IFRS Standards and Interpretations not adopted

At the date on which these Financial Statements were authorised, there were no Standards, Interpretations and Amendments which had been issued but were not effective for the year ended 31 December 2021 that are expected to materially impact the Group's Financial Statements.

FOREIGN EXCHANGE

Foreign exchange transactions

Transactions in foreign currencies are recorded at the spot rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the balance sheet date, with all currency translation differences recognised within the Consolidated Income Statement, except for those monetary items that provide an effective hedge for a net investment in a foreign operation.

Foreign exchange translation

The Consolidated Financial Statements are presented in Sterling, which is the functional currency of the Group. The individual Financial Statements of the Group's subsidiaries and joint ventures with a functional currency other than Sterling are translated into Sterling according to IAS 21 – *The Effects of Changes in Foreign Exchange Rates*.

Results and cash flows are translated using average annual exchange rates for the reporting period, assets and liabilities are translated using the closing rates at the reporting date and equity at historic exchange rates. The resulting translation differences are recognised in the Consolidated Statement of Comprehensive Income until the subsidiary is disposed of. Goodwill and fair value adjustments arising on acquisition of a foreign operation are regarded as assets and liabilities of the foreign operation and are translated accordingly.

1 ACCOUNTING POLICIES CONTINUED

FINANCIAL INSTRUMENTS

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. The principal financial assets and liabilities of the Group are as follows:

Trade receivables and trade payables

Trade receivables and trade payables are initially recognised at fair value and are then stated at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, including bank deposits with original maturities of three months or less. For the purposes of the Consolidated Statement of Cash Flows, bank overdrafts are included in cash and cash equivalents as they are an integral part of the Group's cash management.

Bank and other borrowings

Interest-bearing bank loans and overdrafts and other loans including USPP loan notes are recognised initially at fair value less attributable transaction costs. All borrowings are subsequently stated at amortised cost with the difference between initial net proceeds and redemption value recognised in the Consolidated Income Statement over the period to redemption on an effective interest basis.

Derivative financial instruments

The majority of the Group's strategic hedging programme is delivered using executory contracts to forward purchase commodities for our own use. The cost is recognised in the Consolidated Income Statement at the agreed forward rates on receipt of the underlying items. The Group also uses financial instruments to manage financial risks associated with the Group's underlying business activities and the financing of those activities. The Group does not undertake any trading in financial instruments.

Derivatives are initially recognised at fair value and subsequently remeasured in future periods at fair value. The gain or loss on remeasurement is recognised immediately in profit or loss, unless a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability. In this instance the effective part of any gain or loss is recognised in the Consolidated Statement of Comprehensive Income and in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the Consolidated Income Statement.

Amounts recorded in the hedging reserve are subsequently reclassified to the Consolidated Income Statement when the expense for the hedged transaction is actually recognised.

To qualify for hedge accounting, the hedging relationship must meet several conditions with respect to documentation, probability of occurrence, hedge effectiveness and reliability of measurement. At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking the hedge transaction. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The Group documents its assessment, at hedge inception and on an annual basis, as to whether the derivatives that are used in hedging transactions have been, and are likely to continue to be, effective in offsetting changes in fair value or cash flows of hedged items.

MINERAL RESERVES AND RESOURCES

Mineral reserves and resources are stated at cost, including both the purchase price and costs incurred to gain access to the reserves. Where access is gained to new mineral reserves and resources, this cost includes a provision to restore the land disturbed. The value of mineral reserves and resources recognised as a result of business combinations is based on the fair value at the point of acquisition.

These assets are depreciated using a physical unit-of-production method, over the commercial life of the quarry.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. This includes right-of-use assets recognised under IFRS 16 – *Leases,* which the Group has elected to present alongside owned assets as a single line item in the Consolidated Statement of Financial Position.

Depreciation is charged to the Consolidated Income Statement on a straight-line basis over the estimated useful lives of assets, in order to write off the cost or deemed cost of assets. The estimated useful lives are as follows:

- Freehold buildings – 50 years
- Fixtures and fittings – up to 10 years
- Office equipment – up to 5 years
- Fixed plant – up to 35 years
- Loose plant and machinery – up to 10 years
- Motor vehicles – up to 10 years
- Right-of-use assets – life of lease or the useful economic life of underlying asset

No depreciation is provided on freehold land.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 ACCOUNTING POLICIES CONTINUED

INTANGIBLE ASSETS AND GOODWILL

The Group measures goodwill as the fair value of the purchase consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Fair value adjustments are always considered to be provisional at the first reporting date after the acquisition.

The Group measures non-controlling interests at a proportionate share of the recognised amount of the identifiable net assets at the acquisition date.

Goodwill arising on the acquisition of subsidiary undertakings is recognised as an asset in the Consolidated Statement of Financial Position and is subject to an annual impairment review. Goodwill arising on the acquisition of associated undertakings is included within the carrying value of the investment. When the excess is negative, a gain on bargain purchase is recognised immediately in the Consolidated Income Statement.

Other intangible assets that are acquired by the Group as part of a business combination are stated at cost less accumulated amortisation and impairment losses. Cost reflects management's judgement of the fair value of the individual intangible asset calculated by reference to the net present value of future economic benefits accruing to the Group from the utilisation of the asset, discounted at an appropriate rate. Other intangibles arising on the acquisition of associated undertakings are included within the carrying value of the investment.

Amortisation is based on the estimated useful economic lives of the assets concerned, which is considered by the Director's to be a period of up to 20 years.

IMPAIRMENT

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets (see separate accounting policies), are reviewed at each reporting date to determine whether there is any indication of impairment. Impairment reviews are undertaken at the level of each significant cash-generating unit, which is no larger than an operating segment as defined by IFRS 8 – *Operating Segments*. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads, including mineral depletion where relevant. The level of overhead included in the cost of inventory is based on normal operating capacity.

EMISSIONS RIGHTS

Emissions rights where an annual allowance is received for nil cost, typically EU or UK Emissions Trading Scheme credits, are accounted for such that an emissions liability is recognised only in circumstances where emissions have exceeded the allowance for a scheme from the perspective of the Group as a whole and will require the purchase of additional allowances to settle an emissions liability. Assets and liabilities arising in respect of nil cost emission allowances are accordingly presented on a net basis in the Consolidated Financial Statements.

RETIREMENT BENEFITS

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Consolidated Income Statement as incurred.

PROVISIONS

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The Group provides for the costs of restoring a site and of decommissioning associated property, plant and equipment. The initial cost of creating provisions on the commencement of operations is included in property, plant and equipment and depreciated over the life of the site. Changes in the measurement of a previously capitalised provision that result from changes in the estimated timing or amount of cash outflows are added to, or deducted from, the cost of the related asset. All other changes are recognised in the Consolidated Income Statement.

All provisions are discounted to their present value at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

REVENUE

Group revenue principally arises from the sale of goods and surfacing. IFRS 15 requires revenue to be recognised in line with a principles-based five-step model. This requires the Group to identify its performance obligations, determine the transaction price applicable to each of these performance obligations and then to select an appropriate method for the timing of revenue recognition, reflecting the substance of the performance obligation, being either recognition at a point in time or over time.

Revenue from sale of goods

The majority of the Group's revenue is derived from the sale of physical goods to customers. Depending on whether the goods are delivered to or collected by the customer, the contract contains either one performance obligation which is satisfied at the point of collection, or two performance obligations which are satisfied simultaneously at the point of delivery.

The transaction price for this revenue is the amount which can be invoiced to the customer once the performance obligations are fulfilled, reduced to reflect provisions recognised for returns, trade discounts and rebates. The Group does not routinely offer discounts or volume rebates, but where it does the variable element of revenue is based on the most likely amount of consideration that the Group believes it will receive. This value excludes items collected on behalf of third parties, such as sales and value added taxes.

For all sales of goods, revenue is recognised at a point in time, being the point that the goods are transferred to the customer.

Revenue from surfacing

The majority of surfacing revenue comprises short-term performance obligations to supply and lay product. Other surfacing revenue can contain more than one performance obligation dependent on the nature of the contract.

The transaction price is calculated as consideration specified by the contract, adjusted to reflect provisions recognised for returns, remedial work arising in the normal course of business, trade discounts and rebates.

Where the agreement with a customer provides for elements of variable consideration, these values are included in the calculation of the transaction price only to the extent that it is 'highly probable' that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved.

Where the transaction price is allocated between multiple performance obligations, this typically reflects the allocation of value to each performance obligation agreed with the end customer, unless this does not reflect the economic substance of the transaction.

As surfacing performance obligations are satisfied over time, revenue is recognised over time, typically on an output basis, being volume of product laid for most surfacing revenue.

WARRANTIES AND CUSTOMER CLAIMS

The Group provides assurance type warranties over the specification of products, but does not provide extended warranties or maintenance services in its contracts with customers. Additionally, claims with customers may arise in the usual course of business. Both customer claims and warranties are accounted for under IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets.*

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 ACCOUNTING POLICIES CONTINUED

FINANCIAL INCOME AND EXPENSE

Financial income and expense comprises interest payable, finance charges, lease interest, interest receivable on funds invested, and gains and losses on related hedging instruments that are recognised in the Consolidated Income Statement.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

GOVERNMENT GRANTS

Government grants are not recognised until there is reasonable assurance that the grants will be received and that the Group will comply with any conditions attached to them.

Government grants are recognised in the Consolidated Income Statement over the same period as the costs for which the grants are intended to compensate, and are presented net of these costs.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group are recognised in the Consolidated Income Statement in the period in which they become receivable.

INCOME TAX

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable profit for the year. Taxable profit differs from net profit as reported in the Consolidated Income Statement because it excludes items of income or expense that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates enacted or substantively enacted at the reporting date and includes any adjustment to tax payable in respect of previous years.

DEFERRED TAX

Deferred tax is provided in full using the Statement of Financial Position liability method and represents the tax expected to be payable or recoverable on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

LEASES

Right-of-use assets and liabilities are recognised for any arrangements meeting the definition of a lease set out in IFRS 16 – *Leases*.

Right-of-use assets are presented within property, plant and equipment in the Consolidated Statement of Financial Position. They are measured at cost, comprising the initial amount of the lease liability adjusted for any lease prepayments, plus any initial direct costs incurred, less any lease incentives received. Right-of-use assets are then depreciated using the straight-line method from the start of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease liabilities are presented within interest-bearing loans and borrowings. They are measured at the present value of future lease payments, discounted at a rate which reflects both the Group's incremental borrowing rate, adjusted for the time value of money, and the nature of the leased asset.

The Group has elected to take advantage of the practical expedients permitted by the Standard not to recognise lease assets and liabilities in respect of short-term and low-value leases. Charges recognised in the Consolidated Income Statement in respect of these leases are not significant to the Group.

1 ACCOUNTING POLICIES CONTINUED

SHARE-BASED TRANSACTIONS

Equity-settled share-based payments to Directors, key employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value is expensed, with a corresponding increase in equity, on a straight line basis over the period that the employees become unconditionally entitled to the awards. At each reporting date, the Group revises the amount recognised as an expense to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market-based performance conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

DIVIDENDS

Dividends are recognised as a liability in the Financial Statements in the period in which they are declared by the Company and, in respect of final dividends, approved by shareholders.

ALTERNATIVE PERFORMANCE MEASURES

The following non-GAAP performance measures have been used in the Financial Statements:

i. Underlying EBIT
ii. Underlying EBIT margin
iii. Underlying EBITDA
iv. Like-for-like Underlying EBIT
v. Like-for-like revenue
vi. Underlying Basic EPS
vii. Free Cash Flow
viii. Free Cash Flow conversion
ix. Return on invested capital
x. Covenant Leverage

Management uses these terms as they believe these measures allow a better understanding of the Group's underlying business performance. These alternative performance measures are well understood by investors and analysts, are consistent with the Group's historic communication with investors and reflects the way in which the business is managed.

A reconciliation between these alternative performance measures to the most directly related statutory measures is included within note 29.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2 SEGMENTAL ANALYSIS

The principal activities of the Group are the quarrying of aggregates and manufacture and sale of construction materials and building products, including cement, asphalt and ready-mixed concrete, together with related activities in GB and Ireland.

The Group's activities comprise the following reportable segments:

Great Britain: our construction materials and surfacing businesses in Great Britain.

Ireland: our construction materials and surfacing businesses on the Island of Ireland.

Cement: our cementitious operations in Great Britain and Ireland.

A description of the activities of each segment is included on pages 28 to 32.

As a result of the Cemex acquisition, certain cement related activities which formed part of Great Britain in 2020 are now reported within the Cement segment. Comparative values in this note have been restated accordingly. The reallocated activities contributed £20.0m of revenue, £2.5m of EBITDA, and £1.3m of EBIT for the year ended 31 December 2020.

INCOME STATEMENT

	2021		2020 (restated)	
	Revenue £m	**Underlying EBITDA* £m**	Revenue £m	Underlying EBITDA* £m
Great Britain	**845.2**	**124.2**	602.8	74.5
Ireland	**225.4**	**35.4**	189.3	27.9
Cement	**245.6**	**67.7**	197.2	57.5
Central administration	**–**	**(13.3)**	–	(10.7)
Eliminations	**(83.7)**	**–**	(60.6)	–
Group	**1,232.5**	**214.0**	928.7	149.2

	2021	2020 (restated)
Reconciliation to statutory profit		
Group Underlying EBITDA as above	**214.0**	149.2
Depreciation and mineral depletion	**(83.3)**	(74.4)
Great Britain	**74.3**	33.5
Ireland	**28.2**	20.5
Cement	**41.6**	31.7
Central administration	**(13.4)**	(10.9)
Underlying Group operating profit	**130.7**	74.8
Share of profit of associate and joint ventures	**2.9**	1.7
Underlying profit from operations (EBIT)	**133.6**	76.5
Non-underlying items (note 3)	**(6.2)**	(14.9)
Profit from operations	**127.4**	61.6
Financial expense	**(13.1)**	(13.5)
Profit before taxation	**114.3**	48.1
Taxation at effective rate	**(18.4)**	(8.5)
Changes in deferred tax rate	**(17.3)**	(5.9)
Taxation	**(35.7)**	(14.4)
Profit for the year	**78.6**	33.7

* Underlying EBITDA is earnings before interest, tax, depreciation and mineral depletion, amortisation, non-underlying items (note 3) and before our share of profit from associate and joint ventures.

IMPACT OF IFRS 16

The impact of IFRS 16 on the Consolidated Income Statement is to increase Underlying EBITDA by £10.7m (2020: £9.3m), increase Underlying EBIT by £1.8m (2020: £1.5m), increase Financial expense by £2.2m (2020: £2.4m) and decrease Profit before taxation by £0.4m (2020: £0.9m) for the year ended 31 December 2021.

2 SEGMENTAL ANALYSIS CONTINUED

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

Analysis of revenue by geographic location of end market

The primary geographic market for all Group revenues for the purpose of IFRS 15 is the UK and RoI. In line with the requirements of IFRS 8, this is analysed by individual countries as follows:

	2021 £m	2020 £m
United Kingdom	**1,088.2**	799.5
Republic of Ireland	**141.1**	126.0
Other	**3.2**	3.2
	1,232.5	928.7

Analysis of revenue by major products and service lines by segment

	2021 £m	2020 (restated) £m
Sale of goods		
Great Britain	**740.2**	525.5
Ireland	**66.4**	51.9
Cement	**245.6**	197.2
Eliminations	**(83.7)**	(60.6)
	968.5	714.0
Surfacing		
Great Britain	**105.0**	77.3
Ireland	**159.0**	137.4
	264.0	214.7
	1,232.5	928.7

Timing of revenue recognition

Sale of goods revenue relates to products for which revenue is recognised at a point in time as the product is transferred to the customer. Surfacing revenues are accounted for as products and services for which revenue is recognised over time.

FINANCIAL STATEMENTS

2 SEGMENTAL ANALYSIS CONTINUED

STATEMENT OF FINANCIAL POSITION

	2021		2020 (restated*)	
	Total assets £m	Total liabilities £m	Total assets £m	Total liabilities £m
Great Britain	841.8	(203.0)	838.2	(187.0)
Ireland	254.4	(45.8)	252.3	(46.0)
Cement	487.2	(65.0)	496.9	(56.4)
Central administration	2.2	(17.3)	0.9	(21.4)
Total operations	**1,585.6**	**(331.1)**	1,588.3	(310.8)
Current tax	–	(4.7)	0.9	–
Deferred tax	–	(87.5)	–	(71.7)
Net Debt	83.9	(296.4)	31.7	(350.0)
Total Group	**1,669.5**	**(719.7)**	1,620.9	(732.5)
Net assets		**949.8**		888.4

* Restated for review of prior year acquisition accounting during the IFRS 3 hindsight period in addition to changes to the composition of segments. See note 1.

GB total assets include £11.3m (2020: £11.0m) and Cement total assets include £0.9m (2020: £0.2m) in respect of investments in associate and joint ventures.

GEOGRAPHIC LOCATION OF PROPERTY, PLANT AND EQUIPMENT ASSETS

	2021 £m	2020 (restated*) £m
United Kingdom	681.9	693.1
Republic of Ireland	117.6	119.1
	799.5	812.2

* Restated for review of prior year acquisition accounting during the IFRS 3 hindsight period in addition to changes to the composition of segments. See note 1.

ANALYSIS OF DEPRECIATION AND MINERAL DEPLETION, AMORTISATION AND CAPITAL EXPENDITURE

	Depreciation and mineral depletion £m	Amortisation of intangible assets £m	Additions to owned property, plant and equipment £m
2021			
Great Britain	49.9	1.6	44.9
Ireland	7.2	2.0	14.4
Cement	26.1	–	17.1
Central administration	0.1	–	0.5
	83.3	3.6	76.9
2020 (restated)			
Great Britain	41.0	1.5	18.3
Ireland	7.4	2.1	5.2
Cement	25.8	–	12.3
Central administration	0.2	–	2.3
	74.4	3.6	38.1

Additions to owned property, plant and equipment exclude additions in respect of business combinations.

3 NON-UNDERLYING ITEMS

Non-underlying items are those which are either unlikely to recur in future periods or which distort the underlying performance of the business, including non-cash items. In the opinion of the Directors, this presentation aids understanding of the underlying business performance and references to underlying earnings measures throughout this report are made on this basis. Underlying measures are presented on a consistent basis over time to assist in the comparison of performance.

	2021 £m	2020 £m
Included in administrative expenses:		
Redundancy and reorganisation costs	**1.2**	0.9
Acquisition costs (note 26)	**0.7**	7.5
Property losses	**0.7**	2.9
Amortisation of acquired intangible assets	**3.6**	3.6
Total non-underlying items (before tax)	**6.2**	14.9
Non-underlying taxation	**(1.0)**	(1.3)
Total non-underlying items (after tax)	**5.2**	13.6

4 EXPENSES AND AUDITOR'S REMUNERATION

	2021 £m	2020 £m
Group operating profit has been arrived at after charging/(crediting)		
Depreciation and mineral depletion:		
Owned assets	**73.0**	65.1
Leased assets	**10.3**	9.3
Amortisation of intangible assets	**3.6**	3.6
Government grant income	**–**	(12.7)
Property losses (note 3)	**0.7**	2.9
(Gain)/loss on sale of plant and equipment	**(0.7)**	1.7
Auditor's remuneration		
Audit of the Company's annual accounts	**–**	–
Audit of the Company's subsidiary undertakings	**0.9**	0.7
Non-audit services	**–**	–
	0.9	0.7

Government grant income in 2020 related to receipts under job support schemes put in place by the UK and Irish governments in response to the pandemic. The Group stopped claims under both schemes from the end of July 2020 and payments to any colleague who remained furloughed beyond that date were wholly funded by the Company.

5 REMUNERATION OF DIRECTORS, STAFF NUMBERS AND COSTS

Remuneration received by the Directors (the Group's key management personnel) is summarised below. Disclosure by individual director, including information on all outstanding share options, is provided in the Directors' Remuneration Report from page 96.

DIRECTORS' REMUNERATION

	2021 £m	2020 £m
Salaries and short-term employee benefits	**2.4**	1.9
Directors' fees	**0.4**	0.3
Share awards receivable in respect of current year performance	**1.3**	–
Total disclosed in Directors' Remuneration Report	**4.1**	2.2

During 2021, the Directors did not receive any share awards in respect of 2020 performance. During 2020, they made a gain of £0.5m in respect of share awards received in respect of 2019 performance.

No pension contributions were paid by the Group directly to any pension schemes on behalf of the Directors in either the current or prior years.

STAFF NUMBERS AND COSTS

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	Number of employees	
	2021	2020 (restated*)
Great Britain	**2,466**	2,254
Ireland	**372**	387
Cement	**487**	454
Central administration	**132**	109
	3,457	3,204

* Restated for changes to Operating Segments. See note 2.

The aggregate payroll costs of these persons (including Directors) were as follows:

	2021 £m	2020 £m
Wages and salaries	**142.6**	126.7
Social security costs	**15.6**	13.7
Pension costs	**6.6**	5.3
Share-based payments (note 19)	**2.9**	1.0
	167.7	146.7

Pension costs relate to various defined contribution pension schemes operated within the Group. These are accounted for on a contribution payable basis. Contributions outstanding at 31 December 2021 amounted to £1.0m (2020: £0.9m) and are included in payables.

6 FINANCIAL EXPENSE

	2021 £m	2020 £m
Interest charged on bank loans, private placement notes and overdrafts	**6.8**	7.7
Amortisation of loan arrangement fees	**2.3**	1.4
Lease liabilities	**2.6**	2.6
Unwinding of discount on provisions	**1.4**	1.8
	13.1	13.5

Amortisation of loan arrangement fees for 2021 includes a charge of £1.2m to expense fees previously capitalised in respect of the Group's old facilities. See note 15.

7 TAXATION

RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT

	2021 £m	2020 £m
Current tax expense		
Current year	**19.1**	12.9
Prior year	**(0.1)**	(0.7)
Total current tax	**19.0**	12.2
Deferred tax expense		
Current year	**(1.1)**	(3.6)
Change in deferred tax rate	**17.3**	5.9
Prior year	**0.5**	(0.1)
Total deferred tax	**16.7**	2.2
Total tax in the Consolidated Income Statement	**35.7**	14.4

RECOGNISED IN OTHER COMPREHENSIVE INCOME

	2021 £m	2020 £m
Deferred tax (income)/expense		
Cash flow hedges	**0.2**	0.2
Share based payments	**(0.6)**	–
Total tax in Other Comprehensive Income	**(0.4)**	0.2

RECONCILIATION OF EFFECTIVE TAX RATE

	2021 £m	2020 £m
Profit before taxation	**114.3**	48.1
Tax at the Company's domestic rate of 19%	**21.7**	9.1
Difference between Company and subsidiary statutory tax rates	**(2.0)**	(1.4)
Expenses not deductible for tax purposes	**0.7**	2.0
Enhanced capital allowances	**(1.5)**	–
Share-based payments	**–**	(0.2)
Utilisation of unrecognised deferred tax assets	**(0.4)**	–
Income from associate and joint ventures already taxed	**(0.5)**	(0.2)
Change in deferred tax rate	**17.3**	5.9
Adjustment in respect of prior years	**0.4**	(0.8)
Total tax charge	**35.7**	14.4

Although the Company is registered in Jersey, it is tax resident in the United Kingdom, with a 19% tax rate. The Group's subsidiary operations pay tax at a rate of 19% (2020: 19%) in the United Kingdom and 12.5% (2020: 12.5%) in the Republic of Ireland.

On 24 May 2021 legislation was passed which substantively enacted an increase in the UK corporation tax rate from 19% to 25% from April 2023. This will result in higher tax charges in future years, and a deferred tax charge of £17.3m has been recognised to remeasure the Group's UK deferred tax liabilities at 31 December 2021 at this higher rate.

Excluding the impact of non-underlying items and the change in deferred tax rate, the Group's Underlying effective tax rate is 16.1% (2020: 15.6%). Including these items, the Group's reported tax rate for the year is 31.2% (2020: 29.9%).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

8 PROPERTY, PLANT AND EQUIPMENT

OWNED ASSETS

Cost	Mineral reserves and resources £m	Land and buildings £m	Plant, equipment and vehicles £m	Total £m
Balance at 1 January 2020	243.3	108.0	501.5	852.8
Transferred from leased assets (note 21)	–	–	10.4	10.4
Translation adjustment	1.3	2.3	3.1	6.7
Acquisitions through business combinations (note 26)	83.9	21.4	31.6	136.9
Additions	2.6	0.8	34.7	38.1
Disposals and impairment	(3.4)	(4.8)	(12.1)	(20.3)
Change to capitalised provisions	3.0	2.6	2.1	7.7
Reclassification	3.3	(1.0)	(2.3)	–
Balance at 31 December 2020 (restated*)	**334.0**	**129.3**	**569.0**	**1,032.3**
Transferred from leased assets (note 21)	–	(0.2)	3.7	3.5
Translation adjustment	(1.7)	(2.9)	(4.1)	(8.7)
Acquisitions through business combinations (note 26)	–	–	0.4	0.4
Additions	7.9	3.5	65.5	76.9
Disposals and impairment	(1.0)	(0.7)	(15.5)	(17.2)
Change to capitalised provisions	–	0.7	(0.4)	0.3
Reclassification	0.8	0.9	(1.7)	–
Balance at 31 December 2021	**340.0**	**130.6**	**616.9**	**1,087.5**
Depreciation and mineral depletion				
Balance at 1 January 2020	43.5	17.8	150.5	211.8
Transferred from leased assets (note 21)	–	–	5.8	5.8
Translation adjustment	0.1	0.2	0.2	0.5
Charge for the year	11.6	5.4	48.1	65.1
Disposals and impairment	–	(1.0)	(6.0)	(7.0)
Balance at 31 December 2020 (restated*)	**55.2**	**22.4**	**198.6**	**276.2**
Transferred from leased assets (note 21)	–	(0.1)	1.9	1.8
Translation adjustment	(0.2)	(0.3)	(0.5)	(1.0)
Charge for the year	16.9	5.8	50.3	73.0
Disposals and impairment	(0.6)	(0.4)	(11.4)	(12.4)
Balance at 31 December 2021	**71.3**	**27.4**	**238.9**	**337.6**
Net book value – total assets				
Owned assets	278.8	106.9	370.4	756.1
Leased assets (note 21)	–	31.1	25.0	56.1
Balance at 31 December 2020 (restated*)	**278.8**	**138.0**	**395.4**	**812.2**
Owned assets	268.7	103.2	378.0	749.9
Leased assets (note 21)	–	33.0	16.6	49.6
Balance at 31 December 2021	**268.7**	**136.2**	**394.6**	**799.5**

* Restated for review of prior year acquisition accounting during the IFRS 3 hindsight period. See note 1.

8 PROPERTY, PLANT AND EQUIPMENT CONTINUED

MOVEMENTS BETWEEN OWNED AND LEASED ASSETS

Items transferred from leased assets represent leases where the liability has been fully repaid in the normal course of business and legal ownership of the asset has transferred to the Group. Where the underlying physical asset is purchased by the Group and this causes the lease to end, this is presented as an addition to owned assets within this note and as a disposal of the associated leased asset within note 21.

ASSETS UNDER CONSTRUCTION

Presented within plant, equipment and vehicles are assets in the course of construction totalling £40.7m (2020: £22.1m) which are not being depreciated.

DEPRECIATION AND MINERAL DEPLETION

Depreciation and mineral depletion, on both owned and leased assets, is recognised in the following line items in the Consolidated Income Statement:

	2021 £m	2020 £m
Cost of sales	**80.9**	71.6
Administration expenses	**2.4**	2.8
	83.3	74.4

9 INTANGIBLE ASSETS

	Goodwill £m	Customer related £m	Other £m	Total £m
Cost				
At 1 January 2020	423.5	45.4	16.6	485.5
Translation adjustment	6.7	0.9	0.1	7.7
Acquisitions through business combinations (note 26)	32.5	0.1	–	32.6
Divestments (note 27)	(1.6)	–	–	(1.6)
At 31 December 2020 (restated*)	**461.1**	**46.4**	**16.7**	**524.2**
Translation adjustment	(8.2)	(1.4)	(0.1)	(9.7)
Acquisitions through business combinations (note 26)	1.9	–	–	1.9
Disposal	–	(0.7)	–	(0.7)
At 31 December 2021	**454.8**	**44.3**	**16.6**	**515.7**
Amortisation				
At 1 January 2020	–	6.4	1.5	7.9
Translation adjustment	–	0.1	–	0.1
Charge for the year	–	2.6	1.0	3.6
At 31 December 2020	**–**	**9.1**	**2.5**	**11.6**
Translation adjustment	–	(0.3)	–	(0.3)
Disposal	–	(0.7)	–	(0.7)
Charge for the year	–	2.6	1.0	3.6
At 31 December 2021	**–**	**10.7**	**3.5**	**14.2**
Net book value				
At 31 December 2020 (restated*)	461.1	37.3	14.2	512.6
At 31 December 2021	**454.8**	**33.6**	**13.1**	**501.5**

* Restated for review of prior year acquisition accounting during the IFRS 3 hindsight period. See note 1.

Other intangible assets primarily comprise brand assets arising from acquisitions.

The amortisation charge on these assets is recognised in non-underlying administrative expenses in the Consolidated Income Statement.

9 INTANGIBLE ASSETS CONTINUED

IMPAIRMENT TESTS FOR CASH-GENERATING UNITS CONTAINING GOODWILL

Goodwill arising on business combinations is not amortised but is reviewed for impairment on an annual basis, or more frequently if there are indications that the goodwill may be impaired. Goodwill is allocated to groups of CGUs according to the level at which management monitor that goodwill, being the Group's operating segments.

The key assumptions used in performing the impairment review are those used in calculating the value-in-use of each CGU, as set out below:

CASH FLOW PROJECTIONS

Cash flow projections for each operating segment are derived from the annual budget approved by the Board for 2022 and the three-year plan for 2023 and 2024. The key assumptions on which budgets and forecasts are based include sales growth, product mix and operating costs. These cash flows are then extrapolated forward for a further period up to 50 years reflecting the long-term nature of the underlying assets. Budgeted cash flows are based on past experience and forecast future trading conditions.

LONG-TERM GROWTH RATES

Cash flow projections assume a growth rate of 2.0% (2020: 2.0%) from the fourth year of the value-in-use model. This reflects forecast rates of growth in the UK and RoI.

DISCOUNT RATE

Forecast pre-tax cash flows for each segment have been discounted at pre-tax rates of between 10.1% and 10.6% (2020: between 8.2% and 8.7%). These rates were determined by an external expert based on market participants' cost of capital and adjusted to reflect factors specific to each segment.

SENSITIVITY

The Group has assessed the impact of possible changes in the key assumptions to the impairment review. Having performed a sensitivity analysis over the key assumptions, the Directors have concluded that there are no reasonably possible changes to assumptions which would result in an impairment charge being recognised.

IMPACT OF CLIMATE CHANGE ON IMPAIRMENT TESTING

Impacts related to climate change and the transition to a lower carbon economy may include:

- Physical impacts resulting from increased severity and frequency of extreme weather events, together with impacts arising from longer term shifts in climate patterns.
- Demand for the Group's products changing due to shifts in policy, regulation (including carbon pricing mechanisms), legal, technological, market, customer or societal responses to climate change.

The Group does not believe that the physical impacts of climate change are likely to have a significant impact on our impairment testing, with our operations typically located in the UK & RoI in regions that face relatively low direct challenges from climate change.

The impact of the transition to a lower-carbon economy could be more significant. Breedon is committed to net zero by 2050 as well as to the manufacture of cement at our two well-invested cement plants; however to achieve net zero will require a significant reduction in our carbon emissions.

As set out in more detail in our Sustainability report on pages 39 to 57, we have committed to a 30% reduction from a 2005 baseline in gross carbon intensity per tonne of cementitious product by 2030, and we are taking near term actions based on existing technologies to move towards this objective. In addition, the Group is working with governments, industry, academia and the GCCA to explore potential routes to further decarbonisation, including carbon capture technologies. However these are not yet proven at scale.

While the cash flows associated with our near term plans are incorporated into our impairment testing, it is not possible to quantify the gross cost of the transition to net zero accurately over the longer term, nor how demand for cement might be impacted by the price increases needed to recover these costs or longer term changes in consumer behaviour.

In preparing our impairment testing, we have assumed that volumes remain broadly in line with current levels and that increased costs will be recovered through pricing, consistent with our historic experience. As the cost of transition to net zero and the consequent impact on end market demand becomes clearer these judgements will need to be refined and this may result in future impairment charges.

The Directors continue to view this outcome as unlikely based on the circumstances at the date of this report.

9 INTANGIBLE ASSETS CONTINUED

CARRYING VALUE OF GOODWILL BY OPERATING SEGMENT

	2021 £m	2020 (restated*) £m
Great Britain	**188.0**	185.8
Ireland	**106.8**	111.3
Cement	**160.0**	164.0
	454.8	461.1

* Restated for changes to composition of Operating Segments and review of prior year acquisition accounting during the IFRS 3 hindsight period. See notes 1 and 2.

10 INVESTMENT IN ASSOCIATE AND JOINT VENTURES

The Group equity accounts for investments in associate and in joint ventures.

	Associate £m	Joint ventures £m	Total £m
Carrying value			
At 1 January 2020	2.5	8.3	10.8
Additions	–	–	–
Share of profit of associate and joint ventures	1.6	0.1	1.7
Dividends received	(0.6)	(0.7)	(1.3)
At 31 December 2020	**3.5**	**7.7**	**11.2**
Share of profit of associate and joint ventures	2.1	0.8	2.9
Dividends received	(0.6)	(1.3)	(1.9)
At 31 December 2021	**5.0**	**7.2**	**12.2**

Summary financial information on associate and joint ventures – 100%

	2021		2020	
	Associate £m	Joint ventures £m	Associate £m	Joint ventures £m
Non-current assets	**12.5**	**12.3**	6.0	13.0
Current assets	**42.1**	**24.6**	34.8	19.3
Current liabilities	**(34.6)**	**(20.0)**	(30.1)	(18.5)
Non-current liabilities	**(5.7)**	**(11.7)**	(1.0)	(6.5)
Net assets	**14.3**	**5.2**	9.7	7.3
Revenue	**207.8**	**96.8**	129.2	66.8
Profit for the year	**5.4**	**1.7**	4.1	0.5

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11 PRINCIPAL GROUP COMPANIES

	Country of incorporation	Percentage of ordinary shares held	Principal activity
Subsidiary undertakings			
Great Britain			
Breedon Trading Limited	England	100%	Production of construction materials
Alba Traffic Management Limited	Scotland	75%*	Traffic management
Ireland			
Whitemountain Quarries Limited	Northern Ireland	100%	Production of construction materials
Alpha Resource Management Limited	Northern Ireland	100%	Waste disposal
Lagan Asphalt Limited	Republic of Ireland	100%	Surfacing
Lagan Materials Limited	Republic of Ireland	100%	Production of construction materials
Cement			
Breedon Cement Limited	England	100%	Cement production
Breedon Cement Ireland Limited	Republic of Ireland	100%	Cement production
Breedon Brick Limited	Republic of Ireland	100%	Manufacture of building products
Central administration			
Breedon Holdings Limited	England	100%	Service company
Breedon Group Services Limited	England	100%	Service company
Breedon Employee Services Ireland Limited	Republic of Ireland	100%	Service company
Breedon Holdings (Jersey) Limited	Jersey	100%**	Holding company
Breedon Facilities Management Limited	Scotland	100%	Holding company
Associated undertaking			
BEAR Scotland Limited	Scotland	37.5%	Surfacing
Joint ventures			
Kingscourt Country Manor Brick Company Limited	Republic of Ireland	50%	Distribution of building products
Breedon Bow Highways Limited	England	50%	Surfacing
Capital Concrete Limited	England	43%	Production of construction materials
Breedon Bowen Limited	England	50%	Production of construction materials
Northern Quarry Products Limited	Scotland	50%	Production of construction materials

* The Consolidated Statement of Financial Position includes total assets of £1.8m (2020: £1.1m) and total liabilities of £0.9m (2020: £0.7m) in respect of Alba Traffic Management Limited, the Group's 75% owned subsidiary undertaking.

** Denotes shares are held directly by Breedon Group plc.

12 DEFERRED TAX

2021	1 January 2021 £m	Acquisitions (note 26) £m	Divestments (note 27) £m	Recognised in income £m	Recognised in equity £m	Translation adjustments £m	31 December 2021 £m
Property, plant and equipment	**(73.0)**	**(0.1)**	**–**	**(20.9)**	**–**	**0.4**	**(93.6)**
Intangible assets	**(9.1)**	**–**	**–**	**(1.0)**	**–**	**0.2**	**(9.9)**
Derivatives	**–**	**–**	**–**	**–**	**(0.2)**	**–**	**(0.2)**
Historic losses	**–**	**–**	**–**	**0.3**	**–**	**–**	**0.3**
Share based payments	**–**	**–**	**–**	**1.4**	**0.6**	**–**	**2.0**
Working capital and provisions	**10.4**	**–**	**–**	**3.5**	**–**	**–**	**13.9**
	(71.7)	**(0.1)**	**–**	**(16.7)**	**0.4**	**0.6**	**(87.5)**

2020 (restated*)	1 January 2020 £m	Acquisitions (note 26) £m	Divestments (note 27) £m	Recognised in income £m	Recognised in equity £m	Translation adjustments £m	31 December 2020 £m
Property, plant and equipment	(59.6)	(8.2)	0.3	(5.1)	–	(0.4)	(73.0)
Intangible assets	(8.5)	–	–	(0.4)	–	(0.2)	(9.1)
Derivatives	0.2	–	–	–	(0.2)	–	–
Working capital and provisions	7.3	(0.2)	–	3.3	–	–	10.4
	(60.6)	(8.4)	0.3	(2.2)	(0.2)	(0.6)	(71.7)

* Restated for review of prior year acquisition accounting during the IFRS 3 hindsight period (see note 1) and for a revised presentation of the allocation of deferred tax balances between property, plant and equipment and working capital.

Potential deferred tax assets of £0.7m (2020: £1.1m) in relation to historic losses have not been recognised. There are no unrecognised deferred tax liabilities in the current or prior year.

13 INVENTORIES

	2021 £m	2020 £m
Raw materials and consumables	**34.4**	30.5
Work in progress	**3.0**	4.9
Finished goods and goods for resale	**24.6**	24.0
	62.0	59.4

Inventories (being directly attributable costs of production) of £742.5m (2020: £569.5m) have been expensed in the year.

14 TRADE AND OTHER RECEIVABLES

	2021 £m	2020 £m
Trade receivables	**160.0**	154.6
Amounts due from associate and joint ventures (note 23)	**10.4**	9.7
Derivative assets	**1.5**	0.2
Contract assets	**17.8**	13.8
Other receivables and prepayments	**20.7**	14.6
	210.4	192.9
Non-current	**4.5**	3.2
Current	**205.9**	189.7
	210.4	192.9

The nature of contract assets has not changed significantly during the reporting period.

15 INTEREST-BEARING LOANS AND BORROWINGS

NET DEBT

	2021 £m	2020 £m
Cash and cash equivalents	**83.9**	31.7
Current borrowings	**(7.2)**	(64.7)
Non-current borrowings	**(289.2)**	(285.3)
Net Debt (including IFRS 16)	**(212.5)**	(318.3)
IFRS 16 lease liabilities	**51.0**	53.1
Net Debt (excluding IFRS 16)	**(161.5)**	(265.2)

ANALYSIS OF BORROWINGS BETWEEN CURRENT AND NON-CURRENT

	2021 £m	2020 £m
Bank and USPP debt	**–**	55.0
Lease liabilities (note 21)	**7.2**	9.7
Current borrowings	**7.2**	64.7
Bank and USPP debt	**245.4**	240.6
Lease liabilities (note 21)	**43.8**	44.7
Non-current borrowings	**289.2**	285.3

The Group refinanced its debt facilities in 2021, with the new facilities comprising a £350m multi-currency revolving credit facility and £250m of USPP loan notes.

The multi-currency revolving credit facility has an opening margin approximately 2% above SONIA or EURIBOR according to the currency of borrowings. The revolving credit facility is unsecured and repayable in June 2024, with two one-year extension options through to June 2026.

The USPP loan notes comprises £170m Sterling and £80m Euro loan notes, and matures in tranches between 7 and 15 years. Interest is payable at a fixed rate of approximately 2%.

The refinancing was treated as an extinguishment of the previous facility under IFRS 9, with the Consolidated Statement of Cash Flows showing the repayment of the liability and a charge of £1.2m recognised in the Consolidated Income Statement to expense the remaining capitalised loan arrangement fees on the old facility. See note 6.

RECONCILIATION OF CASH FLOW MOVEMENT TO MOVEMENT IN NET DEBT

	2021 £m	2020 £m
For the year ended 31 December		
Net increase in cash and cash equivalents	**52.7**	7.5
Net cash flow from movements in debt financing	**58.9**	(15.3)
Net of lease (additions) and disposals	**(6.3)**	1.5
Amortisation of prepaid bank arrangement fee	**(2.3)**	(1.4)
Debt acquired via acquisitions (note 26)	**–**	(17.9)
Foreign exchange differences	**2.8**	(2.4)
Decrease/(increase) in Net Debt in the year	**105.8**	(28.0)
Net Debt as at 1 January	**(318.3)**	(290.3)
Net Debt as at 31 December	**(212.5)**	(318.3)

16 TRADE AND OTHER PAYABLES

	2021 £m	2020 (restated*) £m
Trade payables	**142.4**	111.3
Amounts owed to associate and joint ventures (note 23)	**–**	0.1
Contract liabilities	**11.1**	9.9
Deferred consideration	**1.1**	6.6
Other payables and accrued expenses	**78.6**	73.6
Other taxation and social security	**24.5**	44.0
	257.7	245.5

* Restated for review of prior year acquisition accounting during the IFRS 3 hindsight period. See note 1.

The nature of contract liabilities has not changed significantly during the reporting period. Brought forward contract liabilities of £9.9m have been recognised in revenue during the year.

17 PROVISIONS

	Restoration £m	Other £m	Total £m
At 1 January 2020	32.7	2.0	34.7
Translation adjustment	0.2	–	0.2
Amounts arising from business combinations (note 26)	14.3	–	14.3
Utilised during the year	(0.3)	(0.1)	(0.4)
Divestments (note 27)	(0.7)	–	(0.7)
Charged to income statement	7.5	0.5	8.0
Unused amounts reversed	(0.3)	–	(0.3)
Change to capitalised provisions (note 8)	7.7	–	7.7
Unwinding of discount	1.6	0.2	1.8
At 31 December 2020	**62.7**	**2.6**	**65.3**
Translation adjustment	(0.4)	–	(0.4)
Utilised during the year	(1.1)	–	(1.1)
Charged to income statement	7.9	0.9	8.8
Unused amounts reversed	–	(0.9)	(0.9)
Change to capitalised provisions (note 8)	0.3	–	0.3
Unwinding of discount	1.3	0.1	1.4
At 31 December 2021	**70.7**	**2.7**	**73.4**

	2021 £m	2020 £m
Analysed as		
Current	**9.5**	5.0
Non-current	**63.9**	60.3
	73.4	65.3

Restoration provisions principally comprise provisions for the cost of restoring and decommissioning sites where an obligation arises to comply with contractual, environmental, planning and other legislation. The obligation is calculated on a site-by-site basis and is regularly reviewed to ensure it is adequate. The obligation has been discounted to reflect the period over which it will be settled which, on average, is 16 years.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

18 CAPITAL, RESERVES AND DIVIDENDS

STATED CAPITAL

All shares issued by Breedon are ordinary shares which have no par value and are fully paid. The Company has no limit to the number of shares which may be issued.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

	Number of ordinary shares (m)	
	2021	2020
Issued ordinary shares at beginning of year	**1,687.6**	1,682.9
Issued in connection with:		
Exercise of savings-related share options	**2.1**	2.9
Vesting of Performance Share Plan awards	**–**	1.8
	1,689.7	1,687.6

Movements during 2021:

The Company issued 2.1m shares raising £1.4m in connection with the exercise of certain savings-related share options (note 19).

Movements during 2020:

The Company issued 2.9m shares raising £1.6m in connection with the exercise of certain savings-related share options and issued 1.8m shares for nil consideration in connection with the vesting of awards under the Performance Share Plans (note 19).

OTHER RESERVES

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedged instruments related to hedged transactions which have not yet occurred.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the Financial Statements of foreign operations as well as from the translation of the liabilities that hedge the Group's net investment in foreign operations.

DIVIDENDS

Amounts recognised as dividends paid to equity shareholders in the year comprised £8.4m in respect of an interim dividend of 0.5p per share. This was the Group's maiden dividend and no dividends were paid in previous years.

The Directors have proposed a final dividend in respect of the financial year ended 31 December 2021 of 1.1p per share which will absorb an estimated £18.6m of shareholders' funds. This has not been provided for in these accounts because the dividend was proposed after the year end. If it is approved by shareholders at the Annual General Meeting of the Company to be held on 28 April 2022 at 2.00pm, it will be paid on 20 May 2022 to shareholders who are on the register at the close of business on 22 April 2022.

Subject to trading conditions and continued sustained cash generation, the Group intends to adopt a progressive dividend policy that targets a payout ratio of 40% of underlying earnings per share over time. However future dividend payments by the Group are not guaranteed and will be determined by the Directors in light of the facts and circumstances at the time.

19 SHARE-BASED PAYMENTS

An element of senior executive remuneration is provided in the form of PSP awards.

Under the PSP, awards may be granted to key senior employees as conditional shares or as nil paid (or nominal) cost awards. Awards will normally vest three years after grant subject to satisfaction of the relevant performance conditions, but may be subject to an additional two year holding period.

The Group also operates savings-related share option schemes open to all employees both in the UK and RoI. These schemes have a term of either three or five years.

More details of these options and awards, as well as the interests of the Directors in both the PSP and the Breedon Sharesave scheme can be found in the Directors' Remuneration Report from page 96.

MOVEMENTS IN OUTSTANDING OPTIONS AND AWARDS

Share options (millions)	Outstanding at 1 Jan 2021	Granted	Vested	Lapsed	Outstanding at 31 Dec 2021
PSP – non-market based performance conditions	8.2	1.6	–	(0.9)	8.9
PSP – market based performance conditions	–	1.6	–	–	1.6
Sharesave	19.2	4.4	(2.1)	(2.2)	19.3
	27.4	7.6	(2.1)	(3.1)	29.8

All PSP share awards have an exercise price of nil. The exercise price for outstanding Sharesave options at 31 December 2021 is between 64p and 78p.

OPTIONS GRANTED DURING THE YEAR

The fair value of options and awards granted during the year, and the key inputs used to derive the fair value, were as follows:

	PSP – non market based performance conditions	PSP – market based performance conditions	Sharesave
Fair value at grant date	92–100p	64–70p	20–23p
Valuation model	Black – Scholes	Stochastic	Black – Scholes
Exercise price	–	–	71–78p
Share price at grant date	100p	100p	93p
Holding period	0–2 years	0–2 years	–
Expected volatility	28–30%	28–30%	24 - 26%
Risk-free rate	0.15–0.31%	0.15–0.31%	0.15–0.40%
Vesting period	3 years	3 years	3 - 5 years
Expected dividend yield	0%	0%	2.7%

20 FINANCIAL INSTRUMENTS

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Foreign exchange risk
- Liquidity risk
- Interest rate risk

CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises from cash and cash equivalents, derivative financial instruments and, principally, from the Group's receivables from customers.

Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. The Group has credit insurance covering the majority of its private sector customers. At the reporting date, there were no significant concentrations of credit risk.

EXPOSURE TO CREDIT RISK

The carrying amount of financial assets at the reporting date represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2021 £m	2020 £m
Trade and other receivables	**210.4**	192.9
Cash and cash equivalents	**83.9**	31.7
	294.3	224.6

Credit risk associated with cash balances is managed and limited by transacting with financial institutions with high-quality credit ratings.

The maximum exposure to credit risk for trade and other receivables by reportable segment, was:

	Carrying amount	
	2021 £m	2020 £m
Great Britain	**137.0**	130.8
Ireland	**42.3**	37.3
Cement	**29.8**	24.3
Central administration	**1.3**	0.5
	210.4	192.9

Management considers that the credit quality of the various receivables is good in respect of the amounts outstanding. The Group has no individually significant customers and the majority of the Group's customers are end-user customers. The Group's credit insurance covers the majority of its private sector UK and Ireland trade receivables subject to an aggregate first loss. The Group has fully provided for all its doubtful debt exposure. The remaining credit risk is therefore considered to be low. The ageing of trade and other receivables at the reporting date was:

	2021			2020		
	Gross £m	**Impairment £m**	**Net £m**	Gross £m	Impairment £m	Net £m
Not past due	**195.5**	**(2.5)**	**193.0**	158.2	(1.7)	156.5
Past due 0-30 days	**11.8**	**(1.4)**	**10.4**	23.7	(0.6)	23.1
Past due 31-60 days	**2.9**	**(0.7)**	**2.2**	7.8	(0.4)	7.4
Past due more than 60 days	**8.7**	**(3.9)**	**4.8**	10.7	(4.8)	5.9
	218.9	**(8.5)**	**210.4**	200.4	(7.5)	192.9

20 FINANCIAL INSTRUMENTS CONTINUED

EXPOSURE TO CREDIT RISK CONTINUED

Provisions for impairment of trade and other receivables are calculated on a lifetime expected loss model in line with IFRS 9. The key inputs in determining the level of provision are the historical level of bad debts experienced by the Group and ageing of outstanding amounts. Movements during the year were as follows:

	2021 £m	2020 £m
At 1 January	7.5	6.0
Charged to the Consolidated Income Statement during the year	2.0	3.2
Utilised during the year	(0.6)	(1.0)
Unused amounts released	(0.4)	(0.7)
At 31 December	**8.5**	7.5

FOREIGN EXCHANGE RISK

Transactional

The Group has limited transactional currency exposures arising on sales and purchases made in currencies other than the functional currency of the entity making the sale or purchase. Significant exposures which are deemed at least highly probable are matched where possible.

Translation

The Group has significant net assets located in RoI denominated in Euro. The translation of these balances into Sterling for reporting purposes exposes the Group to foreign exchange movements in the Consolidated Statement of Financial Position and Consolidated Income Statement, along with a corresponding impact on certain key performance indicators. The Group's strategy is to mitigate this risk through utilising its Euro borrowings as a hedge against movements in the Sterling value of its Euro investments. The level of this hedge is currently managed with the objective of mitigating the impact of foreign exchange movements on Covenant Leverage.

CURRENCY ANALYSIS AND EXCHANGE RATE SENSITIVITY

Foreign currency financial assets and liabilities, translated into Sterling at the closing rate, are as follows:

	2021			2020		
	Sterling £m	Euro £m	Total £m	Sterling £m	Euro £m	Total £m
Financial assets						
Trade and other receivables*	184.7	25.7	210.4	162.5	30.4	192.9
Tax receivable	–	–	–	0.9	–	0.9
Cash and cash equivalents	69.9	14.0	83.9	23.6	8.1	31.7
Total financial assets	**254.6**	**39.7**	**294.3**	187.0	38.5	225.5
Financial liabilities						
Borrowings*	(170.0)	(78.9)	(248.9)	(272.0)	(25.4)	(297.4)
Lease liabilities	(50.8)	(0.2)	(51.0)	(54.0)	(0.4)	(54.4)
Other financial liabilities	(223.6)	(38.8)	(262.4)	(209.9)	(35.2)	(245.1)
Total financial liabilities	**(444.4)**	**(117.9)**	**(562.3)**	(535.9)	(61.0)	(596.9)
Potential impact on profit before taxation – gain/(loss)						
10% increase in functional currency	–	2.1	2.1	–	0.5	0.5
10% decrease in functional currency	–	(2.6)	(2.6)	–	(0.7)	(0.7)
Potential impact on Other Comprehensive Income – gain/(loss)						
10% increase in functional currency	–	7.1	7.1	–	2.0	2.0
10% decrease in functional currency	–	(8.7)	(8.7)	–	(2.5)	(2.5)

* Excludes prepaid loan arrangement fees

20 FINANCIAL INSTRUMENTS CONTINUED

SIGNIFICANT EXCHANGE RATES

The following significant exchange rates applied during the year:

	2021		2020	
	Average rate	Year-end rate	Average rate	Year-end rate
Sterling/Euro	1.17	1.19	1.12	1.11

LIQUIDITY RISK

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due. The Group manages liquidity risk by monitoring forecasts and cash flows and negotiating appropriate bank facilities. The Group uses term and revolving bank facilities and sufficient headroom is maintained above peak requirements to meet unforeseen events.

The following are the contractual maturities of financial liabilities, including estimated interest payments based on current utilisation:

31 December 2021	Carrying amount £m	Contractual cash flows £m	Within one year £m	Between one and five years £m	More than five years £m
Non-derivative financial liabilities					
Multi-currency revolving credit facility	–	4.0	2.2	1.8	–
USPP loan notes					
– Sterling	170.0	219.4	4.0	15.8	199.6
– Euro	78.9	88.0	0.9	3.8	83.3
Prepaid loan arrangement fees	(3.5)	–	–	–	–
Lease liabilities	51.0	80.2	10.5	26.7	43.0
Other financial liabilities	262.4	262.4	262.4	–	–
	558.8	654.0	280.0	48.1	325.9

31 December 2020	Carrying amount £m	Contractual cash flows £m	Within one year £m	Between one and five years £m	More than five years £m
Non-derivative financial liabilities					
Multi-currency revolving credit facility					
– Sterling	67.0	70.8	2.9	67.9	–
– Euro	25.4	26.1	0.5	25.6	–
Term loan					
– Sterling	205.0	209.4	58.4	151.0	–
Prepaid loan arrangement fees	(1.8)	–	–	–	–
Lease liabilities	54.4	74.9	11.1	28.1	35.7
Other financial liabilities	245.1	245.2	244.0	1.2	–
	595.1	626.4	316.9	273.8	35.7

INTEREST RATE RISK

The Group borrows at floating and fixed interest rates. At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2021 £m	2020 £m
Fixed rate instruments		
Financial liabilities	**(296.4)**	(54.4)
Variable rate instruments		
Financial liabilities	**–**	(295.6)
Financial assets	**83.9**	31.7
	(212.5)	(318.3)

FAIR VALUE SENSITIVITY ANALYSIS FOR FIXED RATE INSTRUMENTS

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

CASH FLOW SENSITIVITY ANALYSIS FOR VARIABLE RATE INSTRUMENTS

An increase of 100 basis points in interest rates in respect of variable rate instruments at the reporting date values would increase equity and income and expenditure for a full year by £0.8m (2020: decrease of £2.4m). A decrease of 100 basis points would have no impact on equity and income and expenditure (2020: increase of £2.4m). These analyses assume that all other variables remain constant.

FAIR VALUES VERSUS CARRYING AMOUNTS

The Directors consider that the carrying amounts recorded in the financial information in respect of financial assets and liabilities, which are carried at amortised cost, approximates to their fair values.

Derivative financial assets and liabilities are carried at fair value. The different levels have been defined as follows:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either as a direct price or indirectly derived from prices
- Level 3 – inputs for the asset or liability that are not based on observable market data

The fair value of the derivative financial assets and liabilities are based on bank valuations.

CAPITAL MANAGEMENT

The Board's capital management policy is to maintain a strong balance sheet, providing flexibility to pursue growth opportunities. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position.

In maintaining the Group's capital structure in line with these principles, the Board may choose to adjust amounts paid as dividends to shareholders, issue new equity or dispose of assets as required.

The financial covenants associated with the Group's borrowings are a maximum leverage ratio and a minimum interest cover and the Group complied with its covenants throughout the financial year.

21 LEASES

LEASED IFRS 16 RIGHT-OF-USE ASSETS

Cost	Land and buildings £m	Plant, equipment and vehicles £m	Total £m
Balance at 1 January 2020	33.5	37.2	70.7
Translation adjustment	–	0.1	0.1
Acquisitions through business combinations (note 26)	5.1	12.8	17.9
Additions	1.7	0.5	2.2
Disposals and impairments	(3.5)	(1.9)	(5.4)
Transferred to owned assets (note 8)	–	(10.4)	(10.4)
Balance at 31 December 2020 (restated*)	**36.8**	**38.3**	**75.1**
Translation adjustment	–	(0.1)	(0.1)
Additions	5.7	0.6	6.3
Disposals and impairments	(0.5)	(1.2)	(1.7)
Transferred to owned assets (note 8)	–	(3.5)	(3.5)
Balance at 31 December 2021	**42.0**	**34.1**	**76.1**
Depreciation			
Balance at 1 January 2019	2.8	14.4	17.2
Charge for the year	3.3	6.0	9.3
Disposals and impairments	(0.4)	(1.3)	(1.7)
Transferred to owned assets (note 8)	–	(5.8)	(5.8)
Balance at 31 December 2020 (restated*)	**5.7**	**13.3**	**19.0**
Translation adjustment	–	(0.1)	(0.1)
Charge for the year	3.4	6.9	10.3
Disposals and impairments	(0.1)	(0.8)	(0.9)
Transferred to owned assets (note 8)	–	(1.8)	(1.8)
Balance at 31 December 2021	**9.0**	**17.5**	**26.5**
Net book value			
At 31 December 2020	31.1	25.0	56.1
At 31 December 2021	**33.0**	**16.6**	**49.6**

* Restated for review of prior year acquisition accounting during the IFRS 3 hindsight period. See note 1.

Lease liabilities are secured on the assets to which they relate and are payable as follows:

	2021			2020		
	Minimum lease payments £m	**Interest £m**	**Principal £m**	Minimum lease payments £m	Interest £m	Principal £m
Less than one year	**10.5**	**3.3**	**7.2**	11.1	1.4	9.7
Between one and five years	**26.3**	**7.9**	**18.4**	28.1	4.7	23.4
More than five years	**43.4**	**18.0**	**25.4**	35.7	14.4	21.3
	80.2	**29.2**	**51.0**	74.9	20.5	54.4

The value of lease payments made during the year was £12.3m (2020: £13.4m).

MOVEMENTS BETWEEN OWNED AND LEASED ASSETS

Items transferred to owned assets represent leases where the liability has been fully repaid in the normal course of business and legal ownership of the asset has transferred to the Group. Where an underlying physical asset is purchased by the Group and this causes the lease to end, this is presented as an addition to owned assets within note 8 and as a disposal of a leased asset within this note.

22 CAPITAL COMMITMENTS

At 31 December 2021 the Group had commitments to purchase property, plant and equipment for £26.4m (2020: £6.0m). These commitments are expected to be settled during the course of 2022.

23 RELATED PARTIES

During the year the Group supplied services and materials to, and purchased services and materials from, its associate and joint ventures on an arm's length basis. The Group had the following transactions with these related parties during the year:

	Sales £m	Purchases £m	Receivables £m	Payables £m
2021				
BEAR Scotland Limited	**48.1**	**–**	**2.2**	**–**
Other	**10.1**	**1.8**	**8.2**	**–**
	58.2	**1.8**	**10.4**	**–**
2020				
BEAR Scotland Limited	39.2	–	3.3	–
Other	11.4	1.8	6.4	0.1
	50.6	1.8	9.7	0.1

During the year, the Group supplied services to, and purchased services from its 75% owned subsidiary undertaking, Alba Traffic Management Limited, on an arm's length basis. Transactions with Alba Traffic Management were immaterial during the current and prior years and have been eliminated on consolidation.

PARENT AND ULTIMATE CONTROLLING PARTY

The Company's shares are traded on AIM. The Company monitors its shareholder base on a regular basis. There is no controlling party.

TRANSACTIONS WITH DIRECTORS AND DIRECTORS' SHAREHOLDINGS

Details of transactions with Directors, Directors' shareholdings and outstanding share options and awards are given in the Directors' Remuneration Report on pages 96 to 102.

24 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the diluted potential ordinary shares into ordinary shares.

Calculations of these measures and reconciliations to related alternative performance measures, are as follows:

BASIC EPS TO ADJUSTED UNDERLYING EPS

	2021			2020		
	Earnings £m	Shares millions	EPS pence	Earnings £m	Shares millions	EPS pence
Basic EPS	**78.5**	**1,688.243**	**4.65**	33.6	1,685.428	1.99
Adjustments to earnings						
Earnings impact of change in deferred tax rate (note 7)	**17.3**	**–**	**1.02**	5.9	–	0.35
Non-underlying items (note 3)	**5.2**	**–**	**0.31**	13.6	–	0.81
Adjusted Underlying Basic EPS	**101.0**	**1,688.243**	**5.98**	53.1	1,685.428	3.15

BASIC EPS TO UNDERLYING EPS

	2021			2020		
	Earnings £m	Shares millions	EPS pence	Earnings £m	Shares millions	EPS pence
Basic EPS	**78.5**	**1,688.243**	**4.65**	33.6	1,685.428	1.99
Adjustments to earnings						
Non-underlying items (note 3)	**5.2**	**–**	**0.31**	13.6	–	0.81
Underlying Basic EPS	**83.7**	**1,688.243**	**4.96**	47.2	1,685.428	2.80

DILUTED EPS TO DILUTED UNDERLYING EPS

	2021			2020		
	Earnings £m	Shares millions	EPS pence	Earnings £m	Shares millions	EPS pence
Diluted EPS	**78.5**	**1,698.462**	**4.62**	33.6	1,688.962	1.99
Adjustments to earnings						
Non-underlying items (note 3)	**5.2**	**–**	**0.31**	13.6	–	0.81
Underlying Diluted EPS	**83.7**	**1,698.462**	**4.93**	47.2	1,688.962	2.80

Dilutive items in both the current and prior year related to share-based payments. Details of the Group's share schemes, which may become dilutive in the future, are set out in note 19.

25 CONTINGENT LIABILITIES

The Group has guaranteed its share of the banking facilities of BEAR Scotland, an associated undertaking. The maximum liability at 31 December 2021 amounted to £2.9m (2020: £2.9m).

The Group has guaranteed the performance of BEAR Scotland's contracts in respect of the maintenance of certain Scottish trunk roads in the North West, North East, and South East of Scotland and in respect of the M80 operating and maintenance contract.

26 ACQUISITIONS

CURRENT YEAR ACQUISITION

On 1 June 2021, the Group acquired the entire share capital of Micromix (Northern) Limited (trading as Express Minimix) for consideration of £2.6m. The fair value of the assets and liabilities acquired is set out as follows:

	Fair value on acquisition £m
Property, plant and equipment – owned	0.4
Trade and other receivables	0.7
Cash	0.5
Trade and other payables	(0.8)
Deferred tax liabilities	(0.1)
Total	0.7
Consideration – cash	2.6
Goodwill arising	1.9

The goodwill arising represents expected synergies, the potential for future growth, the strategic location of the assets acquired and the skills of the existing workforce.

There were no fair value adjustments relating to the acquisition.

IMPACT OF CURRENT YEAR ACQUISITION

Income statement

During the year, this acquisition contributed revenues of £2.3m and Underlying EBIT of £0.2m to the Group.

If this acquisition had occurred on 1 January 2021, the results of the Group for the year ended 31 December 2021 would have shown revenue of £1,234.1m and Underlying EBIT of £133.7m.

Cash flow

The cash flow impact of acquisitions in the year can be summarised as follows:

	£m
Consideration paid for the current year acquisition (net of cash received)	2.1
Settlement of deferred consideration from prior year acquisitions	4.0
Net cash consideration shown in the Consolidated Statement of Cash Flows	6.1

ACQUISITION COSTS

The Group incurred acquisition related costs of £0.7m (2020: £7.5m) which are primarily external professional fees. These have been included as non-underlying administrative costs (note 3).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

26 ACQUISITIONS CONTINUED

PRIOR YEAR ACQUISITION

On 31 July 2020, the Group completed the Cemex acquisition, although was not able to begin the process of integration and fair value accounting until December 2020 when CMA restrictions were lifted.

The provisional fair values of the assets and liabilities acquired have been reconsidered in the hindsight period under IFRS 3 and changes to fair values have been made to the extent that these reflect facts and circumstances which existed at the point of acquisition.

The provisional and final fair values of the consideration paid and the consolidated net assets acquired, together with the goodwill arising in respect of this acquisition are set out below:

	2020	2021	
	Provisional fair value on acquisition £m	**Hindsight period adjustments £m**	**Final fair value on acquisition £m**
Intangible assets	0.1	**–**	**0.1**
Property, plant and equipment – owned	136.9	**(4.1)**	**132.8**
Property, plant and equipment – leased	17.9	**–**	**17.9**
Inventories	11.9	**–**	**11.9**
Trade and other receivables	0.3	**–**	**0.3**
Cash	(17.9)	**–**	**(17.9)**
Trade and other payables	(0.4)	**(0.4)**	**(0.8)**
Interest-bearing loans and borrowings	(14.3)	**–**	**(14.3)**
Deferred tax liabilities	(7.2)	**(1.2)**	**(8.4)**
Total	127.3	**(5.7)**	**121.6**
Consideration – cash	151.1	**–**	**151.1**
Consideration – deferred consideration	3.0	**–**	**3.0**
Goodwill arising	26.8	**5.7**	**32.5**

Reassessment of the fair values during the period resulted in an increase of £5.7m in the value of goodwill arising. The significant changes were as follows:

- adjustment to specific items of property, plant and equipment following a detailed review of the acquired operations. These included attributing increased value to mineral assets at Shap, a dormant quarry which was recommissioned in 2021, and a reduction in the value of assets, including capitalised IFRS 16 assets, at a small number of loss making sites which were closed in the year;
- the Group commissioned a third-party report on the discount rate applicable to the Cemex acquisition as a standalone business. Application of this more accurate discount rate leads to a reduction in the value of owned property, plant and equipment; and
- deferred tax on the above and the derecognition of certain deferred tax assets following a review by the Group's external tax adviser.

Following these adjustments, the fair value exercise is now final.

27 DIVESTMENTS

CURRENT YEAR DIVESTMENT

The Group did not carry out any divestments in the year ended 31 December 2021.

PRIOR YEAR DIVESTMENT

In response to the CMA's review of the Cemex acquisition, the Group divested 14 sites to Tillicoultry Quarries Limited on 3 December 2020 for cash consideration of £9.0m. There was no gain or loss recognised on disposal.

28 ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial information are described below.

ACCOUNTING ESTIMATES

Restoration provisions

Restoration provisions principally comprise provisions for the cost of restoring and decommissioning sites where an obligation arises to comply with contractual, environmental, planning and other legislation. This is an inherently subjective calculation and there is significant estimation required to determine the exact cost of the restoration work. Estimated future cash flows have been determined on a site by site basis based on the present day cost of restoration. An increase in these gross cash flow assumptions of 10% would result in an increase of the restoration liability of £6.7m. These cash flows are subject to external expert evaluation in order to mitigate the risk of material error.

These cash flows are then inflated to the point that the cash flow is expected to occur and discounted at a rate which reflects both the time value of money and the risk specific to the restoration liability in order to derive the net present value of the obligation as at the year-end. The discount and inflation rates used in this calculation are 2.9% and 2.5% respectively. A 100 bps increase in discount rate or decrease in the inflation rate would result in a decrease in the value of restoration provisions by £6.9m or £7.7m respectively. A 100 bps decrease in discount rate or increase in the inflation rate would result in an increase in the value of restoration provisions by £8.8m or £9.6m respectively.

Restoration dates have been determined as the earlier of the date at which reserves are expected to be exhausted or planning permission on reserves is expected to expire, which fall over the next 25 years. Reasonably possible changes in restoration dates would not have a material impact on the Financial Statements, and management do not consider restoration dates to be significant estimates.

ACCOUNTING JUDGEMENTS

Mineral reserves and resources

Mineral reserves and resources are the principal asset available to the Group. As at 31 December 2021, these had a carrying value of £268.6m. These mineral assets of the Group are spread over around 100 quarries, which equates to an average value of £2.7m per quarry (2020: £278.7m spread over around 100 quarries). Mineral reserves and resources are acquired either in the normal course of business or through business combinations. Those acquired in the normal course of business are held at historic cost on initial recognition. When mineral assets arise through business combinations, these are initially recognised at fair value as part of the acquisition accounting under IFRS 3. Subsequent to initial recognition, mineral assets are held at amortised cost and are expensed to reflect their use over time through an annual depletion charge.

Mineral assets are subject to impairment testing if impairment triggers are identified. This includes a range of factors outside of the Group's control such as changes in the planning and regulatory environment, geological and archaeological factors. The identification of impairment triggers therefore requires the Group to exercise judgement. The most significant area of judgement is in respect of the likelihood of obtaining planning permission for those quarries where the existing permission is due to expire before all of the reserves and resources which have been recognised on the balance sheet have been extracted.

Impact of climate change on impairment review

The Group is committed to achieving net zero by 2050, as well as to the manufacture of cement at its two well-invested cement plants; however to achieve net zero will require a significant reduction in carbon emissions.

The cash flows used in our impairment review are underpinned by a judgement that future cement volumes remain broadly in line with current levels and that increased costs to achieve net zero will be recovered through pricing.

See note 9 for additional detail and further information on how the impact of climate change has been considered through the impairment testing.

29 RECONCILIATION TO NON-GAAP MEASURES

Non-GAAP performance measures are used throughout this Annual Report and these Financial Statements. This note provides a reconciliation between these alternative performance measures to the most directly related statutory measures.

RECONCILIATION OF EARNINGS BASED ALTERNATIVE PERFORMANCE MEASURES

2021	Great Britain £m	Ireland £m	Cement £m	Central administration and eliminations £m	Share of profit of associate and joint ventures £m	Total £m
Revenue	845.2	225.4	245.6	(83.7)	–	1,232.5
Profit from operations						127.4
Non-underlying items (note 3)						6.2
Underlying EBIT	74.3	28.2	41.6	(13.4)	2.9	133.6
Underlying EBIT margin	8.8%	12.5%	16.9%			10.8%
Underlying EBIT	74.3	28.2	41.6	(13.4)	2.9	133.6
Share of profit of associate and joint ventures	–	–	–	–	(2.9)	(2.9)
Depreciation and mineral depletion	49.9	7.2	26.1	0.1	–	83.3
Underlying EBITDA	124.2	35.4	67.7	(13.3)	–	214.0

2020 (restated*)	Great Britain £m	Ireland £m	Cement £m	Central administration and eliminations £m	Share of profit of associate and joint ventures £m	Total £m
Revenue	602.8	189.3	197.2	(60.6)	–	**928.7**
Profit from operations						**61.6**
Non-underlying items (note 3)						**14.9**
Underlying EBIT	**33.5**	**20.5**	**31.7**	**(10.9)**	**1.7**	**76.5**
Underlying EBIT margin	**5.6%**	**10.8%**	**16.1%**			**8.2%**
Underlying EBIT	33.5	20.5	31.7	(10.9)	1.7	**76.5**
Share of profit of associate and joint ventures	–	–	–	–	(1.7)	**(1.7)**
Depreciation and mineral depletion	**41.0**	**7.4**	**25.8**	**0.2**	**–**	**74.4**
Underlying EBITDA	**74.5**	**27.9**	**57.5**	**(10.7)**	**–**	**149.2**

* Restated for changes to composition of operating segments. See note 2.

LIKE-FOR-LIKE ALTERNATIVE PERFORMANCE MEASURES

There are a number of references throughout this report to like-for-like revenue, earnings and volumes. Like-for-like numbers exclude the impact of acquisitions and disposals, and have been used alongside non-like-for-like measures to help the Group better communicate performance in the year when compared to previous reporting periods. This is especially relevant in the current year since the Cemex acquisition contributed only five months of trading in 2020 but a full 12 months in 2021, and this has a material impact on the reported numbers.

29 RECONCILIATION TO NON-GAAP MEASURES CONTINUED

COVENANT LEVERAGE

Covenant Leverage is defined as the ratio of Underlying EBITDA to Net Debt, with both Underlying EBITDA and Net Debt adjusted to reflect the material items which are adjusted by the Group and its lenders in determining leverage for the purpose of assessing covenant compliance and, in the case of our bank facilities, the margin payable on debt. In both the current and prior year, the only material adjusting item was the impact of IFRS 16.

	2021 £m	2020 £m
Underlying EBITDA	214.0	149.2
Impact of IFRS 16 (note 2)	(10.7)	(9.3)
Underlying EBITDA for covenants	**203.3**	139.9
Net Debt excluding the impact of IFRS 16 (note 15)	**161.5**	265.2
Covenant Leverage	**0.8x**	1.9x

FREE CASH FLOW CONVERSION

	2021 £m	2020 £m
Underlying EBIT	**133.6**	76.5
Depreciation and mineral depletion	83.3	74.4
(Increase) in trade and other receivables	(17.6)	(26.4)
(Increase)/decrease in inventories	(3.5)	10.4
Increase in trade and other payables	17.2	64.6
Increase in provisions	6.7	7.4
Share of profit of associate and joint ventures	(2.9)	(1.7)
Share-based payments	2.9	1.0
Dividends from associate and joint ventures	1.9	1.3
Dividend paid to non-controlling interests	–	(0.1)
Income taxes paid	(13.6)	(20.7)
Interest paid	(6.8)	(7.7)
Interest element of lease payments	(2.6)	(2.6)
Purchase of property, plant and equipment	(76.9)	(38.1)
Proceeds from the sale of property, plant and equipment	5.6	1.7
Free Cash Flow	**127.3**	140.0
Underlying EBITDA	**214.0**	149.2
Free Cash Flow conversion	**59%**	94%

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

29 RECONCILIATION TO NON-GAAP MEASURES CONTINUED

RETURN ON INVESTED CAPITAL

	2021 £m	2020 £m
Underlying EBIT	**133.6**	76.5
Underlying effective tax rate (note 7)	**16.1%**	15.6%
Taxation at the Group's underlying effective rate	**(21.5)**	(11.9)
Underlying earnings before interest	**112.1**	64.6
Net assets	**949.8**	888.4
Net Debt (note 15)	**212.5**	318.3
Invested capital at 31 December	**1,162.3**	1,206.7
Average invested capital*	**1,184.5**	1,168.1
Return on invested capital**	**9.5%**	5.5%

* Average invested capital is calculated by taking the average of the opening invested capital at 1 January and the closing invested capital at 31 December. Opening invested capital at 1 January 2020 was £1,129.4m.

** Return on invested capital is calculated as Underlying earnings before interest, divided by average invested capital for the year.

SHAREHOLDER INFORMATION

REGISTRAR

All administrative enquiries relating to shareholdings, such as lost certificates, changes of address, change of ownership or dividend payments and requests to receive corporate documents by email should, in the first instance, be directed to the Company's Registrar and clearly state the shareholder's registered address and, if available, the full shareholder reference number:

By post: Link Group, Central Square, 29 Wellington Street, Leeds LS1 4DL.

By telephone: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. If you are outside the UK call +44 371 664 0300. Calls outside the UK will be charged at the applicable international rate. The helpline is open between 9.00am–5.30pm, Monday to Friday excluding public holidays in England and Wales.

By email: shareholderenquiries@linkgroup.co.uk

Online: www.linkgroup.eu

Registering on the Registrar's share portal, Signal Shares, enables you to view your shareholding, including an indicative share price and valuation, check your holding balance and transactions, change your address or bank details and view dividend payments. To register for Signal Shares just visit www.signalshares.com. All you need is your investor code, which can be found on your share certificate.

GROUP WEBSITE AND ELECTRONIC COMMUNICATIONS

The 2021 Annual Report and other information about the Company are available on its website. The Company operates a service whereby you can register to receive notice by email of all announcements released by the Company.

The Company's share price (15-minute delay) is displayed on the Company's website.

Shareholder documents are now, following changes in company law and shareholder approval, primarily made available via the Company's website, unless a shareholder has requested to continue to receive hard copies of such documents. If a shareholder has registered their up-to-date email address, an email will be sent to that address when such documents are available on the website. If shareholders have not provided an up-to-date email address and have not elected to receive documents in hard copy, a letter will be posted to their address that is recorded on the Register of Members notifying them that the documents are available on the website. Shareholders can continue to receive hard copies of shareholder documents by contacting the Registrar.

If you have not already registered your current email address, you can do so at www.signalshares.com.

Investors who hold their shares via an intermediary should contact the intermediary regarding the receipt of shareholder documents from the Company.

The Group has a wide range of information that is available on our website including:

- financial information – annual reports and half year results, financial news and events;
- share price information;
- shareholder services information;
- dividend information; and
- press releases – both current and historical.

MULTIPLE ACCOUNTS

Shareholders who receive more than one copy of communications from the Company may have more than one account in their name on the Company's Register of Members. Any shareholder wishing to amalgamate such holdings should write to the Registrar giving details of the accounts concerned and instructions on how they should be amalgamated.

DIVIDEND INFORMATION

The Company pays its dividend to shareholders by electronic transfer. You will need to have a dividend mandate registered against your Breedon shareholder account by the record date which enables payment of the dividend straight to your bank account. By paying dividends by direct credit it helps to reduce the Company's impact on the environment and provides greater benefits in terms of efficiency, cost, and safeguards the security of the payment.

Please register your bank details www.signalshares.com or contact our Registrar, Link Group, on 0371 664 0300 or +44 371 664 0300 if outside the UK.

Investors who hold their shares via an intermediary should contact the intermediary regarding the receipt of dividend payments from the Company.

SHAREHOLDER INFORMATION CONTINUED

DIVIDEND REINVESTMENT PLAN ('DRIP') (UK AND CHANNEL ISLANDS ONLY)

Link Group provide a Dividend Reinvestment Plan which provides shareholders in the UK and Channel Islands with the opportunity to reinvest their dividend payments to purchase additional ordinary shares in the Company. If you choose to join the DRIP, Link Group will use the cash dividend payment to which you are entitled to acquire further ordinary shares in the Company on your behalf as soon as practicable after the dividend payment date. Terms and Conditions and a brochure may be found on our website at www.breedongroup.com/investors/shareholder-information. If you wish to join the DRIP you can do so online at www.signalshares.com, contact Link Group on 0371 664 0381 (see below for call charges) or email shares@linkgroup.co.uk to request a DRIP application form.

In order to be effective for a particular dividend, any application must reach Link by no later than the DRIP election date specified in the financial calendar, set out at www.breedongroup.com/investors/shareholder-information. Applications to join the DRIP received after that date will take effect from the next dividend payment date.

Please note that due to the minimum charge, the service may not be cost effective for all participants, and the value of shares, and any income from them, can fall as well as rise. This is not a recommendation to purchase shares and if you are in any doubt as to what action you should take you should consult an appropriately qualified professional advisor.

UNSOLICITED MAIL, INVESTMENT ADVICE AND FRAUD

The Company is obliged by law to make its share register publicly available and, as a consequence, some shareholders may receive unsolicited mail. In addition, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence, typically from overseas 'brokers', concerning investment matters.

These callers can be very persistent and extremely persuasive and their activities have resulted in considerable losses for some investors. It is not just the novice investor that has been deceived in this way; many victims have been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Please keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.

If you receive any unsolicited mail or investment advice:

- Make sure you get the correct name of the person and organisation.
- Check the Financial Services Register at www.fca.org.uk.
- Use the details on the Financial Services Register to contact the firm.
- Call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the Register or you are told they are out of date.
- Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
- Use the firm's contact details listed on the Register if you want to call them back.
- Search the list of unauthorised firms and individuals to avoid doing business with at www.fca.org.uk/scams.
- Report a share scam by telling the FCA using the share fraud reporting form in the Consumers section of the FCA website.
- If the unsolicited phone calls persist, hang up.
- If you wish to limit the number of unsolicited calls you receive, contact the Telephone Preference Service (TPS) at www.tpsonline.org.uk and follow the link, or from your mobile phone register your mobile number, free of charge, by texting 'TPS' together with your email address to 85095.
- If you wish to limit the amount of unsolicited mail you receive, contact the Mailing Preference Service on 020 7291 3310 or visit the website at www.mpsonline.org.uk.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

SHARE DEALING SERVICES

You can buy shares through any authorised stockbroker or bank that offers a share dealing service in the UK, or in your country of residence if outside the UK.

Link Group also provides a share dealing service to private shareholders in the UK or Channel Islands.

For further information on the share dealing service provided by Link Group, or to buy and sell shares via Link Group visit www.linksharedeal.com or call 0371 664 0445. Calls are charged at the standard geographic rate and will vary by provider. Lines are open between 8.00am–4.30pm, Monday to Friday excluding public holidays in England and Wales.

This is not a recommendation to buy and sell shares and this service may not be suitable for all shareholders. The price of shares can go down as well as up and you are not guaranteed to get back the amount you originally invested. Terms and conditions apply. Link Group is a trading name of Link Market Services Trustees Limited which is authorised and regulated by the Financial Conduct Authority. This service is only available to private shareholders resident in the United Kingdom, the Channel Islands or the Isle of Man.

Link Group is a trading name of Link Market Services Limited and Link Market Services Trustees Limited. Share registration and associated services are provided by Link Market Services Limited (registered in England and Wales, No. 2605568). Regulated services are provided by Link Market Services Trustees Limited (registered in England and Wales No. 2729260), which is authorised and regulated by the Financial Conduct Authority.

The registered office of each of these companies is Link Group, Central Square, 29 Wellington Street, Leeds LS1 4DL.

ELECTRONIC VOTING

Shareholders can submit proxies for the 2022 AGM electronically by logging on to www.signalshares.com. Electronic proxy appointments must be received by the Company's Registrar no later than 2.00pm on 26 April 2022 (or not less than 48 hours before the time fixed for any adjourned meeting).

Analysis of shareholdings at 31 December 2021

Number of Shares Held	Number of accounts	Percentage of total accounts	Number of shares '000	Percentage of total shares
Up to 500	901	37.8	281	0.0
Up to 5,000	555	23.3	1,067	0.1
Up to 10,000	223	9.3	1,644	0.1
Up to 50,000	356	14.9	7,748	0.5
Up to 100,000	62	2.6	4,284	0.3
Up to 500,000	99	4.1	24,100	1.4
Up to 1,000,000	44	1.8	32,229	1.9
Up to 10,000,000	109	4.6	404,695	23.9
Up to 50,000,000	31	1.3	644,993	38.2
Up to 99,999,999,999	6	0.3	568,618	33.6
	2,386	**100**	**1,689,659**	**100**

SHAREHOLDER COMMUNICATION

Email: shareholderenquiries@linkgroup.co.uk

Telephone: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. If you are outside the UK call +44 371 664 0300. Calls outside the UK will be charged at the applicable international rate. The helpline is open between 9.00am–5.30pm, Monday to Friday excluding public holidays in England and Wales.

ADVISERS AND COMPANY INFORMATION

COMPANY INFORMATION
Registered in Jersey
Company number 98465

REGISTERED OFFICE
28 Esplanade
St Helier
Jersey
JE2 3QA

COMPANY SECRETARY
JTC (Jersey) Limited
28 Esplanade
St Helier
Jersey
JE2 3QA

LEGAL ADVISER
Carey Olsen
47 Esplanade
St Helier
Jersey
JE1 0BD

REGISTRARS
Link Market Services (Jersey) Limited
12 Castle Street
St Helier
Jersey
JE2 3QA

INDEPENDENT AUDITOR
KPMG LLP
One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

NOMINATED ADVISER AND JOINT BROKER
Numis Securities Limited
45 Gresham Street
London
EC4M 7LT

JOINT BROKER
HSBC Bank plc
8 Canada Square
London
E14 5HQ

SOLICITORS TO THE COMPANY (UK)
Travers Smith LLP
10 Snow Hill
London
EC1A 2AL

CONTACT
If you require information regarding Breedon Group, please contact:
Breedon Group
Pinnacle House
Breedon on the Hill
Derby
DE73 8AP

Tel: 01332 694010

Email: info@breedongroup.com

Website: www.breedongroup.com

GLOSSARY

The following definitions apply throughout this Annual Report, unless the context requires otherwise.

AGM	Annual General Meeting of the Company
AIM	Alternative Investment Market of the London Stock Exchange
ARM	Alternative raw material
BAP	Biodiversity Action Plan
BEAR Scotland	BEAR Scotland Limited
bps	basis points
Breedon	Breedon Group plc
CCUS	Carbon Capture and Use or Storage
Cemex	Cemex UK Operations Limited
Cemex acquisition	Acquisition of certain assets from Cemex
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash Generating Unit
CMA	Competition and Markets Authority
CO_2e	Carbon dioxide equivalent
COP26	26th United Nations Climate Change Conference of the Parties
CPA	Construction Products Association
DNED	Designated Non-executive Director
Division	One of the Group's three operating segments: GB, Ireland and Cement
DRIP	Dividend Reinvestment Plan
EBIT	Earnings before interest and tax
EPD	Environmental Product Declaration
EPS	Earnings per share
ESG	Environment, Social & Governance
EU	European Union
EURIBOR	Euro Inter-bank Offered Rate
FCA	Financial Conduct Authority
FCF	Free Cash Flow
FRC	Financial Reporting Council
GAAP	Generally Accepted Accounting Principles
GB	Great Britain
GCCA	Global Cement and Concrete Association
GHG	Greenhouse gas (emissions)
Group	Breedon and its subsidiary companies
HGV	Heavy goods vehicle
HMRC	Her Majesty's Revenue & Customs in the UK
HS2	High Speed 2
IAS	International Accounting Standards
IFRS	International Financial Reporting Standard
Invested Capital	Net assets plus Net Debt
Ireland	The Island of Ireland
ISO	International Organization for Standardisation
IT	Information Technology
KPI	Key Performance Indicator
Lagan	Lagan Group (Holdings) Limited the brand under which Breedon trades in RoI, as appropriate
Leverage	Net Debt expressed as a multiple of Underlying EBITDA
Like-for-like	Like-for-like reflects reported values adjusted for the impact of acquisitions and disposals
LTI	Lost Time Injury
LTIFR	Lost Time Injury Frequency Rate
M&A	Mergers & acquisitions
MPA	Mineral Products Association
MWh	Megawatt hour
NI	Northern Ireland
PSP	Performance Share Plan
QCA	Quoted Companies Alliance
RAP	Recycled asphalt planings
RCF	Revolving Credit Facility

GLOSSARY CONTINUED

RoI	Republic of Ireland
ROIC	Post-tax Return on Invested Capital
SECR	Streamlined Energy and Carbon Reporting
SDG	Sustainability Development Goal
SONIA	Sterling Overnight Index Average
STEM	Science, Technology, Engineering and Mathematics
Sterling	Pounds sterling
TIFR	Total Injury Frequency Rate
TSR	Total shareholder return
UK	United Kingdom (GB & NI)
Underlying	Stated before acquisition-related expenses, redundancy and reorganisation costs, property items, amortisation of acquisition intangibles and related tax items
Underlying EBITDA	Earnings before interest, tax, depreciation and amortisation, non-underlying items and before our share of profit from associate and joint ventures
USPP	US Private Placement
VFL	Visible Felt Leadership
Whitemountain	Whitemountain Quarries Limited. The construction materials and contracting services brand under which Breedon now trades in NI

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