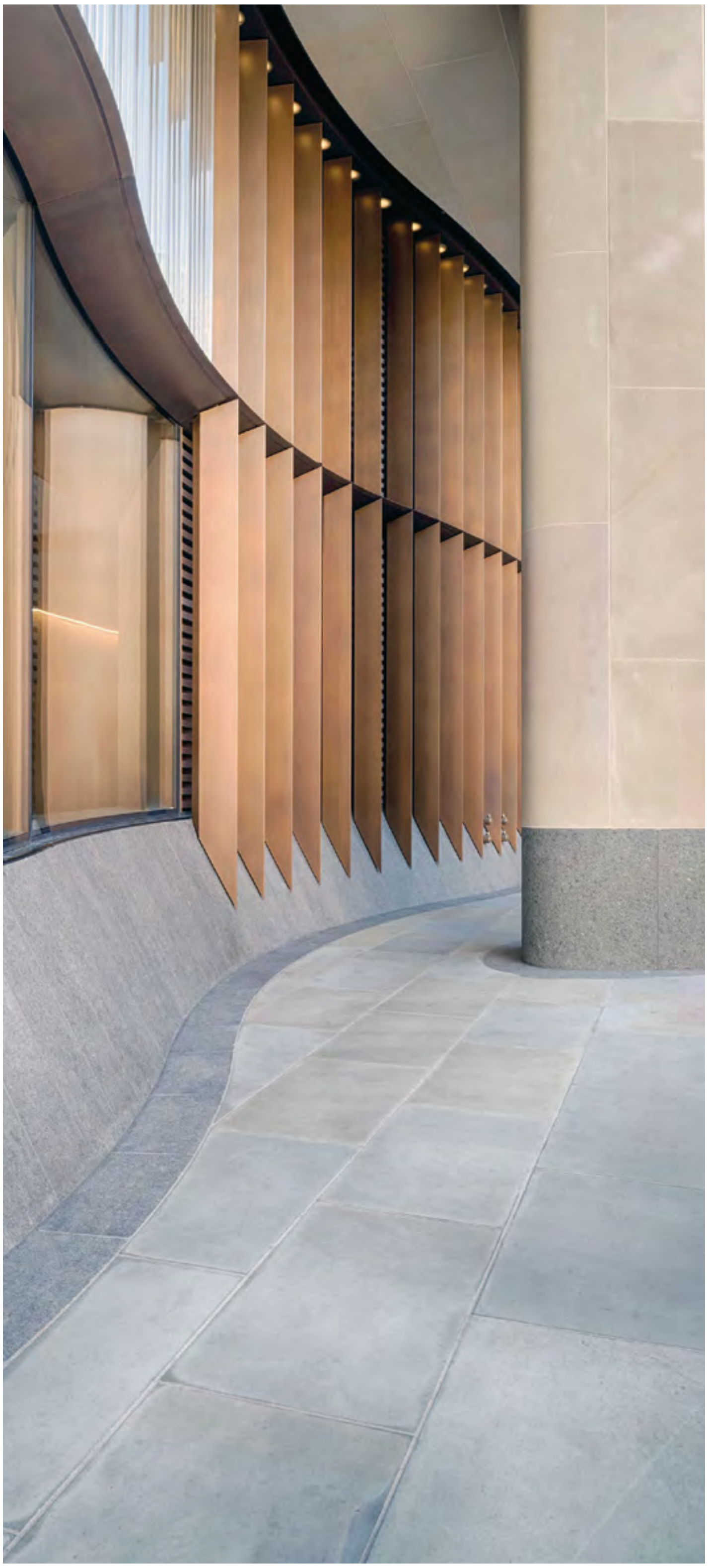
Creating **better places**



Marshalls

Annual Report and Accounts 2023

We create better places by **putting people, communities and the environment first**

The Group is a **leading manufacturer** of sustainable solutions for the built environment. We are **committed to quality in everything we do,** including environmental and ethical best practice.

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@MarshallsGroup

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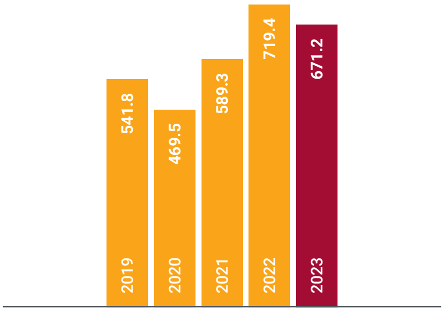
Revenue (£'m)

£671.2m

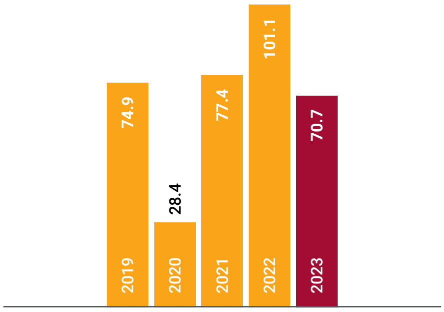
(down 7%)



Adjusted operating profit[1] (£'m)

£70.7m

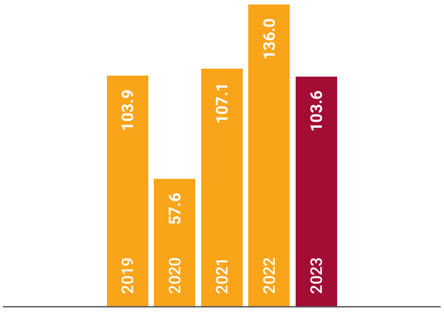
(down 30%)



Adjusted EBITDA[1] (£'m)

£103.6m

(down 24%)



Adjusted profit[1] before tax (£'m)

£53.3m

Reported profit before tax

£22.2m

Adjusted return on[1] capital employed (%)

8.4%

Adjusted[1] basic EPS (p)

16.7p

Reported EPS (p)

7.4p

Full year dividend recommended (p)

8.3p

Strategic highlights

- Group well positioned for when markets recover
- Reduction in capacity whilst maintaining ability to supply a stronger market in the medium term
- Improved agility and reduced cost base with annualised net cost reduction of around £11 million
- Managing cash and deleveraging balance sheet. Programme of surplus site sales generating £6.9 million in 2023

Financial highlights

- Revenue of £671.2 million which represents like-for-like reduction of 13%
- Adjusted operating profit of £70.7 million, a reduction of 30% on 2022
- Reported operating profit of £41.0 million (2022: £47.9 million)
- Adjusted profit before tax of £53.3 million, a decrease of 41% on 2022
- Adjusted EBITDA of £103.6 million, a decrease of 24% on 2022
- Profit before tax on a statutory basis was £22.2 million
- Adjusted earnings per share were down 47% at 16.7 pence
- Net debt of £172.9 million (2022: £190.7 million) (on a pre-IFRS 16 basis) and leverage of 1.9 times adjusted EBITDA

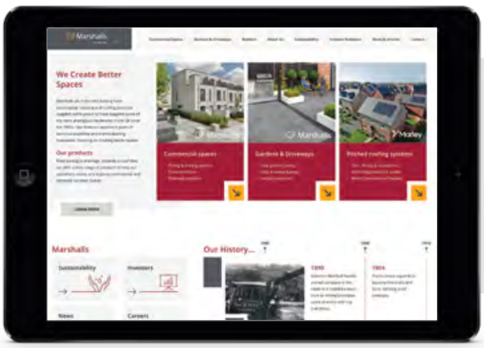
ESG highlights

- Established Board ESG Committee with oversight of our ESG strategy
- Revision of our carbon reduction targets in a Group-wide re-baselining exercise
- New digital system for health, safety and environment compliance
- Solar array installed at fifth location
- Living Wage employer status and Fair Tax Mark maintained
- Launch of our new Code of Conduct to colleagues and suppliers

Notes

1. Alternative performance measures are used consistently throughout this Annual Report. These relate to EBITDA, operating profit, return on capital employed ("ROCE"), net debt and operating cash flow. These APMs are then presented both on a pre and post IFRS 16 basis and like-for-like with Marley. For further details of their purpose, definition and reconciliation to the equivalent statutory measures, see Note 33.

   The results for the year ended 31 December 2023 have been included after adding back adjusting items. These are set out in Note 4.



Stay up to date with the latest investor news at: **www.marshalls.co.uk**

Our **purpose** is to create better places

Our **strategic goal** is to be the UK's leading manufacturer of sustainable solutions for the built environment

Group key strategic objectives

Read more about our strategy on **page 22**

- **Obtain and deliver specification** for our products and systems to grow revenue and profitability
- **Easy** to work with
- **Innovate** and optimise products and solutions
- **Improve** our cost effectiveness, our efficiency and our flexibility
- **Operate** in an environment where safety and people are a key priority

The Marshalls Way

Read more about The Marshalls Way on **page 28**

Do the right things

- We have high standards
- We deliver market leading quality to our customers
- We strive to meet the needs and expectations of our customers
- We are continually developing the business and our people

For the right reasons

- We consider the long-term impact of every decision we make
- We are guided by strong principles
- We operate in the most ethical and sustainable way
- We take responsibility for every action

In the right way

- We set clear expectations
- We anticipate and embrace change
- We put people, communities and the environment first
- We work as a team to proactively propose solutions

Our values

Act with courage

- We take responsibility for every action
- We get things done
- We learn from experiences
- We challenge and feed back

Win together

- We work as one Marshalls team
- We respect everyone
- We propose solutions
- We value development

Shape the future

- We champion our customers
- We initiate and embrace change
- We consider the long-term impact of our decisions
- We develop diverse teams

Inspire with clear purpose

- We are proud and passionate
- We share and celebrate success
- We continuously improve
- We create clarity of expectations

What ESG means to Marshalls

BETTER Product

BETTER Workplace

BETTER World

Climate action

Respecting people

Made to last

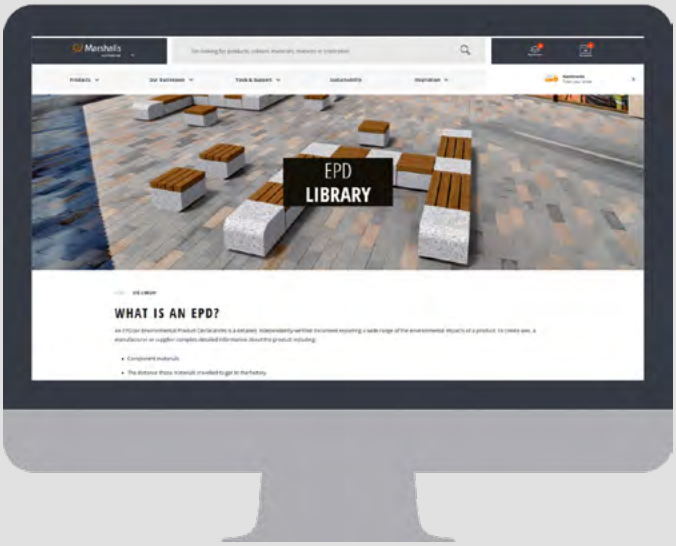
Sustainability at Marshalls

Our three pillars – Better Product, Better Workplace, Better World – highlight our focus areas towards our purpose of creating better places, whilst maintaining The Marshalls Way of doing the right things, for the right reasons, in the right way.

Read more about Better Product on **page 36**

Read more about Better Workplace on **page 38**

Read more about Better World on **page 41**



Find out about our carbon reduction journey and our new solar array

Read more on **page 43**

Find out about our award-winning solar safety product, ArcBox

Read more on **page 36**

Find out about our commitment to apprenticeships and engaging young talent

Read more on **page 39**

Find out about our newly launched EPD Library for Environmental Product Declarations

Read more on **page 37**

A leading manufacturer of **sustainable solutions** for the built environment

Our objective is to deliver sustainable growth while maintaining a strong balance sheet with a flexible capital structure and a clear capital allocation policy.

What we do

The Group is diversified and operates across three divisions in the UK construction market, and offers a broad product range with specialist and innovative products and solutions.

Our markets

The Group's three main end market areas are New Build Housing, Commercial and Infrastructure, and Private Housing, repair maintenance and improvement ("RMI").

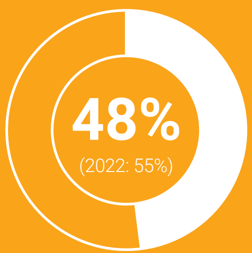
Our divisions

Landscape Products

Comprises the Group's Commercial and Domestic landscaping business, Landscape Protection.

- Paving
- Kerb
- Edgings
- Walling
- Protective street furniture

Landscape Products revenue



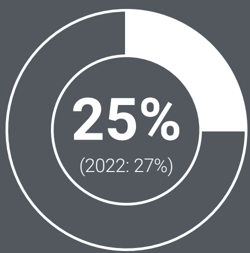
Read more about our landscape projects on **page 19**

Building Products

Comprises the Group's Civils and Drainage, Bricks and Masonry, Mortars and Screeds, and Aggregates businesses.

- Drainage and water management solutions
- Concrete bricks
- Masonry
- Mortar
- Screeds
- Aggregates

Building Products revenue



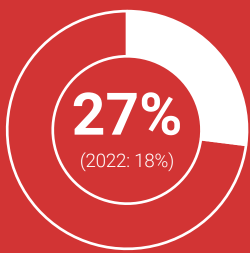
Read more about our building projects on **page 20**

Roofing Products

Comprises the Marley Roofing Products business and Viridian Solar, offering a comprehensive roofing system.

- Concrete tiles
- Clay tiles
- Timber battens
- Roof integrated solar panels

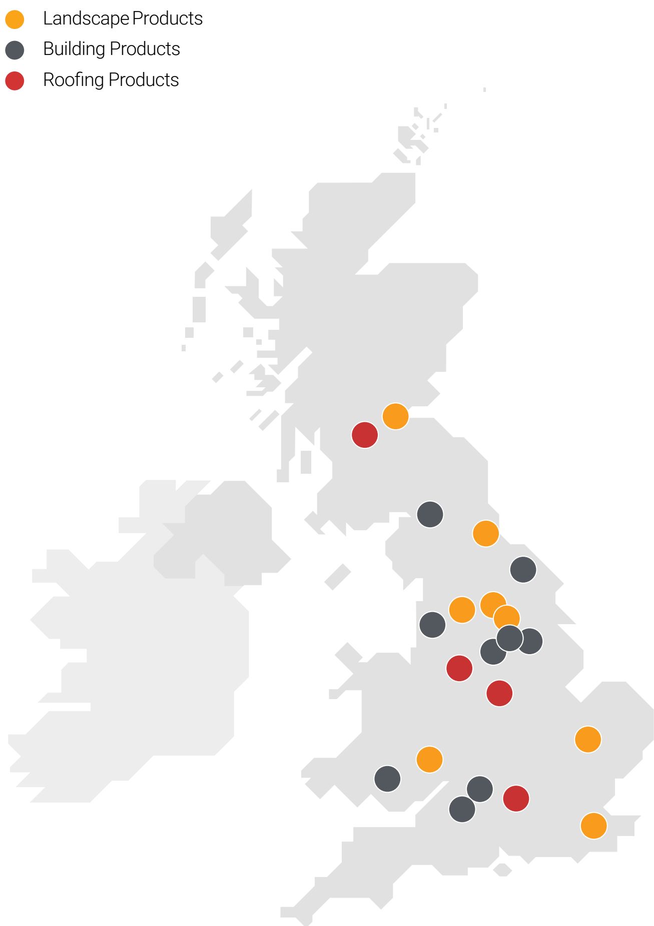
Roofing Products revenue



Read more about our roofing projects on **page 21**

Where we operate

We operate from strategically located manufacturing and distribution sites across the UK.



Supportive long-term market fundamentals

Structural deficit in new build housing.

Ageing housing stock that requires RMI activity.

The need to continue improving UK infrastructure.

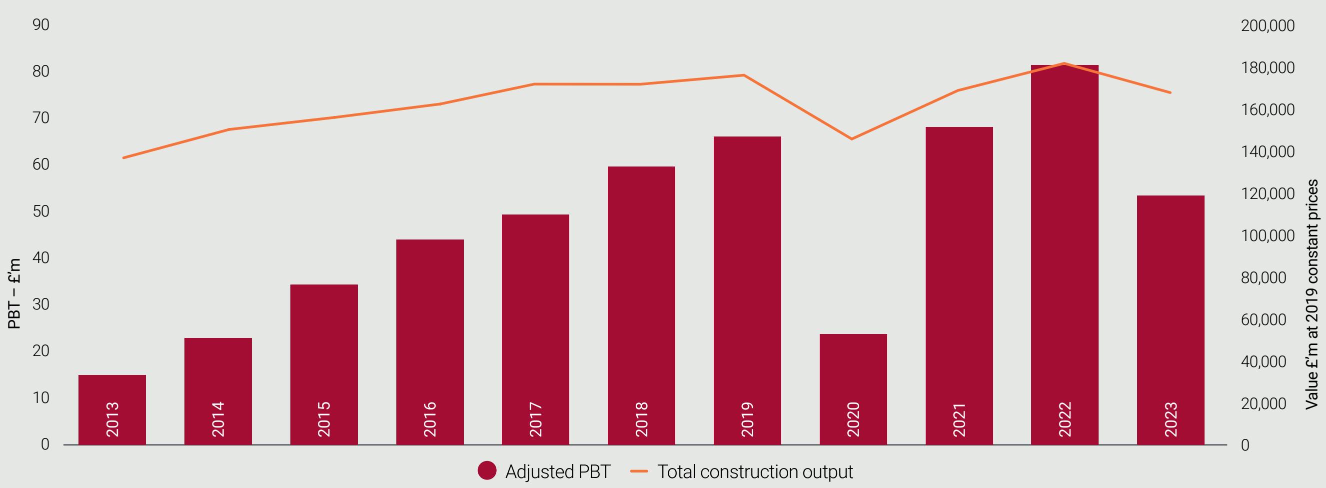
Strong outlook for the integrated solar panel business, supported by regulatory changes.

Strongly positioned for when markets recover

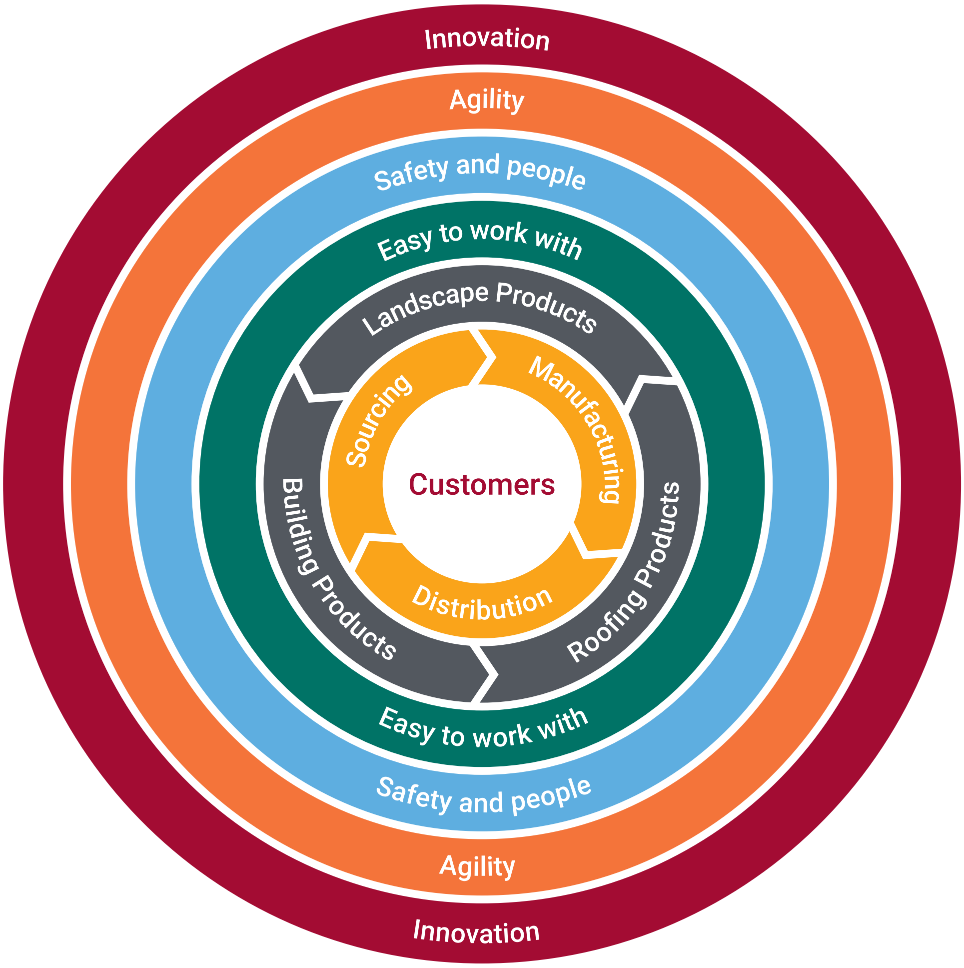
- Reduction in capacity mainly temporary. Mothballed units can be recommissioned to meet demand
- Manufacturing sites are well invested and drop-through margins that adversely impacted profitability in 2023 are expected to reverse with higher volumes
- Recovery in volumes would have a significant positive impact on profitability
- Reduction in pre-IFRS 16 net debt driven by strong management of cash in 2023, further reductions in net debt expected

Track record of delivering shareholder value – 2023 downturn adversely impacts PBT

Adjusted PBT and CPA total construction output forecast



Our business model underpins our strategic goal and purpose



Our resources

Strong leadership
Clear direction and focused resource allocation to deliver our strategic vision

Our business

Customers
Our customers range from domestic homeowners to public bodies. Product and service innovation, combined with demand generation strategy for project specifications, drive customers to Marshalls and Marley solutions

Outcomes

Shareholders
Cumulative dividends paid of £217 million in ten years between 2014 and 2023

Proposed full year dividend per share
8.3p

Stakeholder relationships
We have strong stakeholder relationships through constructive dialogue with local authorities, industry bodies and regulators. Our stakeholder relationships are underpinned by a focus on responsible business which is a key part of the Marshalls culture

Footprint
National coverage and sustainable operations across a national network of manufacturing sites

People
With over 130 years' experience, we have a reputation built on transparency and long standing core values

Relationships
Strong supply chain relationships support ethical sourcing

Products
The Group has a wide product range across hard landscaping, roofing, water management and concrete bricks

Easy to work with
Improving the customer experience by simplification and reducing touchpoints

Safety and people
The Marshalls Way of doing the right things, for the right reasons, in the right way underpins our model. We put people, communities, and the environment first

Agility
We take actions to reduce costs, improve agility and manage cash without compromising medium-term capacity

Innovation
We are committed to innovation and continuous improvement to deliver innovative product solutions for our customers through continued investment in our facilities and product range

Customers
We aim to provide an outstanding customer experience at every step of the journey

Shifting transactions to EDI, ordering apps and dropship

Suppliers
Playing a leading role in upholding human rights at home and overseas in our supply chain

Awarded Innovation Award at the Unseen Business Awards 2023 for our long-term efforts identifying and addressing modern slavery in supply chains

Communities and environment
Collaborative approach to capturing carbon by using CarbonCure technology

Engagement with UN Global Compact UK working groups on modern slavery, diversity and climate change

Employees
Operating in an environment where safety and people are a key priority

Progressed new digital compliance system and delivering our health and wellbeing strategy

Government and regulatory bodies
Responsible business commitments (e.g. Living Wage)

Ten years of being Fair Tax Mark certified

Group **positioned well** for when markets recover

Cash generative business model with a well-defined capital allocation policy.

Why invest in Marshalls plc?

Strong business fundamentals

- Diversified product offering with exposure to strong, long-term growth markets across varied construction sectors
- Reputable brand proposition across hard landscaping, roofing, water drainage and concrete walling products
- Market leading positions in landscaping and roofing; significant growth opportunities in integrated solar, water management products and lower-carbon concrete bricks
- Excellent manufacturing footprint across the UK with a well invested asset base

Focused growth strategy

- Credible strategic goal to become the UK's leading manufacturer of sustainable solutions for the built environment
- Delivered PBT CAGR of 24 per cent between 2013 and 2022, before 2023 market downturn
- Product and service innovation, combined with demand generation strategy for project specifications, drive customers to Marshalls and Marley solutions
- Continued investment in facilities and technology to improve efficiencies and broaden the product range
- Combination of organic growth supplemented by complementary transactions to deliver sustained through-cycle growth

ESG market leadership

- Sector leader in sustainability for over 20 years
- Amongst the first in the UK construction materials sector to obtain approved science-based targets for carbon reduction
- Creating better places through the core pillars of "better product, better workplace and better world"
- Trend towards increased ESG, weighting in customer procurement decision making
- Commitment to net zero and new carbon reduction targets for enlarged Marshalls Group submitted to the Science Based Targets ("SBTi") initiative for validation

Find out more online

About us
https://www.marshalls.co.uk/about-us

Our divisions
https://www.marshalls.co.uk/about-us/operations

Our products
https://www.marshalls.co.uk/

Capital Allocation Policy

Clear and unchanged policy

1 **Organic growth**
Capital investment remains core to strategic growth

2 **R&D and new product development**
Continued focus on R&D and NPD

3 **Ordinary dividends**
Maintaining dividend cover of two times adjusted earnings

4 **Balance sheet deleveraging**
Target to reduce net debt to around one times adjusted EBITDA

5 **Selective acquisitions**
Target selective bolt-on acquisition opportunities

Robust risk management

- Formal process to identify, analyse and assess current and emerging risks with active engagement from the Executive Team and Board
- Mitigating controls continually monitored by management
- Controls periodically audited by external parties
- Detailed active plans developed for identified risks

Well positioned for a recovery in our markets

- Flexible cost base and manufacturing sites provide management with optionality to right-size the business
- Significant operational capacity to satisfy increased demand
- Operating margins expected to benefit from high operational leverage when volumes improve with market recovery, with a medium-term target of 15 per cent

Focus on driving shareholder value

- Long-term track record of generating shareholder returns – total of £217 million dividends paid in ten years between 2014 and 2023
- Opportunity to deliver progressive earnings growth and adjusted ROCE of 15 per cent over the medium term
- Cash generative business model with a strong balance sheet with a well-defined capital allocation policy
- Focus on driving organic growth, supplemented by periodic, complementary bolt-on acquisitions
- Sustainable, through-cycle dividend policy, targeting 2x cover by adjusted earnings

Our share price
https://www.marshalls.co.uk/investor/share-price-centre

Financial performance
https://www.marshalls.co.uk/investor/financial-performance

Sustainability at Marshalls
https://www.marshalls.co.uk/sustainability

Whilst taking action to manage through the downturn, the Board has remained focused on its **strategic aims and well-managed leadership change**

"Importantly, we balanced the need to reduce capacity and the cost base in the short term while retaining flexibility to increase production volumes when demand recovers.

Vanda Murray OBE
Chair

Summary

- Revenue contracted by 13 per cent on a like-for-like basis to £671.2 million
- Adjusted profit before tax of £53.3 million, reflecting weak end markets (reported profit before tax: £22.2 million)
- Decisive actions taken to reduce capacity and the cost base whilst retaining ability to increase output when demand recovers
- Full year proposed dividend of 8.3 pence per share
- Refreshed strategy now being embedded in the business
- CEO transition well managed
- Continued focus on health, safety and employee wellbeing

Overview

Whilst 2023 was a challenging year for the Group, your Board acted quickly in response to reduced demand by implementing actions to improve agility and right-size the business through reducing capacity and costs, alongside maintaining a disciplined approach to cash and capital management. These actions are expected to reduce net operating costs by approximately £11 million per annum, around 40 per cent of which was realised in 2023. Notwithstanding the benefit of these actions, weak activity levels in our key end markets reduced demand for the Group's products and this led to significantly reduced volumes and an adverse impact on profitability.

Importantly, we balanced the need to reduce capacity and the cost base in the short term, while retaining flexibility to increase production volumes when market demand recovers. The Group's manufacturing network is able to produce significantly higher volumes than is currently demanded by the market with limited investment. The Board expects higher sales and production volumes, when the market recovers, to have a materially positive impact on profitability.

We are pleased to have completed the work to review our Scope 1, 2 and 3 carbon reduction targets for the enlarged Group and have submitted them to the SBTi for validation. We have also continued to evolve our governance structure with additional oversight of ESG matters through the creation of an ESG Board Committee.

2024 will see a significant change in the Group's leadership with Martyn Coffey having stepped down as Chief Executive after ten years and Matt Pullen being appointed his successor after a rigorous selection process.

Results

Group revenue for the year ended 31 December 2023 was £671.2 million (2022: £719.4 million), which includes an additional four months of Marley. On a like-for-like basis, Group revenue contracted by 13 per cent due to reduced demand in our key end markets.

The Group's adjusted profit before tax was £53.3 million (2022: £90.4 million), with the year on year reduction resulting from the impact that weak market activity levels had on profitability. Statutory profit before tax was £22.2 million (2022: £37.2 million) after accounting for adjusting items (details of which can be found on page 18). Adjusted earnings per share was 16.7 pence (2022: 31.3 pence), and earnings per share on a statutory basis was 7.4 pence (2022: 11.4 pence). Further detail on the results is set out on pages 12 and 14 of the Chief Executive's Review and on pages 48 to 51 in the Financial Review.

The Group's Balance Sheet remains robust, with net debt, on a pre-IFRS 16 basis, reducing by £17.8 million to £172.9 million (2022: £190.7 million) due to the actions taken to manage cash and capital given market conditions. Net debt reduced to £217.6 million (2022: £236.6 million) on a reported basis after including IFRS 16 lease liabilities. Marshalls continues to be strongly cash generative and we maintain good headroom against our bank facility and covenants.

Dividends
The Group maintains a dividend policy of distributions covered twice by adjusted earnings. The Board has proposed a final dividend of 5.7 pence per share, which, taken together with the interim dividend of 2.6 pence per share, would result in a pay-out in respect of 2023 of 8.3 pence (2022: 15.6 pence). This is in-line with the Group policy and would represents a year-on-year reduction of 47 per cent driven by weaker profitability, increase in weighted average shares in issue and a higher effective taxation rate. The dividend will be paid on 1 July 2024 to shareholders on the register at the close of business on 7 June 2023. The shares will be marked ex-dividend on 6 June 2024.

Strategy
The Group's strategy was refreshed by the Board and the Executive Team during the period. Our updated strategic goal is to be the UK's leading manufacturer of sustainable solutions for the built environment. The Board has defined the following key strategic objectives: obtaining and delivering specifications; innovation; improved cost effectiveness, capital efficiency and flexibility; operating in an environment where safety and people are a key priority; and being easy to work with. Management have developed aligned operating strategies in each of our businesses that support the delivery of these objectives and is using a structured process to embed them throughout the organisation. Further details of the refreshed strategy can be found on pages 22 to 23.

ESG strategy
The Group is committed to the promotion of strong environmental, social and governance objectives ("ESG"). Our ESG strategy has three pillars: "Better Product", "Better Workplace" and "Better World". These pillars all stem from our purpose – to create better places – and are embedded into our overall strategy. Our approach to ESG continues to generate organic growth opportunities which, going forward, will be a source of competitive advantage in the future. The Board will continue to focus on culture and people engagement. Our priorities include work on employee wellbeing and safety, succession and development planning, diversity, equity, respect and inclusion. Angela Bromfield leads the Board's engagement with the Employee Voice Group ("EVG"), which includes employees elected from all parts of the Group. Further details of the EVG's activities during the last year can be found on pages 38 to 40.

Environmental
Our current commitment for the Marshalls businesses (excluding Marley) is to reduce Scope 1 and 2 greenhouse gas emissions by 59.4 per cent per tonne of production by 2030 from a 2018 base year, which is equivalent to a 50.5 per cent reduction in absolute greenhouse gas emissions. These targets have been approved by the SBTi as consistent with a 1.5°C trajectory. We continue to track ahead of these targets. We reported last year that our acquisition of Marley meant that we would need to recalculate the carbon footprint of the Group and review our targets, and that 2030 may not be a realistic target for the enlarged Group to achieve net zero. This work is now complete, and we have near and long-term net zero targets for Scopes 1, 2 and 3 for the enlarged Group. Our calculations and targets have been submitted to the SBTi, and we are awaiting validation before we communicate our revised ambitions to our stakeholders.

Social
We are proud to support the United Nations Sustainable Development Goals ("UN SDGs") and continue to be an active participant of the UN Global Compact. Our approach to being a responsible business and good employer is based on upholding human rights, at home and overseas, in our supply chain, and putting the health, safety and wellbeing of our people at the top of our priorities. We are a Living Wage employer and have the Fair Tax Mark, which demonstrates transparency in our tax affairs. In what has been a challenging year for the business and the construction industry, we have continued to support the development of our people and recruited twelve engineering apprentices as part of our commitment to maintaining our talent pipeline.

Governance
Our Corporate Governance Statement on pages 66 to 79 outlines our continued commitment to the highest standards of corporate governance, including compliance with all the provisions of the UK Corporate Governance Code. 2023 saw the creation of a new governance structure for ESG – with oversight from the ESG Committee at Board level, continued direction from our ESG Steering Committee at Executive Team level and management of the ESG strategy by the ESG Delivery Team. To ensure a strong alignment between the interests of management and our shareholders, a large proportion of management's remuneration continues to be in shares which must be retained for up to five years. Further details of how the Board engaged with stakeholders can be found in our Stakeholder Engagement section on pages 28 to 33.

Board changes
Martyn Coffey stepped down from the Board and as Chief Executive on 29 February 2024. Under Martyn's outstanding leadership, the Group has been transformed into a diversified building products manufacturer, with leading positions in its key markets, whilst retaining its culture and core values. During Martyn's tenure, Marshalls has grown organically and through acquisitions, achieving its key strategic ambitions, and the Group is well positioned for when markets recover. Martyn will leave behind a significant legacy, and I would like to thank him for his leadership over the last ten years. Following a rigorous process to identify a successor, supported by an executive search firm, the Board were pleased to appoint Matt Pullen as Martyn's successor. Matt is an accomplished executive leader with extensive experience in the construction and FMCG sectors.

Diana Houghton was appointed as a Non-Executive Director with effect from 1 January 2023 and joined the Audit, Remuneration and Nomination Committees. Tim Pile retired as a Non-Executive Director in May 2023, and I would like to thank him for sharing his wealth of knowledge and experience and for his long service on the Board.

Our people
I am privileged to serve as your Chair and continue to regard our people as being a major strength of the business. 2023 has been a challenging year for our people due to the difficult market conditions and restructuring activity that has been necessary during this period. It is a testament to all of our colleagues that they have continued to focus on our customers and on delivering for the Group. I would like to thank every member of our team for their commitment, hard work and continuing dedication to Marshalls.

Outlook
Revenue in the first two months of the year was lower than 2023 and reflects the continued weakness seen in the second half of last year. In line with recent sentiment of UK economic and industry forecasts, the Board expects activity levels to remain subdued in the first half of the year followed by a modest recovery in the second half as the macro-economic environment progressively improves. The start of this recovery is now expected to be slower and more modest than previously assumed. Therefore, the Board believes that revenues in 2024 will be lower than previously expected and that profit will now be at a similar level to 2023.

The Board remains confident that actions taken to improve efficiency and flexibility, together with a more diversified and resilient portfolio has strengthened the Group. With clear long-term structural growth drivers and attractive market growth opportunities, the Group is well positioned for relative outperformance in the medium-term, and this will underpin a material improvement in profitability as end markets recover.

Vanda Murray OBE
Chair
18 March 2024

Taking **decisive action** has positioned the Group well for when markets recover

"Management has taken decisive action to align costs and capacity with lower market demand and is well positioned for when markets recover.

Matt Pullen
Chief Executive

- Revenue contracted by 13 per cent on a like-for-like base to £671.2 million (2022: £719.4 million) due to weak end markets.
- Adjusted profit before tax of £53.3 million, reflecting lower volumes and the adverse impact of operational leverage.
- Decisive action taken to align costs and capacity with reduced demand levels.
- Focus on deleveraging resulted in a £17.8 million reduction in pre-IFRS16 net debt to £172.9 million (2022: £190.7 million) – robust balance sheet with pre-IFRS 16 net debt to EBITDA of 1.9 times.
- Continued improvements in health and safety performance.
- Clear long-term structural growth drivers, attractive market growth opportunities and significant retained manufacturing capacity mean the Group is well positioned for relative outperformance in the medium term, as end markets recover.

Overview

Marshalls has executed a successful strategy over the last decade under Martyn Coffey's leadership to become a leading manufacturer of products for the built environment through a combination of self-help investment and targeted acquisitions. A core element of this strategy has been to broaden its portfolio of products, building a strong brand presence in landscaping, roofing (including the growth area of solar PV), water management and bricks & walling through acquisition and organic growth. This has led to the diversification of sector exposure across new build housing, infrastructure, commercial projects and refurbishment in both the private and public housing sectors. The strategy has also enabled the Group's portfolio to provide solutions at all levels of the build programme from groundworks to the roof. I am delighted to have joined a Group with strong reputation and a market leadership position in the sector and feel privileged to lead Marshalls through its next stage of development, building on Martyn's significant achievements.

Market conditions were challenging in 2023 with macro-economic pressures and uncertainty continuing to impact the construction industry, with significant cost inflation in the UK economy, progressive base rate increases by the Bank of England, leading to falling real wages. These factors put unprecedented pressure on household budgets and, subsequently, lower short-term demand in the housing sector together with a significant headwind in discretionary RMI. The impacts have been exaggerated by house price deflation and economic uncertainties, which have curtailed investment in the non-housing and infrastructure sectors although these remained more resilient in 2023. The CPA estimates that the output of the UK construction industry contracted by 6 per cent in 2023, with reductions of 17 per cent and 11 per cent in new build housing and private housing RMI, respectively, which are key end markets for the Group. These factors resulted in a reduction in demand for the Group's products, which had a significant impact on its profitability.

2023 Group performance

Group revenue for the year ended 31 December 2023 was £671.2 million (2022: £719.4 million), which is a contraction of 13 per cent on a like-for-like basis. This performance reflects lower demand from house builders and continued subdued activity in private housing RMI, which impacted all the Group's reporting segments.

The Group's adjusted operating profit was £70.7 million (2022: £101.1 million) and the resulting adjusted operating profit margin was 10.5 per cent for the year ended 31 December 2023 (2022: 14.1 per cent). Weaker end markets resulted in reduced levels of demand which reduced both gross profit and manufacturing efficiency and made it progressively more difficult to recover input cost inflation with price increases. Management took decisive actions to improve agility and right-size the business through reducing capacity and costs. This included the closure or mothballing of factories, a reduction in shifts and capacity in other facilities, and a reorganisation of commercial and support functions. These actions are expected to deliver net annualised savings of around £11 million, of which around 40 per cent was delivered in 2023. In addition, management reviewed and reprioritised capital expenditure plans, executed a programme of surplus land disposals that generated around £7 million, and focused on efficient working capital and cash management to reduce the Group's net debt.

Importantly, management balanced the need to reduce capacity and the cost base in the short term while retaining the flexibility to increase production when demand recovers. The Group has significant latent capacity across all its businesses to satisfy materially higher demand than current levels.

Details of the performance of the Group's reporting segments is set out on pages 19 to 21.

The reported operating profit for the year was £41.0 million including adjusting items that totalled £29.7 million expense (2022: £53.2 million). These adjusting items comprise £10.4 million of amortisation of intangible assets arising on acquisitions, £18.3 million of impairment charges, restructuring and similar costs, a £1.6 million increase in contingent consideration estimated to be payable in respect of Viridian Solar, and a £0.6 million profit arising on the disposal of Marshalls NV. Further details on these items are set out on page 49.

Adjusted profit before taxation for the year was £53.3 million (2022: £90.4 million) after accounting for a finance charge of £17.4 million (2022: £10.7 million). Reported profit before tax was £22.2 million including adjusting items totalling £31.1 million expense (£53.2 million), which comprises the adjusting items impacting on operating profit and a £1.4 million adjusting item in finance costs associated with a pension benefit rectification exercise (details are set out on page 50).

The Group amended its capital allocation policy in 2022 to prioritise reducing net debt over any significant M&A activity, and management have made good progress during the year. The actions taken to manage cash in the weaker economic environment resulted in a reduction in pre-IFRS 16 debt of £17.8 million to £172.9 million (2022: £190.7 million). The Group's balance sheet continues to be robust, with pre-IFRS 16 net debt to adjusted EBITDA being 1.9 times at 31 December 2023 (2022: 1.4 times), with the year on year increase due to lower profitability in 2023.

The opportunity for Marshalls

During 2023, the business was necessarily focused on controlling and improving the efficiency and agility of its cost base, leveraging its strength in operations, as well as rigorous management of operating cashflow. All of the actions taken demonstrate the business is well managed and in control.

Marshalls has a real strength in its operations, its drive towards ever more sustainable solutions, and its brands and products are well regarded in the market by our customers. Over the coming months, management's focus will be on evolving the existing strategy, with a focus on the medium and longer-term market opportunities related to climate management and adaptation and the structural drivers that will fuel demand for the Group's products and solutions. Understanding and analysing these market trends and listening to what the Group's customers are calling for, where its brands and solutions can solve problems, is key. Investing in having a sharp focus on the parts of the market where the Group can add real value, through great insight, clear articulation of its brand propositions to customers and innovating in these areas will be of paramount importance. Ensuring the Group is a trusted and preferred partner for our customers to work with, realise greater value, accelerate growth and expand margins as the markets recover through the next cycle.

The Group expects to benefit from a recovery in the UK construction market driven by the structural deficit in new build housing, the ageing housing stock which needs investment in RMI and the continued need to improve infrastructure. In addition to this, there are specific market sector opportunities that are expected to outperform the overall UK construction market and the management team are focused on capturing this potential. The demand for roof-integrated solar solutions is expected to increase significantly in the next 12 to 24 months. Changes to building regulations (Part L) on energy efficiency took effect in mid-2023 and represent the first part of the plan to improve the energy efficiency of new homes. Roof-integrated solar is being adopted by housebuilders as part of their solution to improve energy efficiency. The Group's solar business, Viridian Solar with its innovative patented design, is the market leader and is expected to deliver strong profitable growth as a result. The second part of the plan aims to mandate low carbon heating and world-leading energy efficiency through the Future Homes Standard, and this could present further opportunities for the growth of roof-integrated solar. The consultation on these changes is expected to conclude in 2024. Additionally, the government's Social Housing Decarbonisation Fund is driving the low energy refurbishment of homes by local authorities and social landlords. A requirement of the funding is a switch to electric heating coupled to a reduction in energy bills for residents and solar PV is incorporated into many of the successful schemes. With a strong position in the social housing sector, Marley is increasingly securing specifications including solar PV as part of its roof system for this RMI work.

The Group also expects growing demand for its water management products and solutions. This is underpinned by water utility companies' proposals to significantly increase their expenditure on water and sewerage infrastructure projects, to £96 billion for 2025 to 2030, to modernise infrastructure and reduce system leakage. In the shorter-term, additional investment of £1.6 billion has been approved following a request by DEFRA to accelerate investments in water quality and storm overflow discharges by 2025. The Group's drainage management and flood mitigation product range is well placed to provide solutions to help water companies to meet these challenges. This comprises a full underground drainage range together with the ability to design and supply wet cast tanks and attenuation systems for improved water storage.

Management has continued to innovate to develop its products and solutions and following around £25 million of investment, the dual block plant at St Ives is now operational and able to manufacture a new range of innovative paving products using exclusive colour blending technology, which creates a granite appearance. The products are being launched in a wide range of colours and finishes that have a significantly lower carbon footprint than imported products. Viridian Solar has introduced a new range of more powerful solar panels, EV chargers and inverters that have helped to underpin revenue growth alongside launching ArcBox, an award-winning fire safety enclosure and mounting bracket for use with pitched and flat roof solar systems.

The Group's product innovation is further underpinned by developments of products that have a lower embodied carbon: utilising cement replacement and carbon sequestration techniques. The Group was the first pre-cast concrete manufacturer in the UK to adopt CarbonCure technologies' carbon mineralisation technology that uses waste CO_2 from other industrial processes to accelerate the carbonation of concrete, effectively reducing the embodied carbon.

In addition, the Group is focused on opportunities to improve the efficiency of its operations and, building on the existing relationship between Marley and Wincanton, it announced the outsourcing of its logistics function to Wincanton in January 2024. The transition will take place during the first half of 2024 and will see up to 300 Marshalls employees joining Wincanton. This outsourcing is expected to support the Group's drive for continuous improvement for its customers and to deliver operating efficiencies. Placing this important function in the hands of specialists will enable the Group to take advantage of their programme to invest in diesel-alternative fuel options, contributing to its sustainability goals.

Management continues to focus on executing the digital strategy, which aims to provide an end-to-end digital offering and to pioneer digital standards for the industry. This includes shifting transactions onto electronic trading including its ordering app, EDI and dropship. Dropship is being used to extend the availability of product ranges to customers across the board. The Group successfully completed the disposal of its former Belgian subsidiary in April 2023, which leaves the Group focused on the UK construction market.

A recovery in the UK construction sector, a focus on attractive market segments and continued innovation are expected to drive future volume growth and the Group is well positioned with its market leading brands, products and sustainable solutions for relative outperformance in the medium-term

Health and safety

The Group continues to operate in an environment where safety and people are a key priority though the use of strong governance procedures. During 2023, we have finalised the integration of the health and safety functions of Marshalls and Marley, and we now have direct reporting lines through to the Group SHE Director. The Group has also implemented a new digital compliance tool which enables us to better manage our incident reporting and the related corrective actions, and to provide clarity and insights on trends. Our key measure of health and safety performance is the "lost time injury frequency rate" and the result for 2023 was an improvement on each of the last three years.

Matt Pullen
Chief Executive
18 March 2024

Martyn Coffey
Former Chief Executive

Matt Pullen
Chief Executive

Q&A with Martyn Coffey (former Chief Executive) and Matt Pullen (Chief Executive)

Q1

What actions has the business taken to respond to challenging market conditions in 2023?

The challenging market conditions necessitated decisive action to improve agility, reduce capacity, take cost out of the business, and managing cash. We closed a factory, mothballed lines at other facilities and reduced shifts in order to reduce capacity across the manufacturing network. In addition, we have reorganised commercial and support functions to simplify the business and improve efficiency. Regrettably, these changes resulted in a reduction of approximately 330 roles that will deliver annualised net savings of around £11 million, with around 40 per cent of the benefit being realised in 2023 and the balance will flow in 2024. These changes were structured to allow the Group to bring capacity back online without significant capital investment when market demand recovers.

> "Leading Marshalls for ten years has been the greatest privilege and pleasure of my professional life. To have grown the Company with its amazing people to the position it is today, has been an exciting and rewarding adventure.

Martyn Coffey
Former Chief Executive

Q2

Whilst market conditions have been tough in 2023, what gives you confidence that markets will normalise over time?

The UK construction industry is cyclical and there have been lower levels of activity during 2023, particularly in the Group's key end markets of new build housing and private housing repair, maintenance and improvement ("RMI"). We believe that these end markets continue to be attractive because there is a structural shortage of housing that will require significantly more new houses to be built to meet market demand when affordability normalises. In addition, the ageing nature of the UK's housing stock is expected to underpin growing levels of private housing RMI activity when consumer confidence recovers.

Q3

Why do you believe that the business will be well positioned when markets recover?

Whilst in the near term the markets remain challenging the medium-term outlook for the UK construction market and the Group is positive with clear structural growth drivers and attractive long-term market growth opportunities, where our strong and more diversified portfolio of market leading brands, products, and sustainable solutions is increasingly relevant to the challenges of climate change and creating a more sustainable built environment. The Group has retained significant capacity in our manufacturing network to supply materially higher volumes than 2023 and coupled with improved operational efficiency and leverage the Group is well positioned for relative outperformance as markets recover.

Q4

How is the Group's sustainability strategy embedded in the overall strategic priorities?

Marshalls has been a sector-leader in sustainability for over 20 years. Our goal is to continue on this journey and unlock commercial value from our leadership. We aim to do this through our sustainability strategy which is fully aligned to our goal of being the UK's leading manufacturer of sustainable solutions for the built environment. This is further supported by our purpose of creating better places and our core pillars: Better Product, Better Workplace and Better World. Under the leadership of Simon Bourne, our Chief Operating Officer, our sustainability agenda is underpinned by an updated governance structure which includes the creation of an ESG Committee at Board level to provide oversight.

Q5

What is the scale of the opportunity for solar PV and why do you have confidence in the Group's ability to capture a significant share of it?

The demand for roof-integrated solar solutions is expected to increase significantly in the next 12 to 24 months. Changes to building regulations (Part L) on energy efficiency took effect in mid-2023 and represent first part of plan to improve the energy efficiency of new homes. Roof-integrated solar is being adopted by housebuilders of part of their solution to improve energy efficiency.

The Group's solar business, Viridian Solar with its innovative patented design, is the market leader and is expected to deliver strong profitable growth as a result. The second part of the plan aims to mandate low carbon heating and world-leading energy efficiency through the Future Homes Standard, and this could present further opportunities for growth. The consultation on these changes is expected to conclude in 2024.

Additionally, the government's Social Housing Decarbonisation Fund is driving the low energy refurbishment of homes by local authorities and social landlords. A requirement of the funding is a switch to electric heating coupled to a reduction in energy bills for residents and solar PV is incorporated into many of the successful schemes. With a strong position in the social housing sector, Marley is securing solar PV as part of its roof system for this RMI work.

Q6

When do you expect net debt to reduce to around one times EBITDA?

We have made good progress in reducing pre-IFRS 16 net debt by £17.8 million during 2023 in line reflecting the prioritisation that it has in our capital allocation policy. This has been delivered through strong management of cash and facilitated by the cash generative nature of the Group's businesses. We expect the Group to continue generating cash and that net debt will reduce to around one times EBITDA by the end of 2025, although this will be dependent on the pace of market recovery.

> "Marshalls is a business with a great heritage, strong reputation and market leadership position in the sector. I feel privileged to have the opportunity to build on that heritage and on Martyn's significant achievements.
>
> **Matt Pullen**
> Chief Executive

Q7

Has Marley now been fully integrated into the enlarged Group?

Marley was acquired in April 2022, and we have progressively integrated the business into the Group. Responsibility for operations was transferred to the Group's Chief Operating Officer in 2022 and all related support functions were integrated into the Marshalls framework. In 2023 the Group's commercial functions have been consolidated under the leadership of the former Marley commercial director and we are leveraging the benefits of Marley's outstanding commercial strategy for the Marshalls businesses.

Q8

What progress has been made integrating Marley into your net zero science-based targets?

Last year, we outlined our plans for incorporating Marley into our climate strategy. We began in early 2023 by working with the Carbon Trust to undertake a re-baselining exercise and recalculating Marshalls' overall footprint. This included Marley and from this work, we have been able to revise our carbon reduction targets. These targets are for our own Scope 1 and 2 emissions as well as supplier Scope 3 emissions, and include a revised net zero target for the Marshalls Group. The work is now complete and our targets have been submitted to the SBTi for validation.

Industry forecasts point towards a subdued construction market in 2024, with growth returning in the second half of the year and a positive medium-term outlook

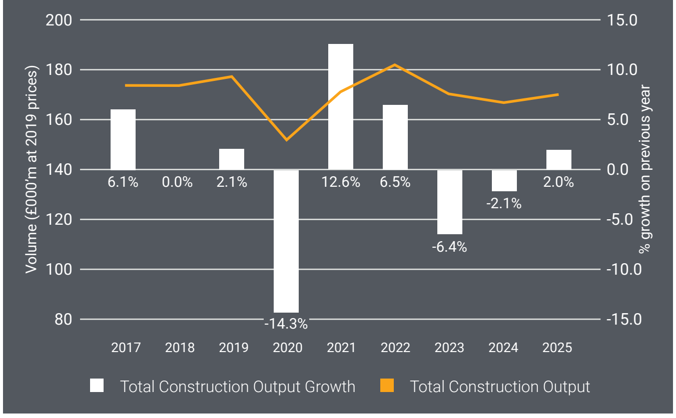
Overview

A core element of the Group's strategy over recent years has been to broaden its product range, building a strong brand presence in landscaping, roofing, water management and bricks & walling through acquisition and organic growth. This has led to the diversification of sector exposure across new build housing, infrastructure, commercial projects and refurbishment in both the private and public housing sectors. The strategy has also enabled the Group's portfolio to provide solutions at all levels of the build programme from groundworks to the roof. We estimate that around 40 per cent of the enlarged Group's revenues are derived from the new build housing sector, with another 40 per cent from commercial & infrastructure end markets. The remaining revenues of around 20 per cent are focused on private housing RMI and, importantly, this is split between sales to the domestic landscaping market, and roof refurbishment, which is far less discretionary as a purchase decision. The strategy of sector diversification provides an element of protection against market sector fluctuations, and enables the Group to capitalise on sector opportunities presented by demand growth, investment or regulations.

Macro-economic pressures and uncertainty have continued to impact the construction industry in 2023, with significant cost inflation in the UK economy and progressive base rate increases by the Bank of England, leading to falling real wages, which has put unprecedented pressure on household budgets and resulted in reduced demand in the housing sector. The impacts have been exaggerated by economic uncertainties and weak consumer confidence, which also saw reduced investment in the non-housing and infrastructure sectors although these remained more resilient in 2023. The CPA estimates that the output of the UK construction industry contracted by 6.4 per cent in 2023, with reductions of 17 per cent and 11 per cent in new build housing and private housing RMI, respectively, which are key end markets for the Group. These factors resulted in a reduction in demand for the Group's products, which had a significant impact on its profitability.

The expectation is that many of these factors will begin to reverse during 2024, and that the UK economy, together with general construction activity will start to recover in the second half of the year. This is reflected in the Construction Products Association's Winter forecast, which anticipates a contraction in construction output of 2.1 per cent in 2024, with a flat outlook for infrastructure and further contraction in housing. The CPA forecast that the construction industry will grow by 2.0 per cent in 2025 as the macro-economic environment improves during the course of next year.

CPA total construction output forecast



New build housing

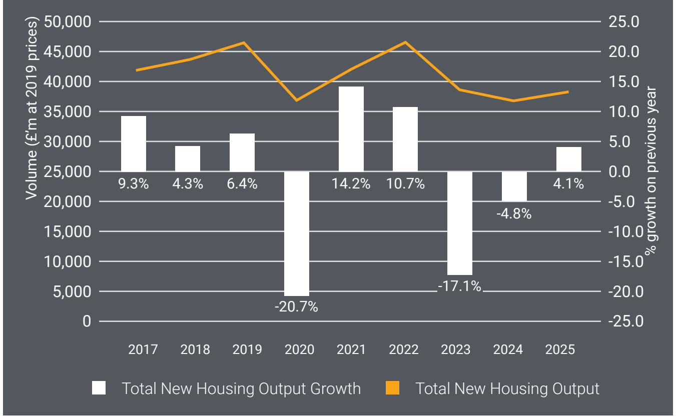
The new build housing sector experienced decline of 19 per cent in 2023 and the CPA's Winter forecast estimates output in the sector to continue to decline by 5 per cent in 2024, with an improving H2. This forecast is driven by an expectation that interest rates will remain high until H2 2024 with continued house price deflation and the current low level of reservation rates and forward sales among the private housebuilders.

However, the Group has experienced pockets of out-performance in the sector and expects these to continue into 2024 and beyond.

Demand for lower carbon concrete bricks has seen Marshalls' bricks grow share within new build housing.

Changes to the Building Regulations on energy efficiency, which took effect after a period of grace in mid-2023, is resulting in a significant growth in the construction of roof-integrated solar roofs. The Group's Marley branded roof system, including the market leading solar offer, continues to grow despite the weaker sector conditions.

CPA total new build housing output forecast



Private housing RMI

Private housing RMI activity has continued to contract throughout 2023, having experienced an historical post-COVID peak in 2021/22. Following an 11 per cent decline in 2023, with basic repairs and maintenance remaining stable and discretionary improvements declining more steeply, the CPA is forecasting this sector to experience a further fall of 4 per cent in 2024 off the back of subdued property transactions and household disposable incomes.

In landscaping, installer order books in February 2024 increased to 18.8 weeks compared to 14.7 weeks in February 2023. However, there is reduced installation capacity compared to prior years and DIY activity levels have contracted markedly compared to the elevated activity levels in 2021.

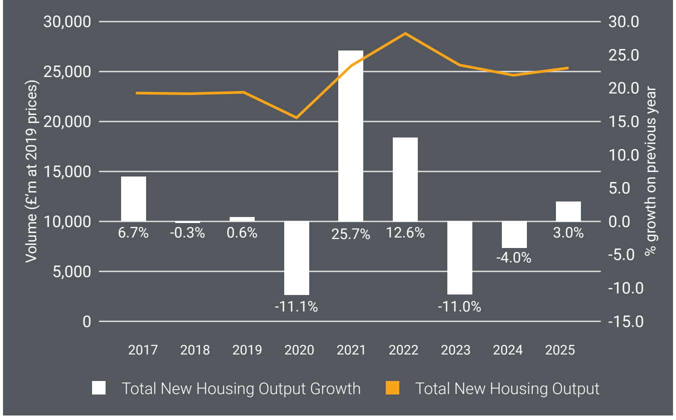
Activity on energy efficient retrofit projects is expected to remain strong, and this includes solar photovoltaic work and, particularly, a growing share of roof-integrated solar solutions such as those in the Marley roofing product portfolio.

Commercial and infrastructure

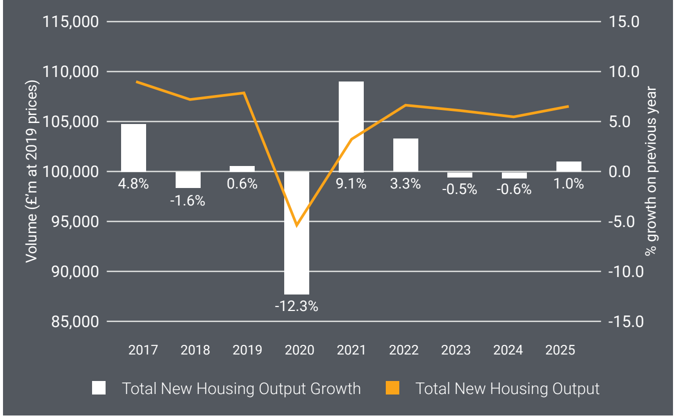
The commercial and infrastructure market (incorporating other new work and public housing RMI) were better performing sectors in 2023 with a composite forecast of 0.5 per cent output decline. Output in these end markets is forecast to contract in 2024 by 0.6 per cent with weakness in commercial and infrastructure partially offset by continued growth in public housing RMI output. This is a particularly strong sector for the Marley roofing division, which supplies full roof systems to planned maintenance re-roofing schemes across the UK and, increasingly, includes a solar roof system.

The Group also envisages opportunities from key infrastructure investment programmes from water companies and the Highways Agency that have a more direct impact on water management and drainage product demand.

CPA private housing RM&I output



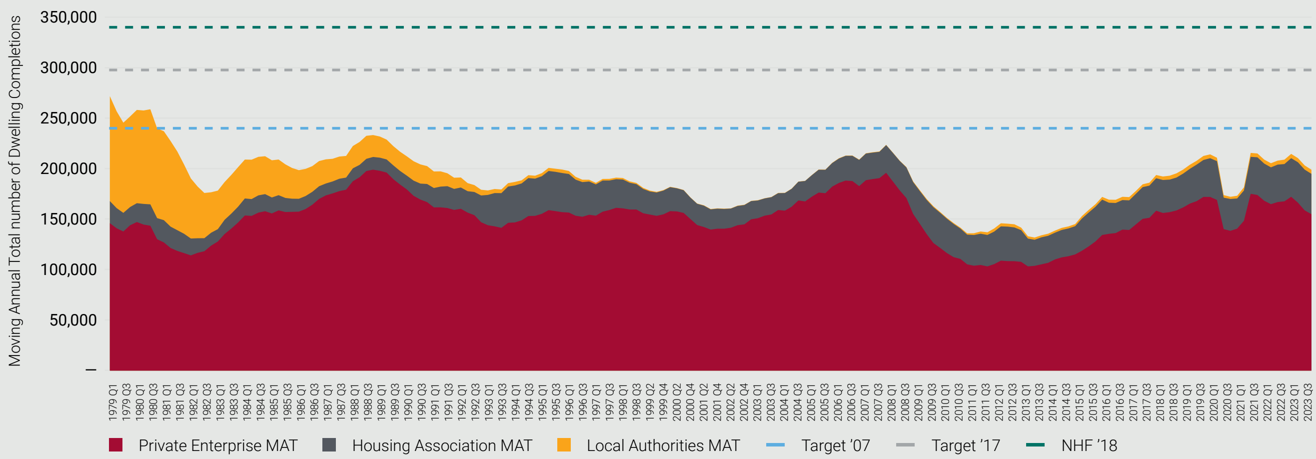
CPA composite commercial and infrastructure



Longer-term structural growth drivers

The Board believes that the UK construction market continues to have attractive medium and long-term growth potential driven by the structural deficit in new housebuilding, an ageing housing stock that requires increased repair and maintenance and the need to continue improving UK infrastructure. The Group's strategy is underpinned by our strong market positions, established brands and focused investment plans to drive ongoing operational improvement. Notwithstanding the undoubted challenges that we will face in the short term, the Board remains confident that the Group is well placed to deliver profitable long-term growth when market conditions improve.

Historical Government statistics – dwellings completed MAT – output significantly lower than government targets



The Group's financial performance was adversely impacted by weak market demand

The Group's adjusted results are set out in the following table.

	2023 £'m	2022 £'m	Change %
Revenue	**671.2**	719.4	(7%)
Adjusted net operating costs	**(600.5)**	(618.3)	(3%)
Adjusted operating profit	**70.7**	101.1	(30%)
Adjusting financial expenses	**(17.4)**	(10.7)	63%
Adjusted profit before taxation	**53.3**	90.4	(41%)
Adjusted taxation	**(11.2)**	(17.1)	(35%)
Adjusted profit after taxation	**42.1**	73.3	(43%)
Adjusted EPS – pence	**16.7**	31.3	(47%)
Proposed full year dividend – pence	**8.3**	15.6	(47%)

	2023 £'m	2022 £'m	Change %
Adjusted operating profit	**70.7**	101.1	(30%)
Adjusting items	**(29.7)**	(53.2)	(44%)
Operating profit	**41.0**	47.9	(14%)
Finance costs	**(18.8)**	(10.7)	76%
Profit before taxation	**22.2**	37.2	(40%)
EPS – pence	**7.4p**	11.4p	(35%)

Group revenue for the year ended December 2023 was £671.2 million (2022: £719.4 million) which is seven per cent lower than 2022 and includes the contribution of four additional months of revenue from Marley. On a like-for-like basis, Group revenue contracted by 13 per cent, with lower revenues in all reporting segments. The strongest relative performance was in Roofing Products, demonstrating the additional resilience that the Marley acquisition has brought to the Group due to its exposure to less discretionary RMI activity.

Group adjusted operating profit was £70.7 million, which is 30 per cent lower than 2022 reflecting the benefit of an additional four-month contribution from Marley offset by reduction in profitability in the Group's other reporting segments. Group adjusted operating margin reduced by 3.6 percentage points to 10.5 per cent (2022: 14.1 per cent) and reflects the benefit of Marley's structurally higher margins, offset by margin compression due to weaker volumes and the consequent impact on operational leverage. Management took decisive action to improve our agility, reduce capacity and lower Group overheads, with a strong focus on cash management. This included the closure or mothballing of factories, a reduction in shifts and capacity in other facilities, and a reorganisation of commercial and support functions. These changes resulted in a reduction of approximately 330 roles and will deliver annualised net savings of around £11 million, with around 40 per cent of this benefit being delivered in 2023. The Board reprioritised its capital expenditure plans, executed a programme of surplus land disposals that generated around £7 million, and has focused on efficient working capital management including reducing inventories by around £16 million in the second half of the year, in order to reduce the Group's net debt.

	2023 £'m	2022 £'m	Change %
Landscape Products	**21.3**	45.3	(53%)
Building Products	**12.2**	26.8	(54%)
Roofing Products	**44.9**	34.4	31%
Central costs	**(7.7)**	(5.4)	(43%)
Adjusted operating profit	**70.7**	101.1	(30%)

The statutory operating profit is stated after adjusting items totalling £29.7 million as summarised in the following table, further details are set out at Note 4.

	2023 £'m	2022 £'m
Amortisation of intangible assets arising on acquisitions	**10.4**	7.3
Impairment charges, restructuring and similar costs	**18.3**	13.0
Contingent consideration	**1.6**	3.9
Disposal of Marshalls NV	**(0.6)**	10.2
Transaction related costs	**–**	14.9
Fair value adjustment to inventory	**–**	3.9
Adjusting items within operating profit	**29.7**	53.2
Adjusting items within financial expenses	**1.4**	–
Adjusting items within profit before taxation	**31.1**	53.2

Adjusting items in 2023 principally comprise the amortisation of intangible assets arising on the acquisition of subsidiary undertakings of £10.4 million (2022: £7.3 million) and impairment charges, restructuring and similar costs of £18.3 million (2022: £13.0 million). The restructuring costs comprise redundancy costs, impairment charges and other expenses arising from the decisive action taken during the year in response to the challenging market conditions and comprises £8.3 million of non-cash charges and £10.0 million of cash costs. The contingent consideration charge reflects an increase in the expected payments in respect of the acquisition of Viridian Solar based on the strong performance of that business. The disposal of Marshalls NV on 13 April 2023 resulted in a profit on disposal of £0.6 million. Details of the adjusting items arising in 2022 are set out at Note 4.

Net financial expenses were £18.8 million (2022: £10.7 million) and £17.4 million after adding back adjusting items (2022: £10.7 million). These expenses comprised financing costs associated with the Group's bank borrowings of £14.7 million (2022: £8.2 million), IFRS 16 lease interest of £2.5 million (2022: £2.4 million) and a pension related expense of £1.6 million (2022: £0.1 million). The pensions related expense includes a non-cash, one-off accounting charge of £1.4 million arising from the Board's decision to augment the benefits of certain pensioners who would have otherwise suffered hardship due to a reduction in pension payments following a review to correct historical benefit issues (see Note 4 for further details). The increase in financial expenses after adding back adjusting items in the period reflects the impact of a full year of the additional debt financing used to part-fund the acquisition of Marley and the increase in base rates, partially offset by a reduction in net debt.

Adjusted profit before tax was £53.3 million (2022: £90.4 million). Statutory profit before tax was £31.1 million lower than the adjusted result at £22.2 million (2022: £37.2 million), reflecting the impact of the adjusting items. The adjusted effective tax rate was 21 per cent (2022: 18.9 per cent), which is slightly lower than the headline corporation tax rate for 2023. On a reported basis, the effective tax rate is 17.1 per cent. Adjusted earnings per share was 16.7 pence (2022: 31.3 pence), which is a 47 per cent reduction year on year reflecting the weaker profitability and the increase in the headline rate of corporation tax. Reported earnings per share was 7.4 pence (2022: 11.4 pence), which is lower than the adjusted number due to the adjusting items and their tax effect.

Landscape Products

Review of the year

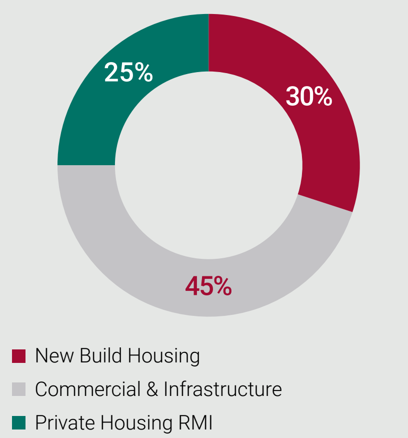
Marshalls Landscape Products comprises the Group's Commercial and Domestic landscape business, Landscape Protection and the international businesses. The segment delivered revenue of £321.5 million (2022: £394.1 million), which represents a contraction of 18 per cent compared to 2022. On a like-for-like basis, adjusting for the disposal of Marshalls NV which was sold in April 2023, revenue contracted by 16 per cent.

	2023 £'m	2022 £'m	Change %
Revenue	321.5	394.1	(18%)
Segment operating profit	21.3	45.3	(53%)
Segment operating margin %	6.6%	11.5%	(4.9 ppts)

This reporting segment derives around 45 per cent of its revenues from commercial & infrastructure, 30 per cent from new build housing and 25 per cent from private housing RMI. Whilst commercial & infrastructure remains robust, the business has been impacted by lower new build housing and continued weakness in private housing RMI activity driven by the discretionary nature of the segment's domestic products, weak consumer confidence, product price inflation and lower real incomes. These factors resulted in UK domestic revenues being down by around 25 per cent year on year, which is a continuation of the trends reported since the second quarter of 2022. Revenues of commercially focused products were more robust with a contraction of 10 per cent where a robust commercial & infrastructure performance was offset by weakness in new build housing.

Segment operating profit reduced by £24.0 million to £21.3 million. This was driven by the combined effect of lower volumes on gross profit, weaker realisation of price increases in the second half of the year which meant input cost increases were not fully recovered, and a reduction in the operational efficiency of the manufacturing network due to reduced production volumes. In addition, margins were adversely impacted by a reduction in the market price of Indian sandstone in the first half of the year and a tougher pricing environment in the second half. Management took further decisive action to reduce capacity to align to market demand, simplify operating structures and reduce the cost base. Taken together, these actions reduced net operating costs by around £7.6 million on an annualised basis, of which around £3.2 million was realised in 2023. The costs associated with this action have been presented as an adjusting item (see Note 4). The fall in volumes together with the impact of weaker margins resulted in segment operating margins reducing by 4.9 ppts to 6.6 ppts for the year.

Coverage of construction end markets



Building Products

Review of the year

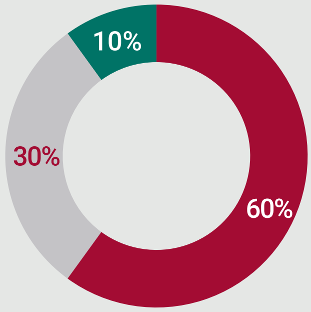
Marshalls Building Products comprises the Group's Civils and Drainage, Bricks and Masonry, Mortars and Screeds and Aggregates businesses. Revenue in this reporting segment reduced by 12 per cent year on year to £170.1 million.

	2023 £'m	2022 £'m	Change %
Revenue	**170.1**	193.1	(12%)
Segment operating profit	**12.2**	26.8	(54%)
Segment operating margin %	**7.2%**	13.9%	(6.7 ppts)

This reporting segment generates around 60 per cent of its revenues from new build housing, around 30 per cent from commercial & infrastructure, with the balance being derived from private housing RMI. The exposure of this reporting segment to new build housing had an impact on its performance during the year. All business units within this reporting segment were affected by weak demand during the year, with the slowdown in activity impacting Bricks and Masonry and Mortars and Screeds in the second half of the year as new build housing volumes progressively slowed.

Segment operating profit contracted by £14.6 million to £12.2 million. This was driven by the impact of lower volumes on both gross margins and the operational efficiency of the factories and quarries due to reduced production volumes. In addition, in the second half of the year management took action to reduce manufacturing output further than sales volumes in order to reduce inventory levels, which adversely affected operational recoveries and profitability. Management also took action to reduce manufacturing capacity to align it with lower market activity levels by mothballing capacity and reducing shifts. These actions removed around £4 million from the cost base, of which £1.1 million was realised in 2023. The restructuring costs associated with these actions has been accounted for as an adjusting item (see Note 4). Segment operating margin reduced by 6.7 ppts to 7.2 per cent reflecting the impact of lower volumes on profitability.

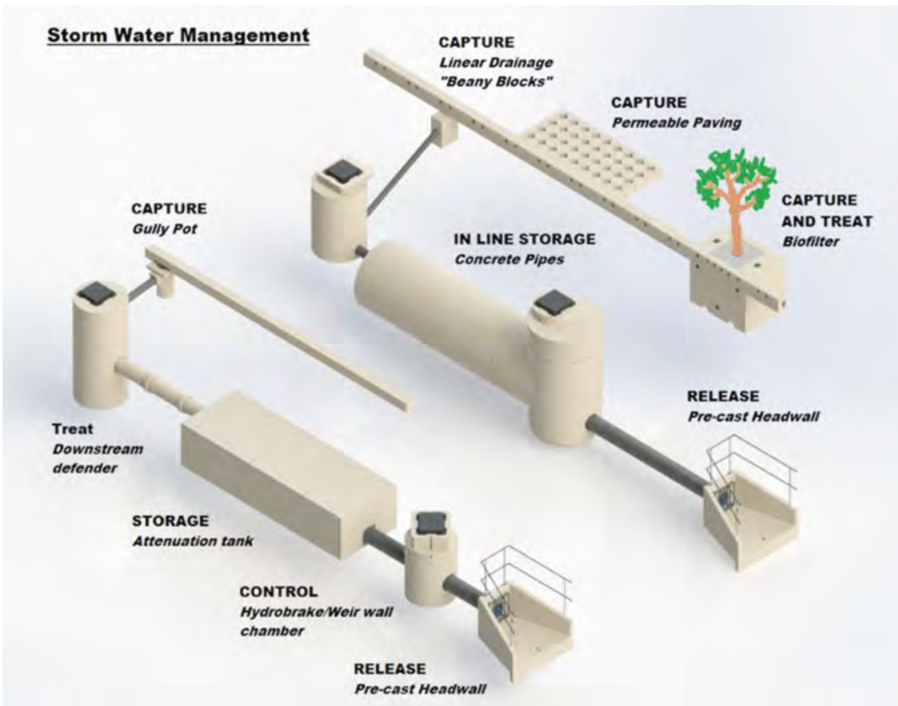
Coverage of construction end markets



- New Build Housing
- Commercial & Infrastructure
- Private Housing RMI

Market sector opportunities – water management products

Management expects growing demand for the Group's water management products and solutions. This is underpinned by water utility companies' proposals to significantly increase their expenditure on water and sewerage infrastructure projects, to £96 billion for 2025 to 2030, to modernise infrastructure and reduce system leakage. In the shorter term, additional investment of £1.6 billion has been approved following the request from DEFRA to accelerate investments in water quality and storm overflow discharges between now and 2025. The Group's drainage management and flood mitigation product range is well placed to provide solutions to help water companies meet these challenges. This comprises a full underground drainage range together with the ability to design and supply wet cast tanks and attenuation systems for improved water storage.



Roofing Products

Review of the year

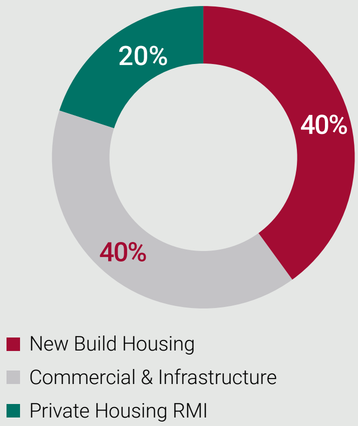
Marley Roofing Products comprises pitched roofing products and accessories and roof integrated solar. Revenue for the reporting segment increased by £47.4 million including the four additional months that were consolidated in 2023, however, on a like-for-like basis Marley's revenues were 9 per cent lower than 2022.

	2023 £'m	2022 £'m	Change %
Revenue	**179.6**	132.2	36
Segment operating profit	**44.9**	34.4	31
Segment operating margin %	**25.0%**	26.0%	(1.0 ppts)

Approximately 40 per cent of Marley's revenues are generated from new build housing and 40 per cent from commercial & infrastructure (including public housing RMI) with the balance of around 20 per cent from private housing RMI. The challenging market backdrop resulted in a reduction in like-for-like revenues of 9 per cent, with weaker volumes of traditional roofing products partially offset by revenue growth from Viridian Solar, which benefited from the trend towards energy efficient solutions and the start of the impact of changes to building regulations in England and Wales. The rate of contraction in revenues was more modest than the Group's other reporting segments due to the less discretionary nature of the RMI activity that uses its products.

Segment operating profit in the period was £44.9 million, which was £10.5 million higher than the £33.4 million included in the Group results in 2022. However, this represents a reduction of 12 per cent compared to 2022 on a like-for-like basis. This decline in profitability was driven by weaker volumes of traditional roofing products which impacted both gross profits and operational efficiency, partially offset by growing profitability from Viridian Solar. In the second half of the year, management took action to reduce costs and capacity by mothballing certain assets to manage working capital levels. The impact of this action has been accounted for as an adjusting item (see Note 4). Segment operating margin remained strong at 25 per cent, representing a year on year reduction of 1.0 ppts.

Coverage of construction end markets



Market sector opportunities – roof integrated solar

The demand for roof-integrated solar solutions is expected to increase significantly in the next 12 to 24 months. Changes to building regulations (Part L) on energy efficiency took effect in mid-2023 and represent the first part of the plan to improve the energy efficiency of new homes. Roof-integrated solar is being adopted by housebuilders as part of their solution to improve energy efficiency.

The Group's solar business, Viridian Solar, with its innovative patented design, is the market leader and is expected to deliver strong profitable growth as a result. The second part of the plan aims to mandate low carbon heating and world-leading energy efficiency through the Future Homes Standard, and this could present further opportunities for growth. The consultation on these changes is expected to conclude in 2024. Additionally, the government's Social Housing Decarbonisation Fund is driving the low energy refurbishment of homes by local authorities and social landlords.

A requirement of the funding is a switch to electric heating coupled with a reduction in energy bills for residents, and solar PV is incorporated into many of the successful schemes. With a strong position in the social housing sector, Marley is securing solar PV as part of its roof system for this RMI work.

Our strategic goal is to become the **UK's leading manufacturer of sustainable solutions for the built environment**

Group key strategic objectives

Progress to date

Secure specifications to create demand for our products and systems to optimise market share

- Building Products seeks to generate demand for its solutions through established partnerships underpinned by design. It also seeks to generate demand from UK house builders
- Roofing Products leverages the breadth of its products range to provide full roof system specifications supported by a 15-year warranty. Viridian Solar provides site layout and solar design services for house builders
- Landscape Products secures pull demand from commercial specifiers at the contract design phase and domestic specifications through the Marshalls Register and investment in visualisation software

Improve the customer experience by simplifying process and touchpoints, particularly through technology

- Shifting transactions to EDI, ordering apps and dropship
- Migrating Marshalls' business systems to the cloud whilst simplifying and digitising processes to improve efficiency
- In roofing, a MyAccount digital portal allows channel partners to view live quotes, orders, delivery schedules, project lead times and sales leads
- Rolling out visualisation software and paving installer technology, so customers can better visualise products in domestic and commercial projects

Future focus

We will continue to optimise our market share in different product markets, whilst growing our contribution margin. To underpin our strategies, we have developed business unit-specific plans, that include market insight and differentiated value propositions.

We are aiming to improve the customer experience by simplifying processes and touchpoints, particularly utilising digital technologies. The programme will make Marshalls easier to do business with by removing complexity from purchase and enquiry activity. This will be supported by the work we are undertaking with our products and solutions, providing a competitive advantage in the market.

Links to corporate pillars and The Marshalls Way

Six corporate pillars

- Shareholder value
- Sustainable profitability
- Relationship building
- Organic expansion
- Brand development
- Effective capital structure and control framework

The Marshalls Way

Doing the right things, for the right reasons, in the right way

ESG pillars

- Better Product
- Better Workplace
- Better World

New product development ("NPD") to improve our product mix and generate competitive advantage through innovation, with an emphasis on reducing embodied carbon

- Commercialised ESG credentials – environment performance declarations available for c.80 per cent of Group's product range
- Dual block plant will manufacture wide range of innovative paving products with lower carbon footprint than imported products
- CarbonCure technology being used to sequester carbon at a concrete brick factory. Rollout of lower cement content mix running to plan
- Viridian Solar has launched its most powerful solar panel and ArcBox, an innovative fire safety enclosure for solar roof systems

We will continue to effectively manage our NPD programmes, introducing new and/or improved products and solutions to market. Our focus will be on customer-led innovation, tailored specifically to each business. This will be supported by simplification and optimisation of our range to reduce complexity, complementing our focus on being "easy to do work with".

To deliver cost base optimisation and flexibility, maximise returns from efficiency and strategic capital expenditure and optimise investment in working capital

- Restructuring removed an annualised c.£11 million from the cost base Options to build more flexibility in labour under discussion
- Capacity reduced but capability exists to increase shift patterns and recommission assets as demand improves
- Capital expenditure plans focus on, efficiency capital expenditure and maintaining existing capital base
- Working capital activity managed with lower output in second half to reduce inventory by around £16 million

We will continue to deliver cost optimisation in our business, alongside delivering a more flexible and agile operation. This will give us further leverage on our recoveries, and therefore overall operational efficiency. To help enable this, we will continue to invest in the business, ensuring we focus on maximum returns through efficiency and strategic capital expenditure.

We will continue to ensure the work environment is safe and foster a culture and environment of diversity, equity, respect, inclusion and engagement

- Clear roadmap for keeping colleagues safe with focus on continuous improvement
- EVG provides strong channel for engagement and feedback
- Group-wide employee engagement surveys create priorities for further improvement activities
- Group Code of Conduct refreshed and being rolled out with training
- Continued investment in apprenticeships and learning and development

Marshalls continues to foster a culture and environment of diversity, equity, respect and inclusion. During periods of change, these values remain consistent. Our people plans are driven through EVG and Engagement Survey feedback; this ensures the right balance between both business and people needs. To complement our people agenda, we have robust "safety roadmaps", aligned to the Mineral Products Association's high impact themes. These drive not only compliance, but improvement.

New product development to enhance our **competitive advantage**

Dual block plant
In 2021 we reported our intention to invest around £25 million in a state of the art dual block plant, the first of its kind in the UK. Two years on and we are now producing a wide range of value-add products off the DBP line at our facility in St Ives, Cambridgeshire.

Customer focus
The objective from the outset was clear, we wanted to increase our customer choice, drive range simplification and improve product differentiation at a competitive price. To achieve this objective, we set ourselves a number of priorities that align with our strategic pillars:

- Align our value added concrete paving product offers across the business
- Rationalise and simplify ranges, to maximise manufacturing efficiency
- Build core paving ranges that drive specification and sales within the market
- Deliver customer choice and product innovation for all key customer segments
- Drive sustainable product development and solutions

Product summary
Between 2023 and 2025, we aim to launch a variety of value-add paving SKUs, across three product ranges, aimed at both residential and commercial markets. There will be 18 new colours with six unique surface finishes achieved through a combination of colour blend technology, and in line secondary processing equipment, to which the Group has UK exclusivity.

Equipment design
The dual block plant is a more cost efficient design for a number of reasons. We are able to support, what is essentially two block machines built side by side, from carefully designed batching, packaging and curing systems, significantly reducing our investment costs. The line itself operates with reduced labour profiles and runs at high speeds, which delivers further efficiencies.

Flexible batching system
Our batching system is designed to meet the challenges of mass production whilst being flexible enough to batch small runs of bespoke high value products. The system is capable of holding a large variety of aggregates and concrete mixes through a combination of different size bins, silos and mixers to deliver a diverse range of new products either with enhanced aesthetics or reduced carbon material technologies. The majority of the bulk storage is self-contained and designed to have minimal effect on the wider environment.

Colour blending system
The design incorporates two types of colour blend systems to provide extensive colour combinations. The first system is designed with a series of hoppers to each hold a different coloured concrete mix. These mixes are then fed into the block machine in varying quantities, positions and sequences to create a multitude of random or repeating blends, whether mimicking subtle natural aesthetics or trend inspired contrasts.

The second system is a patented technology that Marshalls is able to use in the UK on an exclusive basis, which disperses three different concrete mixes in multiple layers across the face of the paving. This creates a natural granite appearance but with the added advantage of shorter delivery lead times and a lower carbon footprint than imported natural products.

Secondary processing
Secondary processing can take many forms; texturing, polishing, distressing, scoring to alter the aesthetic and function of the paving. These finishes are normally achieved with multiple, individual secondary processing machines. Working closely with a specialist secondary processing machine supplier, we have overcome these obstacles by designing a single, in line, unique secondary processing machine which is capable of producing a variety of traditional and new secondary processing finishes with minimal changeovers.

Sustainable future
In order to align with our sustainability goals and specifically, the decarbonisation of concrete, it is important that the design of the DBP takes advantage of any new technologies and opportunities in the future. We have future proofed the design to allow "bolt on" technologies, allowing us to build on our commitment to reducing carbon, either through the manufacturing process or the products we produce. We have also installed a solar array system that will contribute over 17 per cent of the site's current usage from a renewable source, which will reduce costs and emissions.

Read more about our Innovation strategy on **pages 24 and 25**



Product range key

Permeable | Steps | Kerbs | Renewable energy | Recyclable | MaxiMix

New Products

Modal X

Modal X is a premium, contemporary range offering a mix of different paving formats. Modal X Core is a “made to stock” offer and Modal X Pro is a “made to order” offer.

- 15 versatile plan sizes
- Eight colours and two finishes
- Inspired by high-quality natural granite
- Higher levels of design flexibility
- Manufactured in Britain using Marshalls’ maxi mix concrete technology
- Opportunity for C3 and Priora 2 options
- Complementary ancillaries coming soon

Stoneface

Like Modal X, Stoneface is also a premium, contemporary range that offers a mix of different paving formats.

- 15 versatile plan sizes
- Six colours and three finishes
- Inspired by high-quality natural sandstones
- Higher levels of design flexibility
- Manufactured in Britain using Marshalls’ maxi mix concrete technology
- Opportunity for C3 and Priora 2 options
- Complementary ancillaries coming soon

Lunar

Lunar is an innovative, contemporary addition to our established concrete paving portfolio, available in a carefully curated range of four colours and five sizes.

- Manufactured using Marshalls’ MaxiMix Technology for looks that last
- Unique aesthetic and colour palette creates endless design opportunities
- The chamfered edge ensures product integrity during installation process and minimal waste
- Cost effective solution without compromising on function or aesthetic

Case study

Viridian Solar

The Viridian Solar business has a strong pedigree of new product development with 94 per cent of its 2023 sales being made up of products introduced within the last five years.

New products launched in 2023 included a new addition to the range of Clearline fusion roof-integrated photovoltaic panels. The new M10 model has a panel power of 405Wp, and comes with a complete set of new roofing kits to suit the new format. The M10 has quickly grown to represent more than 30 per cent of the business’ panel sales by the end of the year. In late 2023 the Company also added a family of solar inverters to its product range. These electrical devices convert the DC electricity produced by solar panels into AC ready for use in the building or for export to the grid. Housebuilders clearly see value in being able to specify the entire solar system from a single supplier and several have already signed group supply agreements that include the new inverter alongside Clearline fusion solar panels.

In 2022 Viridian Solar unveiled an invention that created an entirely new product category for the solar industry. The ArcBox solar connector enclosure is a snap-fit safety product that helps prevent solar electrical faults turning into a serious fire by containing an electrical arc inside and away from surrounding combustible materials. In 2023, new mounting brackets were launched to enable its use with popular flat roof and pitched roof mounting rails, and sales have continued to grow. Revenue on this product line increased by more than 450 per cent compared to prior year. This multi-award winning product is winning customers across the entire solar industry, for installations on both commercial and domestic buildings.

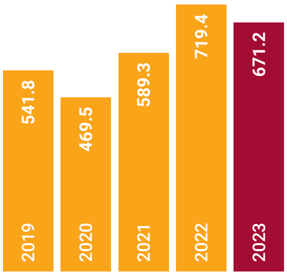
Measuring **our performance**

The Group's KPIs monitor progress towards the achievement of our objectives.

Revenue (£'m)

£671.2m

(down 7%)



Why is this KPI important?
Delivering sustainable growth is key to the Group's strategy. The aim is to outperform the market and grow market share.

Performance
Market conditions have been challenging during 2023, which has resulted in a 13 per cent reduction in movement on a like-for-like basis.

Links to corporate pillars

Principal risks
- Security of raw material supply / raw material and labour shortages
- Macro-economic and political
- Threat from new technologies and business models
- Competitor activity

Risk mitigation
- Close monitoring of trends and lead indicators
- Diversity of business
- Customer centricity
- Digital strategy

Links to remuneration
AI LTIP

Stakeholder linkage
- Customers
- Suppliers
- Employees
- Communities

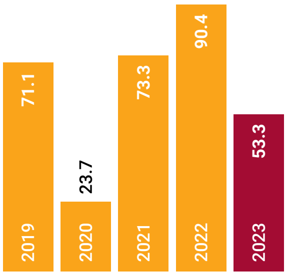
Adjusted profit before tax (£'m)

£53.3m

(down 41%)

Statutory PBT (£'m)

£22.2m



Why is this KPI important?
Sustainable improvement in profitability is a strategic priority.

Performance
Profit adversely impacted by weak market demand and lower volumes.

Links to corporate pillars

Principal risks
- Cyber security risks
- Security of raw material supply / raw material and labour shortages
- Long term impacts of climate change
- Macro-economic and political
- Competitor activity

Risk mitigation
- Innovation and new product development
- Focus on cyber security controls
- Proactive supply chain management

Links to remuneration
AI LTIP

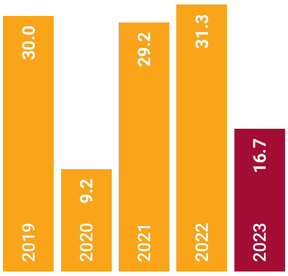
Stakeholder linkage
- Shareholders
- Employees

Adjusted EPS

16.7 pence

Statutory EPS

7.4 pence



Why is this KPI important?
A sustainable improvement in earnings per share (EPS) is a strategic priority.

Performance
EPS had been adversely impacted by weaker profitability and an increase in the UK government tax rate.

Links to corporate pillars

Principal risks
- Cyber security risks
- Security of raw material supply / raw material and labour shortages
- Long term impacts of climate change
- Macro-economic and political
- Competitor activity

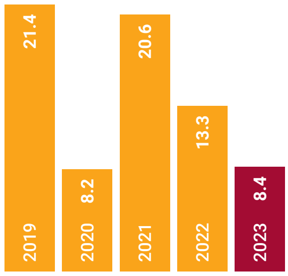
Risk mitigation
- Innovation and new product development
- Focus on cyber security controls
- Proactive supply chain management

Links to remuneration
AI LTIP

Stakeholder linkage
- Shareholders
- Government

Adjusted return on capital employed ("ROCE") (%)

8.4%



Why is this KPI important?
ROCE is an important indicator of sustainable shareholder value.

Performance
Adjusted ROCE for 2023 is 8.4 per cent (2022: 13.3 per cent) due to weaker profitability. ROCE is defined as EBITA/shareholders' funds plus net debt.

Links to corporate pillars

Principal risks
- Threat from new technologies and business models
- Macro-economic and political

Risk mitigation
- Digital transformation
- Operational excellence
- Flexible capital structure
- Capital allocation policy
- Active working capital management

Links to remuneration
AI LTIP

Stakeholder linkage
- Shareholders
- Employees

Links to strategic corporate objectives

- Shareholder value
- Sustainable profitability
- Relationship building
- Organic expansion
- Brand development
- Effective capital structure and control framework

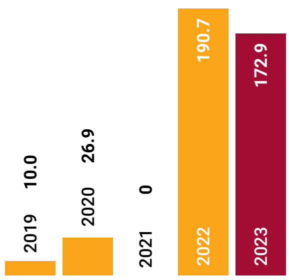
Links to remuneration

- LTIP Long-term Incentive Plan
- AI Annual incentive award

Read more about our strategy on **pages 22 to 25**

Pre-IFRS 16 net debt (£'m)

£172.9m



Why is this KPI important?

Marshalls continues to support a prudent capital structure, and is focused on reducing net debt.

Performance

Pre-IFRS 16 net debt was £172.9 million, a reduction of £17.8 million reflecting cash generation and management focus on cash management. Gearing remains low at 33.9 per cent.

Links to corporate pillars

Principal risks

- Macro-economic and political
- Security of raw material supply / raw material and labour shortages

Risk mitigation

- Close monitoring of trends and lead indicators
- Diversity of business
- Customer centricity
- Digital strategy
- Efficient cash and capital management

Links to remuneration

AI LTIP

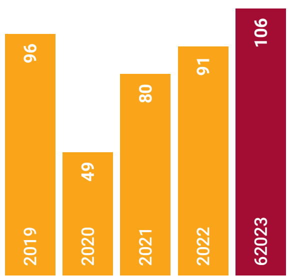
Stakeholder linkage

- Shareholders
- Employees
- Customers
- Suppliers

Adjusted operating cash flow conversion ("OCF")

106%

OCF:EBITDA (proforma rolling annual basis)



Why is this KPI important?

The conversion of profit to cash is key to our growth strategy and for delivering increased shareholder value.

Performance

Adjusted operating cash flow was 106 per cent of EBITDA, on an annual basis.

Links to corporate pillars

Principal risks

- Macro-economic and political
- Security of raw material supply / raw material and labour shortage

Risk mitigation

- Excellent customer service and quality
- Customer relationships and brand value
- Working capital management

Links to remuneration

AI LTIP

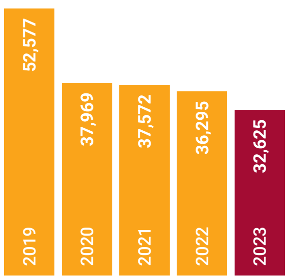
Stakeholder linkage

- Shareholders
- Customers
- Suppliers

Climate change (excluding Marley)

10%

decrease in absolute carbon emissions in 2023



Why is this KPI important?

The Group's continued commitment to our sustainability strategy is that our annual carbon reduction targets must be achieved.

Performance

Our absolute Scope 1 and 2 emissions have decreased by 10% in 2023.

Both our absolute and relative emissions remain well within our current science-based target pathway.

Links to corporate pillars

Principal risks

- Long term impacts of climate change

Risk mitigation

- Climate site risk analysis
- Market price increases
- Mitigation and adaptation strategy

Links to remuneration

AI LTIP

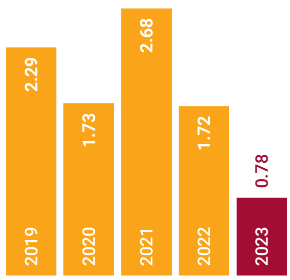
Stakeholder linkage

- Shareholders
- Employees
- Customers
- Suppliers
- Environment
- Regulators

Health and safety (lost time incident frequency rate) (excluding Marley)

0.78

compared with the target benchmark of 2.28



Why is this KPI important?

Marshalls is committed to meeting the highest health and safety standards.

Performance

In 2023 the lost time incident frequency rate per million hours worked was 0.78 (target <2.10 average over three years).

Links to corporate pillars

Principal risks

- Health and safety
- People risks

Risk mitigation

- Embedded culture – The Marshalls Way
- Compliance procedures and policies
- Employee training

Links to remuneration

AI LTIP

Stakeholder linkage

- Employees
- Customers
- Communities
- Environment

Our stakeholders:
Who they are, what we do and how we benefit

The Marshalls Way

Shareholders
Communication and dialogue build confidence in our purpose, and strategy with investors

- We generate value through sustainable growth
- Investment, strategic guidance and stewardship

Customers
Engaging with our customers drives specification of our innovative product solutions for the built environment

- We deliver valuable product solutions
- Customer loyalty, brand preference and profitable sales

Colleagues
Our two-way dialogue helps Marshalls attract, develop and retain talented people who will help us achieve our purpose and strategy

- A stretching, exciting, supportive and inclusive working environment
- Diverse, talented, engaged and productive colleagues

Our purpose: To create better places
Our strategic goal: To be the UK's leading manufacturer of sustainable solutions for the built environment

- We treat suppliers fairly, building long-term relationships
- High-quality goods and services resulting in products our customers love and specify

Suppliers
Dynamic dialogue has built a strong supportive supplier base which supports our purpose and which shares in our success

- We act in support of the commitments we make to doing business responsibly
- We see the business through the lenses of others

Communities and the environment
We have open and honest dialogue, sharing our goals and progress in creating better futures for everyone

- We share knowledge and sector-specific expertise
- Government policy, regulatory frameworks and recognition

Government and regulatory bodies
We engage to build confidence in how we operate and to support our continuous improvement

We do the right things, for the right reasons, in the right way

Key What we do How we benefit

2023 in focus

The Directors fulfil their duty by ensuring that there is a strong governance structure at Board level and throughout the Group, supporting the delivery of our refreshed strategy and our ability to respond to strategic and performance challenges in the short to medium term.

2023 presented us with very challenging conditions in our underlying markets driven by macro-economic factors, with prolonged inflation and higher interest rates. The decisions we've taken required careful management of short-term performance issues, whilst not losing sight of the Group's longer-term strategic goals.

Section 172(1) of the Act sits at the top of the Board's agenda and is considered as part of the Board decision-making process. The Board prioritises the health and wellbeing of our colleagues and the safety of our operations. Our sustainability and ESG commitments (pages 34 to 43), which are relevant and important to all our stakeholders, underpin our business and our success. Our reputation, brand and ability to attract and retain talented people all depend on the responsible operation of our business.

Although the Board made some difficult decisions during 2023 that have impacted our people and challenged our culture, these position the Group well for when markets recover and demonstrate the Group's ability to dynamically respond to market conditions. The Board remains confident that the decisions made had regard to the interests of all relevant stakeholders and The Marshalls Way.

The fulfilment of the Board's duty under Section 172(1) sits alongside its consideration of the Group's capital structure and capital allocation policy and its resilience to existing and emerging risks (pages 52 to 61), which have all been reviewed in light of the Group's performance during the year and our future priorities.

The Board has continued to engage collaboratively with the senior management team, providing the challenge and support that only comes where there is transparency of information and open communication. The business has benefited from the Board's sector and market specific knowledge, together with its experience of strategy development and deployment, health and safety, performance and cost management, and from its diverse knowledge and skills.

We've set out further details of how we engage with our key stakeholders on pages 28 to 33 and the stakeholder considerations and outcomes for some of the key decisions made by the Board during 2023.

Our stakeholders: How we engaged

Marshalls' purpose to create better places and future aspirations are best served through active engagement with all our key stakeholders.

Marshalls' stakeholder relationships
The way we run the business and make decisions in support of our purpose and our strategic goal and objectives can have an impact on our people, and the people, communities, businesses and other organisations we deal with, or which are otherwise interested in what we do and how we do it. It is through constant reflection on the impact of our business and the decisions we make that we have identified our key stakeholders.

How we engage with and consider stakeholder interests is guided by The Marshalls Way. Doing "the right things, for the right reasons, in the right way." This means our relationships with them involve open and transparent two-way communication over a long period of time.

This builds trust and confidence which, in the long term, strengthens our brand, drives loyalty and generates value for all stakeholders, whether it be by operating in a more sustainable way, reducing our impact on the environment or supporting the business with long-term capital investment that drives our growth and shareholder value.

Marshalls engages with stakeholders in many different ways and these interactions influence how we run the business and manage our way through challenging market conditions in a way that does not compromise our future plans. In refreshing our strategy in 2023, we looked inwards and outwards to make sure that our business choices, operations, products and solutions consider the interests of the relevant stakeholders.

How we engaged

Shareholders

Business engagement

- AGM, Annual Report, trading updates and presentations
- Regular phone and video calls, face to face meetings, site visits and investor roadshows
- Investor relations website
- Chief Operating Officer engages on ESG and sustainability

Board engagement

- The Chair, Senior Independent Director and Chief operating Officer held meetings with the corporate governance teams of shareholders in January 2024
- The Remuneration Committee Chair engaged with shareholders before the approval of our Directors' Remuneration Policy and after the significant vote against our Annual Remuneration Report
- Through regular feedback to the Board by the Chief Executive, CFO, brokers and PR advisers
- Investor site visits
- Regular dialogue and correspondence (e.g in relation to policy matters)
- At the Company's AGM

Links to corporate pillars

Suppliers

Business engagement

- Centralised Group procurement (with an integrated team across Marshalls and Marley) enabling optimal buying power and attention from suppliers
- Effective, regular and honest communication with suppliers – underpinned by Code of Conduct and other core Marshalls' policies
- Payment of invoices made consistently in accordance with agreed payment terms
- Transparent formal and proportionate tenders and robust negotiations
- Contracts agreed on mutually beneficial terms
- Focus on total end-to-end supply chain including inbound and outbound logistics, materials, manufacturing processes and efficiency, network design, packaging, indirect costs, etc.
- Supply chain risk mapping processes and regular audits of the highest supply risks based on the ETI Base Code
- Supplier Relationship Management system as a single source of all supplier data increasing supply chain transparency
- Strategic partnerships with NGOs, governmental institutions, ethical regulators and charities

Board engagement

- Chief Operating Officer reports to the Board on our engagement and relationships with key suppliers
- Board approval of material new or renewed agreements with suppliers e.g. the outsourcing of logistics requirements key to Wincanton
- Board participation in our strategic review
- Feedback reports on supply chain compliance
- Supply chain and business continuity internal audit reviews
- Annual consideration and approval of our Modern Slavery Act statement
- Reports on ethical sourcing and ETI Base Code

Links to corporate pillars

Links to corporate pillars

- Shareholder value
- Sustainable profitability
- Relationship building
- Organic expansion
- Brand development
- Effective capital structure and control framework

Customers

Business engagement

- Dedicated customer experience team and improvement plan supported by external advisers
- Customer journey mapping produced for all business units to highlight customer "pain points" and "moments of truth"
- Transactional/live time feedback opportunities for customers post-transaction on quotes, orders and deliveries, with development of additional feedback such as on issue resolution
- Deep dive customer surveys and visits to focus on identified customer pain points and drive continuous improvement
- Development of a customer metrics dashboard to report on all customer impacting performance
- Structured customer experience improvement process based upon the customer feedback
- Service-level agreements and quality standards in customer agreements
- Development of our websites and digital solutions focused on the customer to make it easier to do business with us
- Consumer support to find an installer and find a stockist
- Customer surveys, customer visits and a commitment to deliver on feedback
- Sustainability awareness training educating customers on our commitments and products
- Awards ceremonies for professional installers and design competitions for commercial specifiers
- Design and engineering support for specifying customers
- Continuous professional development for architects
- Training sessions for professional installers and resellers
- Research sessions and focus groups to help with product development
- On-site discovery to watch how our products are used to help us develop new solutions
- Significant and constant research on our brand preference

Board engagement

- Board presentations on customer and commercial matters
- Participation in our strategic review
- Customer visits and meetings with sales teams
- Receiving updates on and engaging with our customer experience programme
- Installer and site visits seeing practical application of our products

Links to corporate pillars

Colleagues

Business engagement

- Employee Voice Group ("EVG") represents all business areas and levels
- Regular communication across channels – supporting those employees working remotely and those without access to Company email
- Senior management team site visits and engagement through our Leadership Connected Group (which meets at our annual management conference as well as for monthly business briefings)
- Development, training and apprenticeship programmes (including recognition of study completion)
- People and culture strategy continues, with developing our talent being key
- Participation in the Your Voice engagement surveys
- Leaders are able to connect with the elected representatives of our recognised Trade Unions and, via this, the constituents that they represent

Board engagement

- Board participation in the EVG via Angela Bromfield, our designated Director for Employee Engagement, chaired by the Chief People Officer, with other Board and senior management team members attending regularly
- Board site visits
- Board attended strategy review
- Annual reviews of People and Group reward strategies
- Review of senior management team performance, succession planning and wider talent development initiatives
- Regular health and safety Board reviews
- Active engagement in workforce diversity, reward and recruitment
- Reporting to Audit Committee on "whistleblowing" reported through the Serious Concerns policy and our external independent partner, Safecall

Links to corporate pillars

Communities and the environment

Business engagement

- Collaborative approach to capturing carbon by using CarbonCure technology
- Engagement with UN Global Compact UK working groups on modern slavery, diversity and climate disclosures
- Working with suppliers on health and safety improvements
- Social value partnerships with Rotherham College

Board engagement

- Board is actively engaged with the Group's ESG and sustainability strategy, including the setting of science-based targets
- Board receives regular updates on our ESG programme and commitments
- Board ESG Committee established in the year
- ESG measures included within Executive Director incentives

Links to corporate pillars

Government and regulatory bodies

Business engagement

- Regular dialogue with Government, regulators and industry groups
- Active membership of the Construction Products Association and Mineral Products Association
- Effective and clear policies against bribery and the elimination of modern slavery with training for staff and business partners

Board engagement

- Board provides direction to the support of the UN Global Compact's principles, and policies relating to modern slavery and anti-bribery

Links to corporate pillars

Our stakeholders:
Key Board decisions and stakeholder considerations

Matter for Board consideration	Stakeholder considerations	Outcome
Outsourcing a significant part of our logistics requirements		**Appointing Wincanton as the Group's outsourced logistics partner**
Marshalls has maintained its own logistics capability since it acquired its first vehicle more than 100 years ago. However, as a specialist manufacturing business, and to support our strategic objective, to improve our cost effectiveness, efficiency and flexibility, we conducted a tender for the outsourcing of the majority of our logistics requirements to a specialist partner. As part of the process, our own logistics team participated in the tender as a prospective supplier to ensure we took a holistic view before any decision was presented to the Board for consideration and approval.	Product deliveries are a key service measurement for customers who are often working on time sensitive construction projects where the scheduling and timeliness of deliveries are critical to their own efficiency. Specialist logistics firms manage this challenge for a large number and diverse range of customers with investment in the latest vehicles and transport planning and management technology. Part of our tender was to assess whether outsourcing this element of our business would make us easier to deal with, another one of our strategic objectives. We considered the impact of any change on colleagues who would transfer to any outsourced provider, including our significant driver population. The process and communication of these changes were critical parts of our planning to ensure we handled this sensitively and compassionately. For any incoming supplier, the tender presented an opportunity to win new business from an established brand and sector leader, which was factored into our discussions and negotiations with potential partners. The challenge presented by climate change is leading to an evolution in how businesses think about their own impact. In logistics, specialist businesses have the scale, knowledge and resources to manage the transition to more energy efficient and climate-friendly logistics solutions and by partnering with Wincanton, we not only benefit from this, but it enables us to focus on the sustainability of our manufacturing operations.	Following a comprehensive and thorough tender process, which started at the beginning of 2023, the Board approved the proposal to agree a five-year partnership with Wincanton, one of the UK's leading specialist logistics services providers, to outsource the vast majority of our logistics requirements. Wincanton's proposal was the most competitive and the Group will benefit from their established relationship with Marley, with whom they have partnered for a number of years. This constitutes a significant change in our operating model and is supported by a series of contractual commitments that give us confidence regarding service delivery and efficiency. The changes will be supported by a transition plan that reflects the complexity in managing the initial transfer of this part of our operation, including our people and the vehicles that support the delivery of this important service. Both Wincanton and Marshalls are incentivised to successfully deliver the transition and the partnership is supported by a series of KPIs and a relationship management framework that will ensure there is a continual dialogue between us. The Board will receive updates on progress with the transition and on Wincanton's performance.
Succession of our Chief Executive		**Matt Pullen appointed Chief Executive**
Our people are our priority and managing the succession of the Board and senior leadership team is critical to the long-term sustainability of our business. Under Martyn Coffey's outstanding leadership, Marshalls has been transformed into a diversified building products manufacturer. Having served the business for more than ten years, including navigating it through impact the COVID-19 pandemic, the Board (through the Nomination Committee) carefully planned his succession, with the support of an experienced external search firm. Given Martyn's leadership, the Board recognised the importance of conducting a robust search for a successor who could support the implementation of the Group's refreshed strategy and lead it through its next phase of development.	Shareholders were supportive of Martyn's leadership of the Group and, in selecting a successor, it was critical to appoint an individual with relevant experience, who has the knowledge and skill to lead the business following a period of significant change. Developing our key customer and supplier relationships is vital to the Group's long-term sustainability. Customers and suppliers need to be confident that our leader understands their businesses and how partnering with Marshalls is value accretive for their businesses. The Chief Executive's role is critical for colleagues across the Group and appointing an individual who understands their hopes and fears for the business, irrespective of the roles they perform, was vital. Finding a leader who would be able to galvanise our people behind our refreshed strategy, following a challenging year, was important. The long-term sustainability of our business is dependent on a leader that believes in our commitment to operate responsibly.	Following an extensive search and selection process, supported by Russell Reynolds Associates, Matt Pullen was appointed to the Board, initially as Chief Executive Designate, then taking over from Martyn Coffey on 1 March 2024. Matt is an accomplished executive leader with extensive experience across a number of sectors. A comprehensive induction programme was put in place for Matt, including the core elements of our induction programme on page 83.

Links to stakeholders

- Shareholders (S)
- Customers (Cu)
- Colleagues (Co)
- Suppliers (Su)
- Communities and the environment (Ce)
- Government and regulatory bodies (G)

Matter for Board consideration	Stakeholder considerations	Outcome
Consideration of our evolved strategy		**Approval of our refreshed strategy and approach to engaging our people in delivery**
The Board and senior management team annually reflect on the Group's strategy to ensure it continues to supports the long-term sustainability of the Group. Given the acquisition of Marley in 2022 and the challenging market conditions we've faced since then, the senior management team took the opportunity, over the last 18 months, to undertake a "root and branch" review of the Group's strategy ensuring it not only reflected our medium and longer-term ambitions but also the need for greater flexibility in the face of short-term performance issues, in what can be a cyclical business. The Board were engaged in the process as it developed and there was a focus on the method by which the refreshed strategy would be deployed throughout the business.	Giving shareholders and prospective investors confidence in the Marshalls' investment case, and our ability to deliver sustainable long-term shareholder value, was at the heart of the evolution of our strategy. Ensuring our products, solutions and services meet the needs of our customers is fundamental to our success in an increasingly competitive market. Maintaining our brand reputation for quality and innovation will drive profitable growth across our diverse product ranges. Listening to customers and measuring our performance is critical to meeting our commitment to continuously improve all aspects of how we do business. We engaged with our senior leaders to understand their views on our purpose, strategic goal and proposed strategic objectives. We used their insights to refine the strategy and to consider the most effective way to meaningfully deploy the refreshed strategy throughout the business, so our colleagues understand the part they have to play and feel connected to it. Careful management of our supplier relationships, and understanding where we could benefit from working with partners to outsource non-core elements of our operations, were important considerations within the strategic review. Our commitment to operating responsibly and in "The Marshalls Way" were the backdrop to considering every element of our strategy. This includes our commitments to ethical trading and to reducing our carbon footprint as detailed on pages 41 to 43. Diversifying and developing our product ranges to help our customers meet changing regulatory requirements e.g. with Viridian's solar products, is part of our commitment to innovate and find new solutions for customers. Legal and regulatory compliance are fundamental in how we operate.	The need to retain the agility required in volatile markets without sacrificing the opportunities presented by the significant growth drivers in the Group's key end markets, has culminated in the Board approving the Group's refreshed strategy, that will ultimately make us a more flexible and efficient business without sacrificing the customer focus and product and service innovation that are the foundations upon which the Group has been built. The refreshed strategy is being deployed throughout the business using the OGSM method (objectives, goals, strategies and measures) which supports complete business and functional alignment in delivery. The Board's agenda will include the opportunity for it to review specific strategic topics in depth and KPIs are being developed to ensure we can measure our progress.
Reducing costs, improving agility and managing cash		**Board support for actions to reduce cash, improve agility and manage cash**
Challenging market conditions and business performance during 2023 required the senior management team to propose actions that ensured our capacity was aligned with demand and that the Group is well positioned for when markets recover.	Delivering long-term shareholder value required us to act in the face of a prolonged period of weaker demand. In a cyclical business with a high fixed costs base, we needed to ensure the actions we took were proportionate and gave us the ability to respond quickly to customer demand when markets recover. Managing our cost base would necessarily involve putting jobs at risk and our focus was on handling this sensitively and compassionately, with both exiting and retained colleagues in mind. Clear communication and management of this process were our priorities. In the face of high inflation throughout our cost base, we looked to leverage our long-term supplier relationships to mitigate input cost inflation. Complying with our legal obligations during these changes is fundamental to how the business operates.	The Board supported management actions during 2023 which, amongst other things, have resulted in: • a c.15 per cent reduction in the Group's workforce (including colleagues that left in Q4 2022); • the sale of surplus property assets generating c.£7m during 2023; • the closure of our Carluke manufacturing site and the mothballing of all or parts of a number of our other manufacturing sites; • a reduction of c£5m in planned capital expenditure for the 2023; and • a significant reduction in our inventories, preserving cash. These actions position the Group well for when markets recover. Board engagement, particularly through our EVG, ensured we understood how this impacted our culture and the communication and support colleagues received.

Creating **better places**

Vanda Murray OBE
Chair

Find out more about ESG materiality in our Sustainability Report:
https://www.marshalls.co.uk/sustainability/document-library

Dear stakeholder

During what has undoubtedly been a challenging year in our industry, I am really pleased to see the progress we have achieved in the ESG space. Last year, we were clear about our plans for 2023, and true to our word we have done what we said we would do – from revising our carbon reduction targets and publishing more Environmental Product Declarations ("EPDs"), to our new dual block plant and approach to climate disclosures. We have kept our focus and we are now in a strong position to seize the opportunities that lie ahead in 2024.

2023 highlights

- Board ESG Committee with oversight of our ESG strategy, supported by our ESG Steering Committee
- Revision of our carbon reduction targets to incorporate our Marley division and develop our net zero pathway, with targets currently awaiting Science Based Targets initiative ("SBTi") final validation
- New digital system for health, safety and environmental compliance
- Solar arrays in five locations
- Additional 16 EPDs published
- Two award wins for ArcBox, our innovative solar panel fire prevention product
- Continued Living Wage employer status and Fair Tax Mark
- Launch of our refreshed Code of Conduct to colleagues and suppliers
- Recruitment of twelve engineering apprentices as part of our drive to support young talent
- Full review of our ESG materiality assessment

ESG governance framework

The Board

ESG Board Committee

Board-level oversight of ESG strategy and ESG risk management, including climate-related risks and opportunities

Executive Team

- The Chief Executive is accountable for the delivery of the ESG strategy, including climate-related issues
- The Executive Team members are individually responsible for reviewing and confirming risks in their own areas, including climate-related risks

ESG Steering Committee

- Attended by the Chief Executive, CFO, COO and General Counsel and Company Secretary
- Responsible for ensuring the ESG strategy remains fit for purpose, plans are in place and progress is measured and reported
- Advises the Board on ESG-related risks and opportunities

Group Risk Management

- Responsible for implementing the Group risk management framework and Risk Register
- See risk management framework and governance on pages 52 and 53

ESG Delivery Team

- Responsible for driving progress along our plans, including science-based targets
- Updates the ESG Steering Committee on progress against targets

Operational teams

- Responsible for managing and resourcing approved activities
- Advise on operational feasibility of projects
- Collaborate on ESG and sustainability projects

Supported by

- ESG metrics
- ESG Board updates
- Shareholder engagement
- TCFD reporting

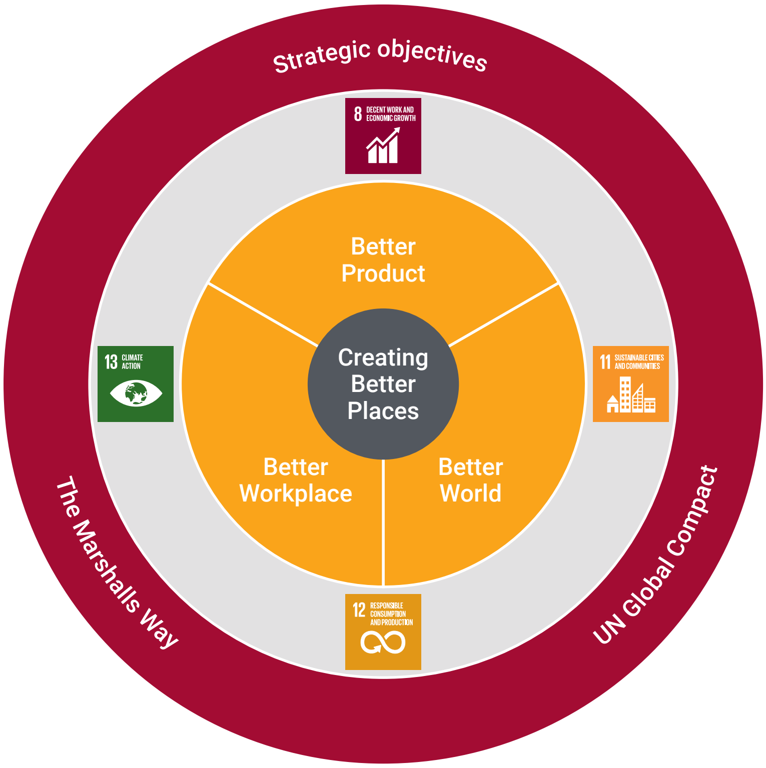
- Risk Register
- Climate-related risks and opportunities
- Climate Disclosures Working Group
- Sustainability Report

- Science-based targets
- Metrics and targets

Our ESG strategy is underpinned by the United Nations Global Compact's principles in the key areas of human rights, labour, environment and anti-corruption. These principles, alongside the UN's Sustainable Development Goals ("SDGs"), continue to guide us.

Our three pillars – Better Product, Better Workplace, Better World – highlight our focus areas towards our purpose of creating better places, whilst maintaining The Marshalls Way of doing the right things, for the right reasons, in the right way.

Find out more about our approach to the UN SDGs:
https://www.marshalls.co.uk/sustainability



Non-financial and Sustainability Information Statement

As required by the Companies Act 2006, the table below sets out where the key content requirements of the Non-financial and Sustainability Information Statement can be found within this document (or required by Sections 414CA and 414CB of the Companies Act 2006).

Reporting requirements	Relevant policies	Section within Annual Report
Approach to climate change	TCFD and CFD disclosures	TCFD and CFD (pages 46 and 47)
Environmental matters	Environmental Policy Statement* Energy and Climate Change Policy* Timber and Paper Policy Transport Policy	ESG strategy (pages 34 and 35) Sustainability commitments relating to the environment (page 47)
Social	Code of Conduct* Corporate Responsibility and Social Value Policy* Tax Policy* Human Rights Policy Modern Slavery Statement* Children's Rights Policy	Responsible business (page 41) Charitable donations (page 38) Health and safety (page 40) Stakeholder engagement (pages 28 and 29)
Governance	Anti-Bribery Code* Tax Policy* Trading Policy* Schedule of matters reserved for the Board* Board Committee Terms of Reference*	Audit Committee Report (page 87) Corporate Governance Statement (pages 66 and 79) Corporate Governance Statement (pages 66 and 79)
Employees	Health and Safety Policy Serious Concerns Policy Diversity and Inclusion Policy Drug and Alcohol Policy Mental Health and Wellbeing Policy	Headcount (page 38) People engagement (pages 38 to 40) Board diversity (page 103) Gender diversity (page 38) Stakeholder engagement (pages 28 and 32)
Principal risks		Description of risk process (page 52 to 54) Risk framework (page 53) Principal risks and uncertainties (pages 55 to 61)
Business model		Our business model (pages 6 and 7)
Non-financial KPIs		Key performance indicators (pages 26 and 27) Strategy (pages 22 and 23)

Full versions of the policies referred to above form part of the Group's Policy Framework that supports the Marshalls Code of Conduct.

These can be found on the Group's website at marshalls.co.uk/about-us/policies.

* Key policies referred to in this Annual Report.

Better **product**

Solar

Roof integrated solar panels from Viridian Solar offer a clear opportunity for Marshalls as part of our strategic goal to be the UK's leading manufacturer of sustainable solutions for the built environment. Viridian Solar's Clearline Fusion roof integrated solar PV products bring high-quality installations to both new build and retrofit applications on pitched roofs. Solar roofing reduces the energy demand of the building and offers a viable solution to Building Regulations Part L changes which look at the conservation of fuel and power in the building of new homes in England, and establish how energy-efficient new and existing homes should be. Solar is a key part of our adaptation strategy by providing our customers with products that promote more sustainable living in response to environmental challenges. Having now launched two EPDs for both the Clearline Fusion range of in-roof solar PV modules and its mounting kits, we are providing our customers with the environmental footprint information they need to make an informed buying decision.

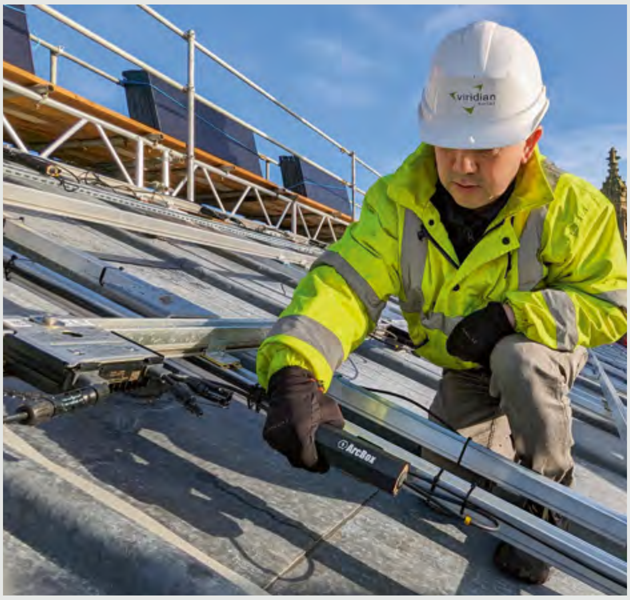
Concrete bricks

Concrete bricks offer significant advantages over clay bricks in achieving Scope 3 net zero targets required in the construction industry. The production of our concrete bricks emits fewer greenhouse gases compared to clay brick manufacturing. This reduces the carbon footprint by 28 per cent in product stage, and a saving of 45 per cent in total lifetime due to sequestration where the concrete absorbs CO_2 from the atmosphere. We have continued our commitment to reducing this further by introducing CarbonCure technologies at our Grove manufacturing facility where waste carbon is captured and injected into our concrete bricks to lock CO_2 away.

Case study

Improving fire safety

Our solar safety product, ArcBox, has won Best Health & Safety Product at the 2023 Housebuilder Product Awards and the Platinum Award at the Build Back Better Awards 2023 – for improving solar safety and reducing fire risks in solar PV installations. Simple errors in installation can cause an arc fault to develop and the ArcBox enclosure snaps around a DC connector to ensure that if an arc occurs, it is safely contained and does not spread to combustible materials in and around the solar installation. The effectiveness of the product has been independently verified by the KIWA fire test laboratory and Loughborough University.



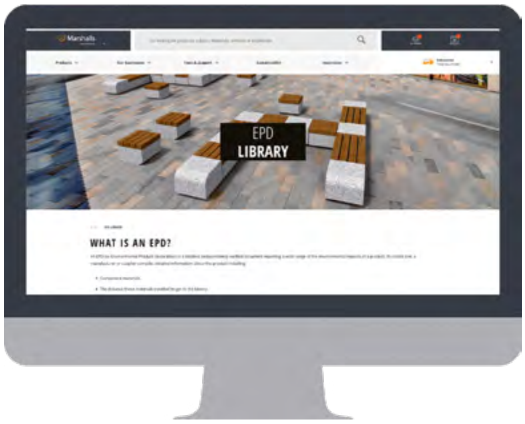
Water management systems

In light of the UK Government's dedication to implementing Schedule 3 of the Flood and Water Management Act 2010, Marshalls is poised to address the ongoing impact of weather events on infrastructure, businesses and residences. Through strategic investment in acquisitions and new product development, we stand prepared to provide enduring solutions aimed at reducing the overall burden on combined sewers and managing surface water through periods of flood and drought.

Marshalls delivers a comprehensive portfolio of water management and flood mitigation solutions, encompassing a full spectrum of above-ground and underground drainage systems. We specialise in the design and supply of permeable paving and subbases, wet cast tanks and attenuation systems, optimising water storage capabilities for enhanced performance.

Environmental Product Declarations ("EPDs")

We have published 16 EPDs in 2023, covering the majority of our product range. EPDs are detailed reports of a product's sustainability performance, including carbon footprints. Our EPDs are externally verified and they give our customers the comparable information they need. In 2024, we will be publishing more EPDs covering our natural stone and roof tile product ranges.



Find out more about our Environmental Product Declarations ("EPDs"):
https://www.marshalls.co.uk/commercial/epd-library

Case study

Innovative design

The latest addition to our product portfolio is EDENKERB®, an inlet kerb for raingardens, developed to make the design and installation of these features quicker and easier, and helping customers meet the incoming legislation and regulatory requirements for Schedule 3. Raingardens also offer a way to help customers meet their Biodiversity Net Gain requirements.

The EDENKERB® is designed to intercept, direct and diffuse surface water into raingardens. Raingardens use plants and soil to collect water from roofs, carriage ways and other hard landscaped surfaces when it rains. Holding the water temporarily, raingardens allow it to soak into the ground and into a storage area below surface. This prevents water from entering the sewer system too quickly, with a fraction kept at surface level to support plant life.

Read our case studies:
https://www.marshalls.co.uk/commercial/case-studies

Better workplace

Building a diverse workforce

We have built the Marshalls DERI (Diversity, Equity, Respect, Inclusion) strategy with the aim of influencing the culture, behaviour and awareness of our employees and leaders. In 2023, 93 per cent* of our employee base voluntarily shared details about their gender identity, sexual orientation, ethnicity, religious beliefs, generation, caring responsibilities and disabilities. Although the majority of our workforce is white and male, we do have representation from diverse minority communities.

Although we have not made as much progress on DERI in 2023 as we would have liked, we continue with our focus on diversity at the point of hiring. We look to ways in which we can broaden our selection pools and target different cohorts of recruits. An example here is our continued investment in apprenticeship programmes which we rolled out further in 2023 – for more details, see our case studies on page 39.

The long-running Women's Network has re-launched and will play an important role in supporting further employee resource groups to establish themselves. Our planned line manager training programme will include topics and skills that are highly relevant to fostering inclusion across the organisation.

Data reporting

Our integration of Marley into the Marshalls Group continues and in terms of data reporting, we are clearly stating where Marley is included in our ESG disclosures. For data relating to our people, all figures reported relate to the enlarged Marshalls Group, unless otherwise stated by *. Where Marley is not included in reporting, it is because data is not currently collected at granular level yet.

Gender split**

	2023	2022
Male	**84%**	84%
Female	**16%**	16%

** 2023: male (2,285), female (441)

Disability*

	2023	2022
No disability	**50%**	52%
Disability	**3%**	3%
No disclosure	**47%**	45%

Ethnicity*

	2023	2022
White British/White other	**80%**	80%
No disclosure	**18%**	17%
Minority ethnic group (Asian, Black, mixed/ multiple heritage or other minority ethnic groups)	**2%**	3%

Generational representation

	2023	2022
Aged under 30	**13%**	16%
Aged 31-40	**27%**	23%
Aged 41-50	**22%**	24%
Aged 51-60	**27%**	28%
Aged 61+	**11%**	9%

2,726
employees (2022: 3,112)

9 years
as a Living Wage employer

184
colleagues in apprenticeship programmes (2022: 142)

93%
of colleagues disclosing diversity data (2022: 95%)*

39%
of women in leadership roles (2022: 31%)

£82,054
charitable and product donations (2022: £33,901)

16%
women colleagues (2022: 16%)

6.7
engagement score (2022: 7.6)

Listening to our people

Employee Voice Group ("EVG")

The EVG meets every two months and is made up of 15 elected colleagues from different parts of the business, along with invited colleagues from the Operations and Logistics teams.

Angela Bromfield is the designated Non-Executive Director who represents the employee voice at Board meetings, with other members of the Board and Executive Team who rotate throughout the year to engage in meaningful conversations with the EVG.

In 2023, five meetings were held with discussions ranging from Executive pay and Environmental Product Declarations ("EPDs"), through to learning and development consultations. The EVG also helped us with the collective consultation side of our change programmes. Members of the EVG contribute to decision-making processes and are encouraged to cascade meeting minutes to their teams.

Supporting change

Adapting to the demand of the market and future proofing success in 2023, Marshalls has had to adjust how it is set up from an operating model perspective. This brought inevitable people changes in the immediate short term, while making sure that the business remains able to respond when the market comes back.

People change is always sensitive and we made sure that we applied The Marshalls Way in how we approached it; we treated everyone with respect, we were transparent and upfront, and collaborated across the business in the right way.

Our goal was to minimise impact on individuals as much as we could. So we worked with the voluntary attrition, offered voluntary redundancy where possible, and successfully redeployed a number of colleagues across the business. Our professional in-house outplacement support included CV writing, interview preparation and practice, and has been praised by our departing colleagues.

Training and development

At Marshalls, we know it is our people who take our business from strength to strength, and investing in them is a priority. To this effect Marshalls has a clear Learning and Development Policy to support colleague development, so that our people can be at their best. The policy ensures the principles and processes of development are consistent, fair and efficient. We ensure all colleagues receive induction and regular refresher training on critical compliance subjects. Colleagues in Production and Customer Services use skills-based competency frameworks, which offer structured development opportunities and progression.

We have a clear apprenticeship strategy and, in 2023, we focused on launching the Early Careers provision in addition to providing development and creating career opportunities. The programmes are open to all employees and provide for a range of qualifications to deliver skills strategically required by the business.

- The Leadership Academy provides development opportunity for aspiring leaders through to senior leaders and helps develop a consistent leadership approach across the business while embedding The Marshalls Way. Throughout the year, 78 leaders developed their skills in the Academy, 23 of whom successfully graduated in 2023. Participants demonstrated improved knowledge, skills and behaviours in decision making, agility, inclusivity, project management and finance.
- Data Academy – 29 apprentices, at three different levels, through whom we are already seeing the benefits of having data available in an efficient way.
- 21 Engineering apprentices, seven IT-related apprentices and another 15 apprentices in other functional areas.
- The Marshalls Early Careers provision launched in 2023 with twelve aspiring engineers - see our case study for more details.

Case study

Continuous Improvement Ambassador programme

Concluding at the end of 2023, the Continuous Improvement Ambassador programme was a cornerstone in our commitment to enhancing safety and production methodologies. The bespoke in-house training, delivered in collaboration between our Continuous Improvement and Learning and Development teams, continues in the workplace with personalised projects, ensuring individuals have the necessary tools for driving business improvements.

The programme not only imparted crucial leadership skills, but also encouraged ambassadors to model and guide others in adopting innovative ideas. In the course of the programme, we trained 160 ambassadors across 19 sites. Going beyond their roles as advocates for continuous improvement, our ambassadors have become a dedicated force of autonomous problem solvers, significantly influencing business outcomes.

The initiative not only equips sites with vital skills for key projects but also enhances the continuous improvement culture at Marshalls, providing more development opportunities and strengthening succession planning. The ambassador programme, a testament to our commitment to learning, is driving a positive transformation in both skills and culture across the organisation.

Case study

Early careers engineering apprenticeships

It is vital to our success to have the skills within the business to run our operations efficiently. In 2023, we made a commitment to recruit 50 engineering apprentices over four years. This is part of our planning strategy as well as our goal to bring new talent into the Marshalls Group. Our first intake of twelve apprentices, selected from over 300 applicants, will spend the majority of their first year with their apprenticeship training provider and on-site learning about the business and the skills they need to succeed in their role.

Find out more about learning and development:
https://www.marshalls.co.uk/careers

Better **workplace** continued

Employee health, safety and wellbeing

Marshalls continues to operate in an environment where safety and people are a key priority through the use of strong governance and procedures. Our Health and Safety Policy is approved by the Board and reviewed annually, and our COO is the Board Director responsible for the health and safety performance of the Group.

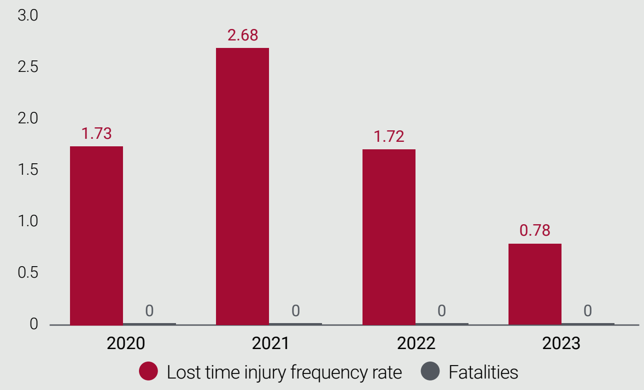
	2021	2022	**2023**
Manufacturing/quarry sites with ISO 45001 for health and safety management	81%	82%*	**82%***
SHE training hours	18,061	26,969	**19,259**

* Restatement of information further to review (previously 85%).

Note: Marley is excluded from reporting until three years from purchase.

Marshalls is fully committed to the health, safety and wellbeing of colleagues and we have clear objectives in place to demonstrate the progress we are making. The headline target for 2023 was to maintain lost time injuries resulting from workplace incidents at a figure no higher than the average over three years (2020–2022). This excludes the impact of acquisitions within a period of three years from purchase, therefore Marley Roofing Products is not yet included. The achievement of annual health and safety improvement targets is directly linked to the remuneration of the Executive Directors and senior management, as explained in the Remuneration Report on pages 92 to 99.

Lost time injury frequency rate (per million hours worked)



Note: the above data covers employees and contractors.

Though Marley figures are not yet incorporated into our Group reporting, we have focused on integrating the health and safety functions of Marshalls and Marley in 2023. The result is a set of aligned health and safety KPIs, integrated processes for internal recruitment and training of Mental Health First Aiders and direct health and safety reporting lines to our Group SHE Director.

We have also made good progress on implementing our new digital compliance system and on delivering our health and wellbeing strategy. Our Supporting Healthy Minds Group focused on ensuring we had sufficient coverage of Mental Health First Aiders across the whole Group and enabling our colleagues to cope with ongoing change. We also introduced a new approach to better understanding unsafe behaviour and incidents in the workplace. Following a successful trial in 2022, we have implemented a new Fair & Just Approach across our sites during the year.

Case study

Digital compliance system

With safety as a key priority, it is important for us to use our systems effectively. In 2023, we introduced a new digital compliance management tool as a centralised system to enable us to better manage health, safety and environmental reporting across the Marshalls Group. The new system is also helping to provide clarity and transparency for our people, as well as improving internal controls and generating full visibility of health and safety trends and performance. Following a full rollout, the system is now live across 39 locations, for the SHEQ (safety, health, environment and quality) concerns and incident reporting modules.

Find out more about our approach to health, safety and wellbeing: **https://www.marshalls.co.uk/sustainability/document-library**

Case study

Mental health and wellbeing

In 2023, our Supporting Healthy Minds Group continued to support our Mental Health and Wellbeing strategy by ensuring sufficient coverage of Mental Health First Aiders ("MHFAs") across the business and helping colleagues to cope with change. Managers have been the focus for change resilience, specifically equipping them with the tools they need to maintain their own mental health through change, guide their team through change, and identify and react to signs from those who may be struggling with change. Our managers are also supported by our dedicated team of internal Mental Health First Aiders, with assistance from our employee assistance service when further specialist advice is needed.

	2021	2022	**2023**
Mental Health First Aiders	53	62	**62**

Better **world**

Human rights due diligence

Although 85 per cent of our spend is with first tier suppliers in the UK, our human rights due diligence strategy focuses on the regions and sectors most at risk from forced labour and other human rights abuses. The last two years have seen particular focus on our Indian and Chinese suppliers, where we have mapped out parts of our supply chain back to raw materials. This is informing our ethical strategy for 2024.

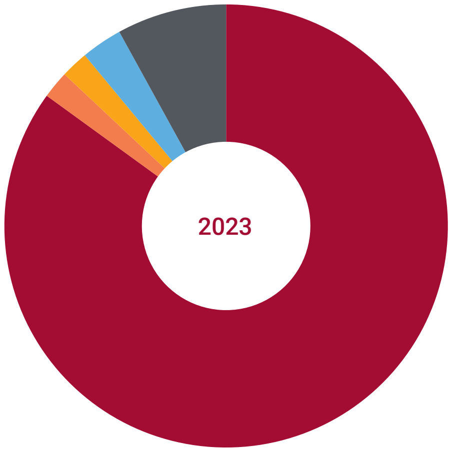
Marshalls has been a signatory of the UN Global Compact since 2009. We take a multi-strand approach to aligning with the objectives of the UNGC framework, working in-house and with external partners to better understand the human rights risks in our operations and supply chains at home and abroad. We also work with the UK and overseas governments, NGOs and industry groups to promote sustainable and ethical working practices across our own and other industries.

Due diligence, transparency and stakeholder engagement

Our roof integrated solar business, Viridian Solar, has been carrying out enhanced due diligence work on its supply chains this year. Regular visits to tier one and two manufacturers in China were expanded to include upstream manufacturing processes, including component production.

Having established that all suppliers in the first five tiers of its supply chain, from panel assembly to polysilicon purification, are outside of the Xinjiang Uyghur Autonomous Region ("XUAR"), Viridian has reached agreements with suppliers that they can only source through these nominated factories.

Breakdown of annual spend across Marshalls Group by country



UK	85%	China	3%
Germany	2%	Other	8%
India	2%		

Our due diligence framework


Onboarding filter for high-risk regions/sector


Global supply chain risk mapping


Tracing supply chains back to raw materials


Live monitoring with Everyone's Business


Second and third-party audits


Special projects with agencies and partners


Employee and supplier training

Case study

Code of Conduct

In 2023, we launched our refreshed Code of Conduct. To make the Code more straightforward, we separated it into three sections – looking after our people, looking after our business, looking after our world. We introduced "did you know" sections and a decision-making tool, as well as a Code on a Page which gives a good overview of the key points. Aimed at colleagues, suppliers and other stakeholders, the Code sets out our expectations and makes it clear that we do business The Marshalls Way. Our refreshed code was rolled out to our people via the Marshalls Learning Zone and roadshows to our sites, and to suppliers through our supplier engagement platform. During the training, one of our colleagues said: *"It's good to know Marshalls' Code of Conduct is showing how business should be done the right way."*

Case study

Innovation

Marshalls was awarded the Innovation Award at the Unseen Business Awards 2023 for our long-term efforts identifying and addressing modern slavery in supply chains. Unseen runs the UK Modern Slavery & Exploitation Helpline, provides safehouses and support in the community for survivors of trafficking and modern slavery, as well as working with business, governments and statutory agencies. Of the award, the judging panel said: *"… adoption of third-party analytical risk tools, engagement with social auditors, and use of assessment tools during supplier visits show an innovative approach to identifying and addressing supply chain risks."*

Read our Modern Slavery Statement:
https://www.marshalls.co.uk/sustainability/modern-slavery

Better **world** continued

Sustainability reporting

As a manufacturer, we understand the role we play in reducing our business and product carbon footprint. We continue to take climate change and carbon reduction seriously, and this is underpinned by our Energy and Climate Change Policy Statement. We remain committed to achieving net zero, and as we reported last year, our goal in 2023 was to recalculate our entire carbon footprint and submit our revised carbon reduction targets to the SBTi for approval. Having worked with the Carbon Trust, we have completed this comprehensive exercise and are awaiting SBTi approval.

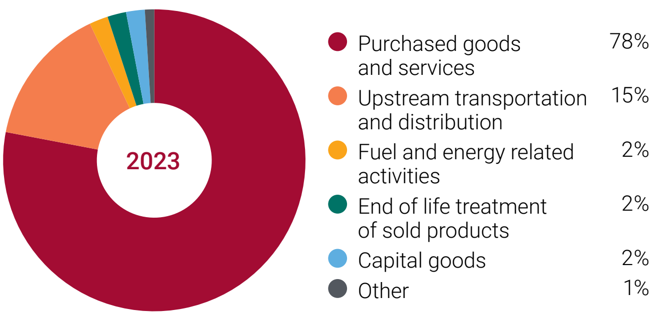
Marshalls has a mandatory duty to report annual greenhouse gas ("GHG") emissions under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. We use The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition) and the Department for Energy Security and Net Zero published conversion factors (June 2023) to measure GHG emissions. 74 per cent of the electricity we consume as a Group is sourced from renewable sources.

Our approach to the Energy Savings Opportunity Scheme ("ESOS") legislation was to define our energy management in compliance with the international standard for energy management, ISO 50001, gaining re-accreditation in 2023 for Marshalls. Our Marley roofing division is implementing the ESOS assessment route in phase 3, with a view to looking into ISO 50001 accreditation moving forward.

For clarity and consistency, we are reporting Marshalls and Marley carbon and energy consumption and performance separately because Marley is not yet included in our approved science-based targets. Following an internal review, we also changed to an annual stocktake reconciliation approach for liquid fuels in order to identify in-year consumption more accurately. We stopped operating our Belgium facility in April 2023, so although Belgium is included in historical data and target lines, it is excluded in 2023. To reflect the size and negligible impact of the Belgium operation, 2022 absolute Scope 1 and 2 emissions were 431 tonnes CO_2e and energy consumption was 1.975 mkWh.

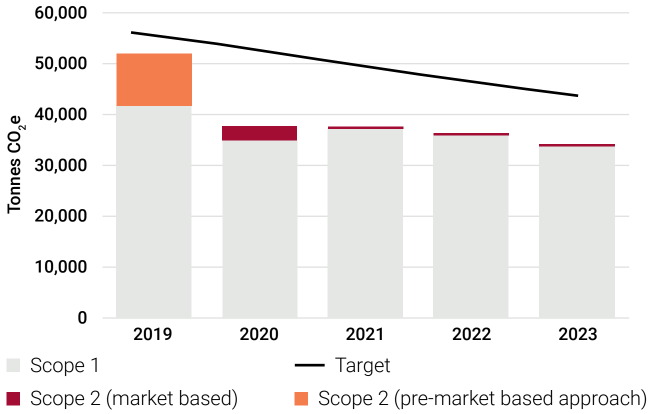
Measuring carbon emissions

- Scope 1 refers to our fuel usage, including diesel, petrol, liquefied petroleum gas, kerosene and natural gas. We measure this through invoices and site tank meter readings.
- Scope 2 refers to our indirect emissions which is the electricity we have purchased. We continue to report our Scope 2 emissions as market based (using supplier emission factors) and location based (using Government emissions factors) for information only. Our Scope 2 market based performance has been very low since 2020 as this was the year we switched to green electricity.
- Scope 3 refers to supplier emissions and the approximate Group breakdown of categories is detailed below:



Progress against targets over a five-year period is reflected in the bar charts below. More information on our targets can be found on page 47.

Group absolute Scope 1 and 2 emissions (excluding Marley)

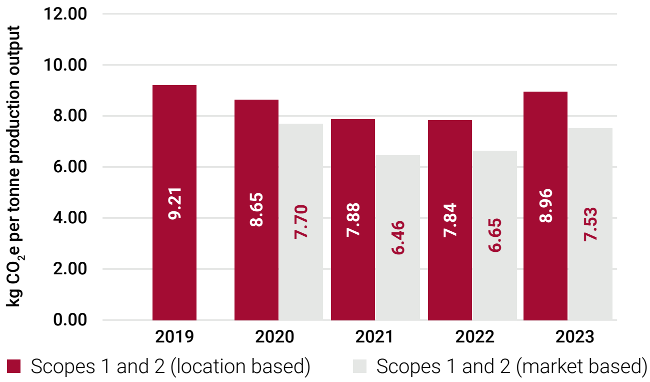


Using the same methodology, Marley absolute emissions in tonnes CO_2e: Scope 1 (2023: 19,228, 2022: 22,603), Scope 2 market based (2023: 2,555, 2022: 6), Scope 2 location based (2023: 3,689, 2022: 3,809).

	2019	2020	2021	2022	**2023**
Target (Scope 1 and 2)	55,442	53,011	50,580	48,150	**45,719**
Scope 1	42,147	35,072	37,540	36,232	**32,590**
Scope 2 (market based)	–	2,897	32	63	**35**
Total	–	37,969	37,572	36,295	**32,625**
Reduction against target	–	15,042	13,008	11,855	**13,094**
Scope 2 (location based)	*10,430*	*7,565*	*8,232*	*6,664*	**6,243**

Group relative Scope 1 and 2 emissions (excluding Marley)

We use an intensity ratio in order to define emissions data in relation to our business: kg CO_2e per tonne of production for Marshalls and tonnes of CO_2e per £m of turnover for Marley, which we will look to align.



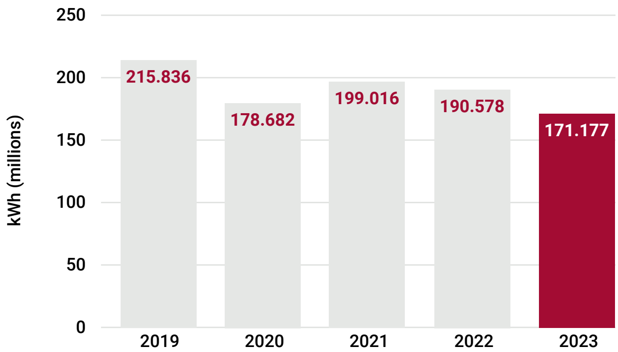
Marley's relative emissions in tonnes CO_2e: Scope 1 and 2 market based (2023: 0.12, 2022: 0.11), Scope 1 and 2 location based (2023: 0.12, 2022: 0.13).

The relationship between energy used and volume of product manufactured is not exactly linear. Whilst reduction in production activity does lead to a broadly commensurate drop in energy consumption, a combination of individual fuel type mixes and fixed baseloads may skew this. 2023 data is in line with our expectations and both absolute and relative emissions remain well within the approved 1.5°C science-based target pathway for Marshalls (excluding Marley until we have revised and approved science-based carbon reduction targets).

Streamlined Energy and Carbon Reporting ("SECR")

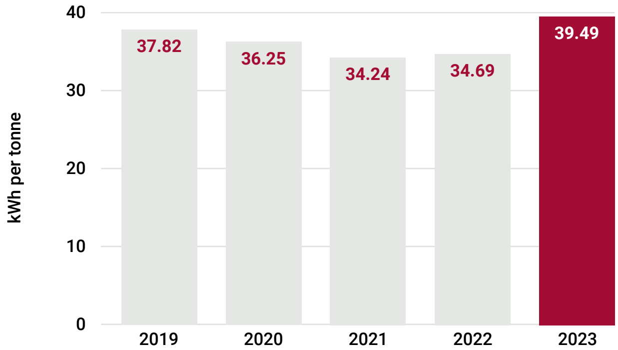
In accordance with the SECR framework, we are reporting our annual Scope 1 and 2 GHG emissions, our energy use (including self-generated energy from renewables), a five-year trend disclosure of data, intensity ratios for both emissions and energy, details of methodology used (same protocols for Marshalls and Marley) and information on energy reduction activities. Marley data is excluded from overall consumption but noted for reference.

Group energy consumption (excluding Marley)



Marley's energy use for 2023 was 116.60 mkWh (2022: 135.05 mkWh).

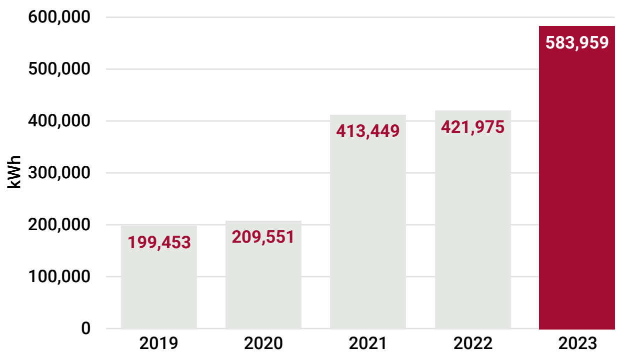
Group relative energy consumption (excluding Marley)



Marley's relative energy use for 2023 was 558.74 kWh per £m of turnover (2022: 717.53 kWh per £m of turnover).

Group self-generated energy from renewables (excluding Marley)

This chart shows self-generated energy from the solar arrays at three sites. We have an additional two small Marley sites with solar arrays which we aim to include in our reporting next year.



Energy reduction

Throughout 2023, we have been continuing in our efforts to reduce the energy that we use as a business wherever we can. We have also identified and begun the installation of an innovative technology that is looking to reduce our use of compressed air across our sites. Whilst compressed air is vital to many aspects of our production processes, we also know that it impacts greatly on our overall consumption so targeting this area for energy saving is a priority.

At our St Ives site in Cambridgeshire, we have recently completed the installation of a 740KW solar array on the factory roof and we estimate this will reduce our mains grid electricity consumption by approximately 17 per cent per annum. We have also undertaken an extensive exercise throughout our Marley sites in 2023, focusing specifically on optimisation of operational controls which resulted in identifying energy saving opportunities of nearly 20,000 kWh per week.

Case study

Transition plans

Having re-calculated our carbon footprint for the whole Group, we will publish our carbon reduction targets (including a revised net zero target) in our next Annual Report once they have been validated by the SBTi. In the meantime, we have put in place processes to deliver on our environmental roadmap. This includes continuing to engineer high emission fuels out of the business, analysing climate change risk at site level, and investigating sources of renewable energy. We also plan to increase engagement with our supply chain to improve collaboration with key supply chain partners to identify areas where we can reduce carbon impacts along the value chain. We will continue to develop innovative products that support climate change adaptation (see pages 36-37), with support from publication of more product EPDs.

Read our Sustainability Report:
https://www.marshalls.co.uk/sustainability

Marshalls plc has complied with the requirements of LR 9.8.6R(8) by including climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures except for the matters marked with a *. For these sections, we have explained why we feel our activity does not fully comply, the steps we are taking to enable future disclosure and the relevant timeframes for disclosure. The climate-related financial disclosures made by Marshalls plc comply with the requirements of the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

Outlined on the following pages is our 2023 TCFD disclosure. We continue to evolve our disclosures in a phased approach and this year, we comply with nine out of the eleven recommended TCFD disclosures (in comparison with six out of eleven in 2022) and all the CFD expected disclosures. This is a journey and our work in this area will remain a priority. Recommendations where we feel we are not yet fully compliant are marked with a * and have additional disclosure on future plans and targets.

Recommendation	Recommended disclosures
Governance a. Describe the Board's oversight of climate-related risks and opportunities b. Describe management's role in assessing and managing climate-related risks and opportunities	**2023 progress: Set up of ESG Board Committee, creation of Climate Disclosures Working Group, preparation of Carbon Reduction Plan and planning to report according to the TPT framework** The Board has ultimate responsibility for climate-related risks and opportunities. The Board monitors and oversees progress against goals and targets, including science-based targets for carbon reduction with direct links to remuneration (see Remuneration Report on page 92) and external verification and assurance of carbon data. In 2023, there was Board-level oversight on integration of climate issues into budgets and strategy. Board oversight is through the newly created ESG Board Committee, with support from the ESG Steering Committee (see diagram on page 35). The ESG Board Committee met once in 2023, when it was set up in October 2023. The Committee is due to meet three times in 2024 and will be briefed by the COO on climate-related matters at every meeting. In assessing and managing climate-related issues, climate-related responsibilities are assigned as follows: • ESG Steering Committee: climate-related issues form part of the agenda and this committee is tasked with assessing climate-related issues. Attended by our CEO, COO, CFO, Company Secretary and General Counsel, Group Trading Director and the ESG Delivery Team, the ESG Steering Committee held seven meetings in 2023. • ESG Delivery Team: this cross-functional team attends and reports directly to the ESG Steering Committee and is responsible for the delivery of the ESG strategy, including working on climate-related issues in terms of best practice, regulation, compliance and horizon scanning. • Group Risk Register: managed by the CFO and with input from senior leaders, the Risk Register includes climate change. Meetings are held twice a year and key points are fed back to the Board via the CFO. • Climate Disclosures Working Group ("CDWG"): this cross-functional group identifies and examines climate-related issues. Outputs from the group are fed back to the CFO and ESG Steering Committee. This group is attended by senior colleagues from Legal, Operations, Sustainability, Procurement, Marketing and Finance teams. • Sustainability Team: this team has the overall responsibility to manage and monitor climate-related issues operationally including incorporating Marley into the environmental roadmap, delivering on science-based targets for carbon reduction and energy performance at site level. **2024 focus: Embedding of Board-level oversight through the newly created ESG Board Committee and ESG reporting processes**
Strategy a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario*	**2023 progress: Re-calculation of our carbon reduction targets for the enlarged Group, publication of additional EPDs and initial scenario analysis** Although we have previously been aware of our risks and opportunities, 2023 saw the set up of an internal process to assess climate-related risks and opportunities in terms of financial materiality to the business. Leading this process is the CDWG which met three times in 2023. A workshop was held to explore and discuss climate-related risks and opportunities, attended by senior management colleagues from Sustainability, Operations, Legal, Marketing, Procurement and Finance teams. This process will be repeated on an annual basis. Further to the financial assessment of climate-related risks and opportunities, the CDWG looked at the impact of the identified risks and opportunities on the business, strategy and financial planning. This process is due to be followed up in 2024 by a review of our risks in light of the work undertaken by the Carbon Trust to re-calculate our Group footprint. This process has brought up considerations that need further exploration, particularly relating to our Scope 3 emissions. Our current approved science-based targets are aligned to a 1.5°C trajectory and we have a roadmap of carbon reduction projects planned for the Marshalls business. This roadmap is subject to transitional challenges and will be refined in 2024 to reflect the Marley acquisition. We have conducted basic scenario analysis on physical risk of key sites, using scenarios from Verisk Maplecroft data (see page 45). Further to this initial data analysis and discussions held in conjunction with the Risk Register process, we assess that our business model and strategy are resilient against all scenarios assessed. **2024 focus: Review risks and opportunities, and further refine assessment of impact on business, strategy and how to embed net zero commitment into wider financial and strategic planning**

Recommendation	Recommended disclosures
Risk a. Describe the organisation's processes for identifying and assessing climate-related risks b. Describe the organisation's processes for managing climate-related risks c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	**2023 progress: Financial quantification of risks and opportunities and formalising processes for assessing and managing climate-related risk** We have formal ongoing processes to identify, assess and analyse risks and these are integrated into the Group Risk Register. Climate change is also part of the risk heatmap (see page 53) where it is ranked alongside other risks and therefore its significance in relation to other risks is determined. Existing and emerging regulatory requirements are considered here. Having identified our climate-related risks, our process for managing these risks forms part of the Risk Register and different teams within the business. More information on our identified climate-related risks can be found on page 46. We do not currently use an internal carbon price, however setting one is very much part of our ESG strategy moving forward. We plan to develop a proposal for an internal carbon price in 2024. Having identified acute and chronic physical risks which could affect our sites and applied climate scenarios, our focus will now turn to using a similar approach to climate-related risks which may impact on other areas of our activities. Another area of activity will be to review our risks further to the carbon footprint re-calculation exercise we undertook in 2023 to incorporate Marley into our carbon reduction targets. **2024 focus: Development of internal carbon price proposal and review of risks in light of overall carbon footprint assessment**
Metrics and targets a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions and the related risks* c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	**2023 progress: Re-calculation of carbon reduction targets, measurement of Scope 3 footprint and strengthened internal processes for data collection and reporting** The metrics we use to assess climate-related risks and opportunities are detailed on pages 46-47. As our climate adaptation strategy centres on achieving our science-based targets, we also use metrics to measure absolute and relative emissions (see pages 42-43), which are linked to Executive remuneration. We disclose Scope 1 and 2 GHG emissions. For Scope 3, we have a science-based target which is based on suppliers having their own science-based target. As part of our re-calculation project to incorporate Marley into Group carbon emissions targets, we have completed our analysis of our Scope 3 emissions. Our plan for 2024 is to set an absolute Scope 3 target which we will communicate once our targets have been approved by the SBTi. Our current approved science-based targets are aligned to 1.5°C and they are supported by a roadmap. The current roadmap is for Marshalls only and includes targets that are dependent on new technologies – for example vehicle fuel technology. However this roadmap is being amended to include our Marley acquisition. Having calculated the overall Scope 1, 2 and 3 footprint for the whole Marshalls Group, our revised targets have now been submitted to the SBTi for validation. The way we run our operations will be impacted by our new targets as reaching net zero will require new technology – for example, potential use of hydrogen and lower-emission fuel for our forklift trucks. **2024 focus: Review of targets for risks and opportunities and progress transition plan roadmap**

Scenario analysis

Our approach to scenario analysis has been to firstly identify our key climate-related risks and discuss their financial materiality and impact on the business. It was decided to take a phased approach to scenario analysis. Our starting point was to apply different climate scenarios to our physical site risk for qualitative assessment. Moving forward, it is our intention to refine our use of scenarios for site risk and use scenario analysis more widely for our other key climate-related risks and opportunities. Although we have a number of sites in the Group, we thought it appropriate to focus our analysis on key operational sites which were identified by production tonnage.

Using data from Verisk Maplecroft, we identified relevant indices and used scenarios SSP1 (Sustainable Future) and SSP5 (Fossil-Fuelled Development). These scenarios were chosen as they give an indication of how key risk may change along different trajectories, from below 2°C (SSP1) to over 4°C (SSP5). More specifically to Marshalls, SSP1 was selected to assess the potential impact of our current environmental roadmap and the likelihood of increased transition risks, and SSP5 to look at potential impact of increased physical risks.

Initial analysis of the data shows that our sites are at low to medium risk, depending on the scenario used. We plan to use this work as a base in 2024, when we look to refine our approach further and look into new indices that provide a more granular view of physical risk.

Impact on Financial Statements

Climate-related risks outlined in the ESG section have been considered and assessed in preparation of the Consolidated Financial Statements for the year ended 31 December 2023. Based on this assessment, no material impact has been identified at this stage. However, we are mindful of the changing nature of the risks and the likelihood of impact in the future. Having re-calculated our carbon reduction targets to include Marley and with a view to putting in place a revised transition plan in 2024, there is no short-term impact on financial planning or forecasting. Changing regulation in our sector may, in the future, have an impact on impairment and any climate-related matters we may assess as material as part of our site-based physical risk analysis may impact on assumptions regarding insurance.

Climate-related risks

Transition to a low carbon economy will bring challenges. Identifying and quantifying these transition risks will enable us to better prepare the business for the impact of climate change. We have identified climate-related risks and opportunities over estimated short-term (0-1 year), medium-term (1-5 years) and long-term (5-30 years) time horizons. These time horizons have been chosen as they reflect the dynamics of our industry and our internal processes. They are different to the ones used for financial reporting due to the nature of the risks.

Qualitative scenario analysis is subjective and may be subject to change as we mature and evolve our processes and analysis. We have made assumptions in our qualitative scenario analysis, which we outline here.

SSP1: increased carbon pricing, faster regulatory activity, transition risks, decreased physical risks

SSP5: slower regulatory activity, need for transformation, increased physical risks

We track relevant externally generated metrics and are putting in place internally generated metrics as explained below. We have not reported progress against these metrics but will consider doing so in future disclosures as our TCFD reporting processes further develop.

Risk	Type and category	Timeframe	Explanation, mitigation and metric
Availability of materials	Transition risk Market	Medium to long term	Price and availability of materials is a risk as cement companies decarbonise and we continue to feel the impact of the macro environment. Reliance on cement is an increased risk under SSP1 in a transition phase but may become lower risk under SSP5. We mitigate this risk by having a diverse business and end markets. We have a focus on supplier relationships, flexible contracts and long-term supply agreements, and the use of flexible freight forwarding options. There is also a cement replacement programme for concrete products. *Metric: Supplier engagement targets (internal)*
Legislative landscape and policy	Transition risk Policy and legal Reputation	Medium to long term	As governments accelerate decarbonisation, there will be impact on regulation and changes in legislation. This is an increased risk under SSP1 as decarbonisation accelerates, for example carbon taxes for materials such as imported cement or steel. Under SSP5, regulatory action will be slower but there will be more physical risk. We mitigate this risk by having centralised legal and other specialist functions and advisers. There are regular policy reviews as well as independent audit processes which seek to ensure that local, national and international regulatory and compliance procedures are fully complied with. We also mitigate through horizon scanning and close collaboration between the Legal and Finance teams. *Metric: Carbon prices and levies (external)*
Shift to low carbon product solutions	Transition risk Market Reputation	Medium term	There is continued pressure to give our customers products that lower the carbon footprint of their projects. There is increased risk under SSP1 as we transition to a lower carbon economy and the risk increases further under SSP5 as adaptation becomes key. We mitigate this risk by having a continuing focus on mix design for current products, new product development and EPD (Environmental Product Declarations) development. This is supported by an internal training programme for our sales teams on low carbon solutions and specialist design and engineering capability. *Metric: Product sales (internal)*
Changing weather patterns	Physical risk Acute and chronic	Medium to long term	Acute physical risk of extreme weather events, such as flooding, and chronic physical risk of longer-term changes in weather patterns that may cause heat or water stress may impact our sites. This is a longer-term risk which decreases under SSP1 but increases under SSP5. We mitigate this risk by analysing climate risk at site level, engaging with stakeholders and looking at short to medium-term solutions. *Metric: Cost of lost production days due to weather events (internal)*
Technological advancement	Transition risk Technology	Long term	Aspects of our operations, distribution and transport will need technology to transition to a net zero world and there is a risk that we don't adapt quickly enough. This is a longer-term risk with elements of high uncertainty. Our qualitative scenario analysis assesses this as decreased risk under SSP1 as we decarbonise along our science-based targets pathway and increases under SSP5. We mitigate this risk through the development of our environmental roadmap and carbon reduction plan, supported by our commitment to carbon reduction via science-based targets. *Metric: Science-based targets for Scopes 1, 2 and 3 (internal)*

Identifying, assessing and managing climate-related risks

Identify
Climate-related risks are identified by ESG Delivery Team, Finance, Operations and Climate Disclosures Working Group

Assess
Significant risks are discussed by the Climate Disclosures Working Group and assessed by the ESG Steering Committee

Manage
Agreed risks are managed by the relevant teams, with CFO and COO oversight

Integrate
Risks that have been identified and assessed to be significant to the overall risk process are added to the Risk Register

Climate-related opportunities

Transitioning to a net zero world will bring opportunities as well as risks. We are well placed to maximise on these opportunities as part of our strategic goal to be the UK's leading manufacturer of sustainable solutions for the built environment.

Opportunity	Type	Impact
Meeting our carbon reduction targets	Resource efficiency Energy source	Achieving our carbon reduction targets is an opportunity for Marshalls to transition to a net zero world. As we strive to be more energy efficient, we are looking at different ways to reduce our carbon footprint across the value chain. *Potential impact: brand preference, opportunities across the value chain, reduced costs from efficiencies, reputation*
Sustainable construction products	Products and services Resilience	Building and planning regulations encourage the use of water management solutions and sustainable urban drainage solutions ("SuDS") as well as the use of products that promote energy efficiency, such as solar panels and concrete bricks. *Potential impact: increased product sales, brand preference*
Brand proposition	Markets	The Marshalls brand is strongly based on ESG and sustainability credentials. The opportunity is in strengthening our position in order to be an attractive investment proposition. *Potential impact: investment proposition, reputation*

Targets

Our current targets (excluding Marley) are outlined here in order to give an overview of the metrics and targets we track to measure our environmental performance. In 2024, these targets will be reviewed as part of the integration of Marley into our environmental roadmap and the validation by the SBTi of our revised carbon reduction targets.

Target	Target year	Status
59.4 per cent reduction of relative Scope 1 and 2 emissions against a 2018 baseline (kg CO_2/tonne)	*2030* *2025 target: 29 per cent reduction*	*On target – 2023 target achieved*
50.5 per cent reduction of absolute Scope 1 and 2 emissions against a 2018 baseline (tonnes CO_2e)	*2030* *2025 target: 36 per cent reduction*	*On target – 2023 target achieved* *Linked to MIP/BSP*
73 per cent of suppliers by emissions have science-based targets	*2024*	*On target – 2023 progress: 68 per cent (internal estimate)*
2.7 per cent energy reduction year on year	*Ongoing*	*Achieved for 2023 – 2023 progress: 10 per cent reduction*
33 per cent reduction in mains water usage per tonne of product from a 2021 baseline	*2030*	*On target – 2023 progress: 18 per cent decrease*
Zero waste to landfill	*2030*	*On target – 2023 progress: 0.27 per cent*

The quantification and reporting of Marshalls' environmental data has been independently verified by BSI against Marshalls' criteria of 5 per cent accuracy. The verification activity has been carried out in accordance with ISO 14016:2020. Marley's data has also been third-party verified by Stuart Jackson Associates.

Read the full BSI verification report:
https://www.marshalls.co.uk/sustainability/document-library

In response to the challenging market environment, **the Board took action** to reduce costs and net debt through the tight management of cash

Justin Lockwood
Chief Financial Officer

Introduction

2023 was a challenging year for the Group with reduced activity levels in its key end markets resulting in a significant reduction in demand for the Group's products. In response, the Board took decisive action to ensure that our manufacturing capacity was aligned with the market demand, to reduce the cost base and to reduce net debt through tight management of cash. The weakness in the Group's end markets resulted in a significant deterioration in the Group's financial performance with adjusted profit before tax reducing by 41 per cent to £53.3 million due to lower operating profits and a higher finance charge. The reported profit before tax includes adjusting items totalling £31.1 million and £18.3 million of this arises from the restructuring exercises that were conducted during the year. Our focus on managing cash and capital efficiently resulted in pre-IFRS 16 net debt reducing by £17.8 million to £172.9 million and allowed us to repay £30 million of the Group's term loan in January 2024.

Alternative performance measures and adjusting items

The Group uses alternative performance measures ("APMs") which are not defined or specified under IFRS. The Group believes that these APMs, which are not considered to be a substitute for IFRS measures, provide additional helpful information. APMs are consistent with how business performance is planned, reported and assessed internally by management and the Board and provide additional comparative information. Adjusting items are items that are unusual because of their size, nature or incidence and which the Directors consider should be disclosed separately to enable a full understanding of the Group's results and to demonstrate the Group's capacity to deliver dividends to shareholders.

Trading performance

Revenue

Group revenue in 2023 was £671.2 million (2022: £719.4 million), which represents a year on year reduction of seven per cent including the benefit of an additional four months of Marley revenues. Revenue contracted on a like-for-like basis by 13 per cent. Group revenue by reporting segment is summarised below.

Analysis of revenue by segment	2023 £'m	2022 £'m	Change %
Marshalls Landscape Products	**321.5**	394.1	(18%)
Marshalls Building Products	**170.1**	193.1	(12%)
Marley Roofing Products	**179.6**	132.2	36%
Group revenue	**671.2**	719.4	(7%)

Adjusted operating profit and margins

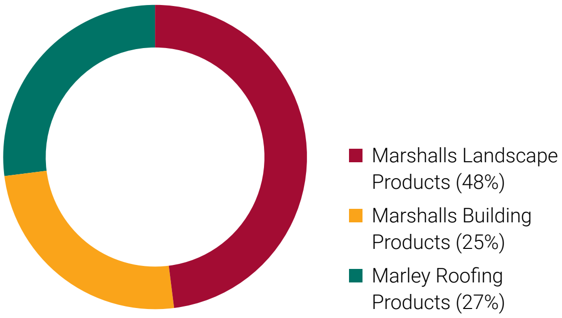
Adjusted operating profit reduced by 30 per cent to £70.7 million (2022: £101.1 million) driven by lower demand in our key end markets which resulted in lower gross profit and a reduction in the efficiency of the Group's manufacturing and distribution operations. A summary of adjusted operating profit by segment is set out in the following table and commentary of each segment is set out on pages 19 to 21.

Analysis of operating profit by segment	2023 £'m	2022 £'m	Change %
Marshalls Landscape Products	**21.3**	45.3	(53%)
Marshalls Building Products	**12.2**	26.8	(54%)
Marley Roofing Products	**44.9**	34.4	31%
Central costs	**(7.7)**	(5.4)	(43%)
Adjusted operating profit	**70.7**	101.1	(30%)

The Group's adjusted operating margin contracted by 3.6 percentage points to 10.5 per cent (2022: 14.1 per cent), which reflects the weaker performance of Marshalls Landscape and Building Products during the year, partially offset by the structurally higher margins generated by Marley. This reduction is summarised as follows.

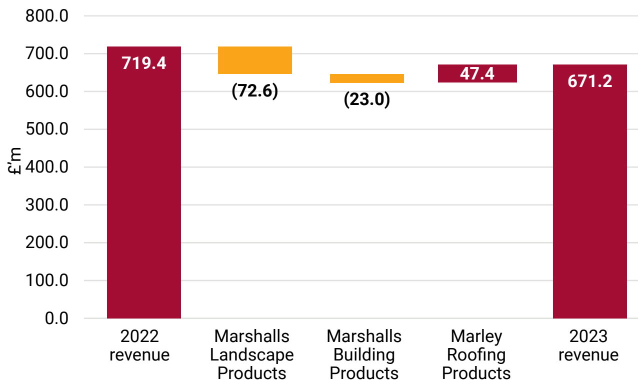
Analysis of revenue by segment	Revenue £'m	Adjusted operating profit £'m	Margin impact %
2022	719.4	101.1	14.1%
Marshalls Landscape Products	(72.6)	(24.0)	(2.1%)
Marshalls Building Products	(23.0)	(14.6)	(1.6%)
Marley Roofing Products	47.4	10.5	0.5%
Central costs	–	(2.3)	(0.4%)
2023	**671.2**	**70.7**	**10.5%**

2023 Revenue analysis by segment



Analysis of change in revenue

2022–2023



Adjusting items

Adjusted operating profit is stated after adding back adjusting items totalling £29.7 million (2022: £53.2 million) in accordance with the Group's accounting policy, as summarised in the following table.

	2023 £'m	2022 £'m
Amortisation of intangible assets arising on acquisitions	**10.4**	7.3
Impairment charges, restructuring and similar costs	**18.3**	13.0
Additional contingent consideration	**1.6**	3.9
Disposal of Marshalls NV	**(0.6)**	10.2
Transaction related costs	**–**	14.9
Fair value adjustment to inventory	**–**	3.9
Adjusting items within operating profit	**29.7**	53.2
Adjusting items within financial expenses	**1.4**	–
Adjusting items within profit before tax	**31.1**	53.2

Adjusting items in 2023 principally comprise restructuring and similar costs of £18.3 million (2022: £13.0 million) and the amortisation of intangible assets arising on the acquisition of subsidiary undertakings of £10.4 million (2022: £7.3 million). The restructuring costs comprise redundancy costs, impairment charges and other expenses arising from the decisive action taken during the year in response to the challenging market conditions. This includes £8.3 million of non-cash charges and £10.0 million of cash costs. The contingent consideration charge reflects an increase in the expected payments in respect of the acquisition of Viridian Solar based on the strong performance of that business. The disposal of Marshalls NV on 13 April 2023 resulted in a profit on disposal of £0.6 million (2022: impairment charge of £10.2 million). In 2022, adjusting items included transaction related costs and a fair value adjustment to inventory, both of which were associated with the Marley acquisition.

Profit and loss account

The Group's profit and loss account from reported operating profit through to profit after taxation on both an adjusted and reported basis is set out in the following table.

	Adjusted 2023 £'m	Reported 2023 £'m	Adjusted 2022 £'m	Reported 2022 £'m	Adjusted change %	Reported change %
Operating profit	**70.7**	**41.0**	101.1	47.9	(30%)	(14%)
Net finance costs	**(17.4)**	**(18.8)**	(10.7)	(10.7)	–	–
Profit before taxation	**53.3**	**22.2**	90.4	37.2	(41%)	(40%)
Taxation	**(11.2)**	**(3.8)**	(17.1)	(10.7)	–	–
Profit after taxation	**42.1**	**18.4**	73.3	26.5	(43%)	(31%)
Earnings per share – pence	**16.7p**	**7.4p**	31.3p	11.4p	(47%)	(35%)

Net finance costs

Adjusted net finance costs were £17.4 million (2022: £10.7 million) and £18.8 million on a reported basis. The expense comprises financing costs associated with the Group's bank borrowings of £14.7 million (2022: £8.2 million), IFRS 16 lease interest of £2.5 million (2022: £2.4 million) and a pension related expense of £0.2 million (2022: £0.1 million). The increase in adjusted financial costs in the period reflects the impact of a full twelve months of the additional debt financing used to part-fund the acquisition of Marley and the increase in base rates. The reported interest charge includes a non-cash, one-off accounting charge of £1.4 million arising from the Board's decision to augment the benefits of certain pensioners who would have otherwise suffered hardship due to a reduction in pension payments following a review to correct historical benefit issues (see page 128 for further details).

Taxation

The adjusted effective tax rate was 21.0 per cent (2022: 18.9 per cent), which is lower than the average UK headline rate of corporation tax of 23.5 per cent. On a reported basis the effective tax rate was 17.1 per cent. The Group has paid £10.4 million (2022: £11.6 million) of corporation tax during the year.

For the tenth year running, Marshalls has been awarded the Fair Tax Mark, which recognises social responsibility and transparency in a company's tax affairs. The Group's tax approach has long been closely aligned with the Fair Tax Mark's objectives and this is supported by the Group's tax strategy and fully transparent tax disclosures. Considering not only corporation tax but also PAYE and NI paid on our employee wages, aggregate levy, VAT, fuel duty and business rates, the Group has contributed taxation of £101 million (2022: £108 million) to the UK government.

Trading performance continued

Earnings per share

Adjusted earnings per share was 16.7 pence in 2023 (2022: 31.3 pence), which represents a reduction of 47 per cent compared to 2022. Reported earnings per share was 7.4 pence (2022: 11.4 pence), which is lower than the adjusted performance due to the impact of the adjusting items and their tax effect.

Cash flow

As part of its response to weaker end market activity levels, the Board has focused on cash and capital efficiency with the aim of reducing the Group's net debt. This has principally been focused on aligning working capital levels with market demand, at the expense of the efficiency of the Group's factories, reprioritising capital expenditure plans, and selling surplus land. As a result of this, reported net debt reduced by £19.0 million as set out in the following table.

	2023 £'m	2022 £'m
Adjusted operating profit	**70.7**	101.1
Depreciation and amortisation	**43.3**	42.2
Working capital and other movements	**(3.9)**	(19.1)
Adjusting items paid	**(5.5)**	(17.4)
Adjusted cash generated from operations	**104.6**	106.8
Finance costs	**(16.5)**	(9.9)
Taxation	**(10.4)**	(11.6)
Adjusted cash flow from operating activities	**77.7**	85.3
Acquisition cash flows	**(4.4)**	(195.5)
Dividends	**(31.6)**	(38.7)
Net capital expenditure	**(13.9)**	(28.7)
Principal portion of lease payments	**(9.6)**	(11.1)
Other items	**0.8**	(6.8)
Change in net debt	**19.0**	(195.5)
Opening net debt	**(236.6)**	(41.1)
Closing net debt	**(217.6)**	(236.6)

The Group reported a net cash inflow from working capital and other movements during the period, which reflects decisions taken to align inventory levels with market demand alongside tight management of trade accounts receivable. The Group reported strong cash conversion with adjusted operating cash flow (before adjusting items paid) of 106 per cent of adjusted EBITDA.

Finance cash flows increased in line with the Group's higher finance costs whilst taxation cash flows reduced due to lower profitability. Acquisition cash flows comprised a contingent consideration payment in respect of the acquisition of Viridian Solar alongside the impact of the disposal of Marshalls NV on cash balances. Dividend payments reduced compared to 2022 due to lower profitability with no change to the Group's dividend policy of maintaining two times cover of adjusted earnings per share. Net capital expenditure of £13.9 million comprised capital expenditure of £20.8 million partially offset by receipts from asset disposals totalling £6.9 million. Adjusting items paid during the year were in respect of restructuring charges.

Balance sheet

Total capital employed reduced by £38.8 million due to the amortisation of intangible assets arising on acquisitions, a reduction in the carrying value of property, plant and equipment, lower net working capital and a reduction in the balance sheet valuation of the net pension asset. Our key medium-term financing priority is to utilise the cash generated by the enlarged Group to reduce leverage. We will continue to invest in organic capital investment opportunities and new product development where these actions support our strategic goals.

	2023 £'m	2022 £'m
Goodwill	**324.4**	322.6
Intangible assets	**227.5**	237.1
Property, plant and equipment and right-of-use assets	**291.1**	303.5
Net working capital	**91.0**	109.7
Net pension asset	**11.0**	22.4
Deferred tax	**(84.1)**	(89.4)
Other net balances	**(2.0)**	(8.2)
Total capital employed	**858.9**	897.7
Reported net debt	**(217.6)**	(236.6)
Net assets	**641.3**	661.1

Goodwill and intangible assets

Goodwill is not amortised and subject to an impairment review on at least an annual basis. The latest review was conducted at December 2023 and this did not indicate an impairment of the asset. Details of this review are set out on page 124 within the Financial Statements. Intangible assets principally comprise assets that arose on the acquisition of subsidiaries and software and are amortised over their useful lives. The amortisation charge in 2023 totalled £12.1 million, and of this £10.4 million related to the amortisation of assets arising on acquisitions of subsidiaries which are accounted for as an adjusting item.

Pensions

The balance sheet value of the Group's defined benefit pension scheme ('the Scheme') was a surplus of £11.0 million (2022: £22.4 million). The amount has been determined by the Scheme's pension adviser using appropriate assumptions which are in line with current market expectations. The fair value of the scheme assets at 31 December 2023 was £250.4 million (2022: £254.9 million) and the present value of the scheme liabilities is £239.4 million (2022: £232.5 million). The total loss recorded in the Statement of Comprehensive Income net of deferred taxation was £7.4 million (2022: £2.3 million loss). The principal driver of the actuarial loss was a 0.3ppt reduction in AA corporate bond rate used to discount the scheme's liabilities at December 2023, which increased the current value of the liabilities, partially offset by an actuarial gain (net of deferred taxation) of £2.4 million arising from the resolution of certain historical benefit issues. This resolution also resulted in a past service cost of £1.4 million, which has been included in the Income Statement and accounted for as an adjusting item (see note 4). The last formal actuarial valuation of the defined benefit pension scheme was undertaken on 5 April 2021 and resulted in a surplus of approximately £24.3 million, on a technical provisions basis, which was a funding level of 107 per cent. The Company has agreed with the Trustee that no cash contributions are payable under the current funding and recovery plan. The next actuarial valuation is scheduled for 5 April 2024.

Debt funding

Debt funding is summarised in the following table.

	2023 £'m	2022 £'m
Net borrowings on a pre-IFRS 16 basis	**(172.9)**	(190.7)
Leases	**(44.7)**	(45.9)
Reported net debt	**(217.6)**	(236.6)

Reported net debt was £217.6 million at 31 December 2023 (2022: £236.6 million), including £44.7 million (2022: £45.9 million) of IFRS 16 lease liabilities. On a pre-IFRS 16 basis, net debt was £172.9 million (2022: £190.7 million). The total facility at December 2023 was £370 million comprising a £210 million term loan and £160 million revolving credit facility. The Board repaid £30 million of the £210 million term loan in January 2024 in order to ensure the efficient management of borrowings and finance costs. The Group's revolving credit facility of £160 million was undrawn at the year end (2022: £120.1 million), which, together with the reduced term loan, provides the Group with significant liquidity to fund its strategic and operational plans going forward. Following the £30 million reduction in the term loan, the syndicated debt facility totals £340 million with the majority of it maturing in April 2027.

The facility is charged at variable rates based on SONIA plus a margin and interest rate hedging is in place at a rate of around three per cent for £120 million of nominal borrowings for various durations out to June 2026. The Group's bank facilities continue to be aligned with the strategy to ensure that headroom against available facilities remains at appropriate levels and are structured to provide balanced and committed medium-term debt.

At December 2023, on an adjusted, pre-IFRS 16 proforma covenant test basis, and after adding back the impact of adjusting items the relevant ratios were achieved comfortably and were as follows:

- EBITA: interest charge – 5.2 times (covenant test requirement – to be greater than 3.0 times).
- Net debt: EBITDA – 1.9 times (covenant test requirement – to be less than 3.0 times).

Return on capital employed

	2023 £'m	2022 £'m
Adjusted EBITA	**72.4**	119.3
Capital employed	**858.9**	897.7
Adjusted ROCE	**8.4%**	13.3%

Adjusted ROCE was 8.4 per cent (2022: 13.3 per cent) with the year on year reduction arising from the impact that weak demand had on business volumes and profitability. We expect adjusted ROCE to increase progressively in the medium term to around 15 per cent as volumes normalise and we benefit from operational leverage.

Capital allocation policy

Marshalls continues to recognise the three guiding principles of security, flexibility and efficiency in the determination of its capital structure. The Group's optimal capital structure supports the Group's current strategic objectives, but also reflects the economic background and the cyclical nature of the construction sector. The Group's capital allocation policy is to maintain a strong balance sheet and flexible capital structure. There have been no changes to the capital allocation policy during 2023 and the elements are:

1. To invest in organic growth opportunities – the Board expects to invest around £15 to £20 million in capital expenditure in 2024 with a focus on efficiency and maintenance expenditure given the latent capacity that is available across the manufacturing network.
2. To continue to invest in research and development and new product development – this will be focused on low carbon and energy efficiency products and the Board expects to maintain expenditure at similar levels to previous years.
3. To maintain dividend cover of two times adjusted earnings – the proposed total dividend for the year of 8.3 pence per share (2022: 15.6 pence) is in line with this policy.
4. To focus on deleveraging the balance sheet – the Board will utilise cash generated by the Group to prioritise deleveraging over any significant M&A activity until leverage has been reduced to around one times EBITDA (2023: 1.9 times).
5. To consider bolt-on M&A opportunities where we see good businesses in attractive markets that will add value to the Group's product offer and shareholders.

Going concern

In assessing the appropriateness of adopting the going concern basis in the preparation of the Annual Report, the Board has considered the Group's financial forecasts and its principal risks for a period of at least twelve months from the date of this report. The forecasts included projected profit and loss, balance sheet, cash flows, headroom against debt facilities and covenant compliance. The financial forecasts have been stress tested in downside scenarios to assess the impact on future profitability, cash flows, funding requirements and covenant compliance. The scenarios comprise a more severe economic downturn (which represents the Group's most significant risk) than that included in the base case forecast, and a reverse stress test on our financial forecasts to assess the extent to which an economic downturn would need to impact on revenues in order to breach a covenant. This showed that revenue would need to deteriorate significantly from the financial forecast and the Directors have a reasonable expectation that it is unlikely to deteriorate to this extent (see page 54 for further details).

Details of the Group's funding position are set out in Note 20. At 31 December 2023, £160 million of the facility was undrawn. There are two financial covenants in the bank facility that are tested on a semi-annual basis and the Group maintains good cover against these with pre-IFRS 16 net debt to EBITDA of 1.9 times (covenant maximum of three times) and interest cover of 5.2 times (covenant minimum of three times).

Taking these factors into account, the Board has the reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future and for this reason, the Board has adopted the going concern basis in preparing this Annual Report.

Justin Lockwood
Chief Financial Officer
18 March 2024

Managing risk is a key factor in the **delivery of the Group's strategic objectives**

The Board plays a central role in the Group's risk management process which covers all forms of strategic, operational and financial risk and incorporates scenario planning and detailed stress testing.

Achievements in 2023

There continue to be external risks and significant volatility in UK and world markets driven by conflicts around the world, the impact to inflation and increases in interest rates. In an addition to the macro-economic environment, the key risks for the Group continue to be cyber security, climate change and other ESG related issues. All these areas are considered in more detail on pages 55 to 61. In all these cases, specific risk assessments continue to be reviewed and certain new operating procedures developed, such as ensuring clear responsibilities for monitoring legislative changes in the TCFD requirements. Mitigating controls continue to be reviewed as appropriate. The Group's risk function has placed particular emphasis on the following areas during the year:

- The Group's resilience and flexibility in response to macro-economic uncertainty has been a major focus during the year, as we continue to transition to a more flexible cost base and structure across the organisation and removing complexity.
- The Group's process and internal financial controls review resulted in the development of a Risk and Control Matrix ("RACM") for all identified in-scope processes, in order to record the key controls and associated metadata of the end-to-end process and to identify and remedy any control gaps identified. KPMG has provided support to this project and during 2023 registers have been developed and resolutions developed where improvements can be made.
- Cyber risk has continued to be a major focus in light of increasing external threats. Ongoing reviews, with additional resource, continue to be undertaken using both internal and external specialists. Practical support and guidance, together with additional cyber security training, are provided to facilitate home working and this continues to be a priority. The Group has also taken cyber insurance cover for part of the business for the first time.

The Group completed a number of targeted internal audit projects during 2023 covering the following areas:

- Microsoft Dynamics 365 implementation;
- continued support on the project to review the Group's financial control environment;
- cyber security; and
- ESG reporting.

The internal audits include "risk-based" audits, identified as a result of assessing the Group's key risks. They also include audits identified to cover key operational, financial, IT and regulatory areas subject to routine cyclical coverage.

Priorities for 2024

The priorities for the Group's risk function in 2024 include the following areas:

- the completion of a number of targeted projects will again be a major focus for the Group. In 2024, projects will cover health and safety and lease accounting; and
- continuing to support the Group's reform project to review the internal control environment.

Approach to risk management

Risk management is the responsibility of the Board and is a key factor in the delivery of the Group's strategic objectives. The Board establishes the culture of effective risk management and is responsible for maintaining appropriate systems and controls.

The Board sets the risk appetite and determines the policies and procedures that are put in place to mitigate exposure to risks. The Board plays a central role in the Group's risk review process, which covers emerging risks and incorporates scenario planning and detailed stress testing.

Risk management framework

The Board:
- determines the Group's approach to risk, its policies and the procedures that are put in place to mitigate exposure to risk.

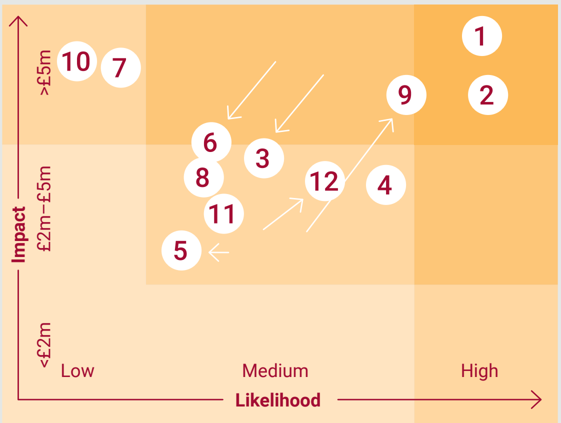
The Audit Committee:
- has delegated responsibility from the Board to oversee risk management and internal controls;
- reviews the effectiveness of the Group's risk management and internal control procedures; and
- monitors the effectiveness of the internal audit function and the independence of the external audit.

Executive Directors:
- are responsible for the effective maintenance of the Group's Risk Register;
- oversee the management of risk;
- monitor risk mitigation and controls; and
- monitor the effective implementation of action plans.

Internal audit:
- independently reviews the effectiveness of internal control procedures;
- reports on effectiveness of management actions; and
- provides assurance to the Audit Committee.

Operational managers:
- are responsible for the identification of operational and strategic risks;
- are responsible for the ownership and control of specific risks;
- are responsible for establishing and managing the implementation of appropriate action plans; and
- are responsible for the impact of controls (net basis).

Risk heatmap (net risk scores)



1 Macro-economic and political
2 Cyber security risks
3 Security of raw material supply
4 Long-term impacts of climate change
5 Human rights considerations
6 Short-term impacts of weather events
7 Threat from new technologies and business models/ increased pace of digital change
8 Corporate, legal and regulatory
9 Competitor activity
10 Project delivery of major strategic business projects and change management
11 Health and safety
12 People risk

Process

There is a formal ongoing process to identify, assess and analyse risks, and those of a potentially significant nature are included in the Group Risk Register.

The Group Risk Register is updated by the Executive Management team at least every six months and the overall process is the subject of regular review by the Board. Risks are recorded with a full analysis, and risk owners are nominated who have authority and responsibility for assessing and managing the risk. KPMG LLP, as the Group's internal auditor, attends the risk review meetings alongside Deloitte LLP, the Group's external auditor. The process continues to be a robust mechanism for monitoring and controlling the Group's principal risks, and for challenging the potential impact of new emerging risks. All risks are aligned with the Group's strategic objectives, each risk is analysed in terms of likelihood and impact to the business and the determination of a "gross risk score" enables risk exposure to be prioritised.

The Group seeks to mitigate exposure to all forms of strategic, financial and operational risk, both external and internal. The effectiveness and impact of key controls are evaluated and this is used to determine a "net risk score" for each risk. The process is used to develop detailed action plans that are used to manage, or respond to, the risks, and these are monitored and reviewed on a regular basis by the Group's Audit Committee and the Board.

The Group has a formal framework for the ongoing assessment of operational, financial and IT-based controls. The overriding objective is to gain assurance that the control framework is complete and that the individual controls are operating effectively. This assurance will be enhanced in response to the FRC's change to the Corporate Code that becomes effective from January 2026.

Approach to risk management continued

Risk appetite

The Group is prepared to accept a certain level of risk to remain competitive, but continues to adopt a conservative approach to risk management. In assessing risk appetite, the aim is to ensure that internal controls and risk mitigation measures are designed to reduce the net risk score to a point that aligns with the identified risk appetite. The aim is to ensure that we continue to channel resources to those mitigation measures and controls that specifically reduce risk to areas where we have a net risk score that lies outside our acceptable risk appetite. The risk framework is robust and provides clarity in determining the risks faced and the level of risk that we are prepared to accept. Marshalls' strategies are designed to either treat, transfer or terminate the source of the identified risk.

Viability Statement

After considering the principal risks on pages 55 to 61, the Directors have assessed the prospects of the Group over a longer period than the period of at least twelve months required by the 'going concern' basis of accounting. The Directors consider that the Group's risk management process satisfies the requirements of provision 31 of the UK Corporate Governance Code.

The Board considers annually, and on a rolling basis, a strategic plan, which is assessed with reference to the Group's current position and prospects, the strategic objectives and the operation of the procedures and policies to manage the principal risks that might threaten the business model, future performance and target capital structure. In making this assessment, the Board considers emerging risks and longer-term risks and opportunities. The aim is to ensure that the business model is continually reviewed to ensure it is sustainable over the long term. Security, flexibility and efficiency continue to be the guiding principles that underpin the Group's capital structure objectives. The Group's funding strategy is to ensure that headroom remains at comfortable levels under all reasonable planning scenarios.

For the purposes of the Viability Statement, the Board continues to believe that three years is an appropriate period of assessment as this aligns with the current planning horizon. Although our central forecasting models cover a five-year period, it remains the case that there is less visibility beyond three years. The Construction Products Association's ('CPA') forecasts currently go out to 2025. This remains compatible with the five-year Strategy and the longer-term objectives for our strategic growth pillars over a five-year period. The Group's financial forecast includes an integrated model that incorporates the Income Statement, balance sheet and cash flow projections. The detailed stress testing reflects the principal risks that could impact the Group and could conceivably threaten the Group's ability to continue operating as a going concern. The assessment concluded that the deteriorating macro-economic environment is the key risk for this purpose and, in response to this, two scenarios have been run, namely a 'reasonable worst-case scenario' and a 'reverse stress test'.

The reasonable worst-case scenario comprises a significant stress test sensitivity run against the base case model. This sensitivity reflects a scenario that incorporates twice the downside assumed between the CPA's central case and lower scenario from its 2023/2024 Winter forecast. This scenario results in a cumulative revenue reduction of five per cent during 2024 and 2025 against the base case forecast. An operating 'drop-through' rate has been applied based on the operational gearing of each business unit. Under the downside model, net debt reduces to £198 million (£155 million on a pre-IFRS 16 basis) by the end of 2024, and bank covenants are still comfortably met throughout the viability period, to December 2026. The net effect of reduced operating profit is mitigated by reduced tax and dividend cash flows. There remains comfortable headroom against bank facilities and bank covenants are comfortably met with the pre-IFRS 16 net debt to adjusted EBITDA covenant peaking at 1.9 in June 2024. In practice, under such a downside scenario the Group could instigate certain mitigation measures to reduce costs and capacity and to manage cash.

For the purposes of Going Concern assessment, we have applied a reverse stress test scenario to identify a deeper downside trading position that would give rise to a covenant breach. Against the base budget revenue, a reduction of 20 per cent alongside an operating profit 'drop through' of around 40 per cent would be required during 2024 to breach a covenant at 31 December 2024. This is after assuming the benefit of £10 million of cost savings, a reduction in capital expenditure and pausing dividend payments. This scenario equates to over nine times the volume downside assumed between the CPA's central case and lower scenario from its 2023/2024 Winter forecast. This reverse stress test scenario reduces revenue by approximately £135 million during 2024. There remains reasonable headroom against bank facilities, but the EBITA: finance costs bank covenant marginally breaches three times at 31 December 2024.

In undertaking its review, the Board has considered the appropriateness of the key assumptions, considering the external environment and the Group's strategy and risks. Based on this assessment, and taking account of the Group's principal risks and uncertainties, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due for the next three years. The reverse stress test scenario provides an indication of the scale of downturn that could be absorbed by the Group. The analysis provides the required evidence for the Directors' assessment that the going concern assumption remains appropriate and supports a positive conclusion for the longer-term Viability Statement.

Links to corporate pillars

- Shareholder value
- Sustainable profitability
- Relationship building
- Organic expansion
- Brand development
- Effective capital structure and control framework

Read more about our strategy on **pages 22 to 25**

Impact on business model

- Sourcing
- Manufacturing
- Distribution
- Customers

Read more about our business model on **pages 6 and 7**

Principal risks and uncertainties

The Directors have undertaken a robust, systematic assessment of the Group's emerging and principal risks. These have been considered within the timeframe of three years, which aligns with our Viability Statement on page 54. The risk process has increasingly allocated greater focus on emerging risks and risk outlook. The reporting includes more detailed assessments of proximity (how far away in time the risk will occur) and velocity (the time that elapses between an event occurring and the point at which the effects are felt).

1. Macro-economic and political

Nature of risk and potential impact

The Group is dependent on the level of activity in its end markets. Accordingly, it is susceptible to economic downturn, the impact of Government policy, volatility in UK and world markets and supply chain and labour market issues. During 2023, higher interest rates and significant cost inflation have created a cost of living crisis for large elements of the UK population. This uncertainty has impacted market sentiment and this has been exacerbated by the increasing impact of wider geo-political factors (including the conflict in Ukraine and the Middle East) and the impact of unprecedented levels of Government borrowing. These factors led to a significant reduction in new house building and lower private housing RMI activity.

Potential impact

The potential longer-term impact of macro-economic uncertainty and continued cost inflation and higher interest rates could further reduce consumer confidence and demand and lead to lower activity levels. This could have an adverse effect on the Group's financial results. There continues to be volatility in world markets and global economic uncertainty continues to be a risk. A continuation of high interest rates and inflation could lead to disrupted markets over a more extended period.

Key risk indicators

- Increasing inflation, gilt rates and interest rates.
- An escalation of the war in Ukraine and the Middle East and other increased global uncertainty.
- Reductions in consumer confidence and order pipeline.

Mitigating factors

- The Group closely monitors trends and lead indicators, invests in market research and is an active member of the CPA.
- The Group benefits from the diversity of its business and end markets.
- The proactive development of the product range also continues to offer protection.
- The Group undertakes scenario planning to support improved business resilience.
- The Group continues to focus on those market areas where growth prospects are greatest.
- Restructuring activities have reduced the Group's cost base.
- Focus on innovation, new product development and the ESG-driven opportunities to drive competitive advantage.

Change

No change in risk

The UK Government's stated objective is to support construction and significant investment support for infrastructure and housing is expected over the medium term; however, the short-term outlook for construction continues to be weak. The economic slowdown has resulted in a loss of business and consumer confidence in 2023, leading to delays in investment decisions. It appears increasingly likely that the current interest rate cycle has peaked leading to lower borrowing cost expectations which should support increasing activity levels in the Group's key end markets.

Priorities

- Regular scenario planning to assess various market risks and disruptive events.
- Strategic reviews focusing on business resilience and diversification.
- Increase operational efficiency and maintain flexibility in the manufacturing network.

Links to corporate pillars

Impact on business model

Principal risks and uncertainties continued

2. Cyber security risks

Nature of risk and potential impact

Constantly evolving and indiscriminate risk of cyber-attack.

Inadequate controls and procedures to protect intellectual property, sensitive employee information and market influencing data.

The failure to improve controls against cyber security risk quickly enough, given the rapid pace of change and the continuing threat of ransomware and denial of service attacks, as well as any new cyber threats.

Heightened risk as IT is increasingly integrated into all business processes including the industrial network and equipment.

The introduction of AI-led attacks which make it harder to identify, prevent and mitigate due to the increased sophistication.

Potential impact

Operational disruption and financial loss due to the increased dependence on IT from the Group's industrial and corporate networks and equipment. As well as data loss, fraud and fines causing financial and reputational risk.

Key risk indicators

- Emergence of new and evolving cyber security risks.
- Increased examples of data loss and security breaches in the wider market, with specific focus on manufacturing and construction.

Mitigating factors

- IT security policies and procedures aligned to internationally recognised standards.
- Regular external cyber security risk audits undertaken by specialists and the use of industry recognised controls and procedures.
- Annual penetration and vulnerability tests of external and internal systems and networks.
- A continuous programme of awareness, training, and phishing simulation for staff.
- Appropriate tools and training procedures are in place to protect sensitive data when stored and transmitted between parties.
- Industry-recognised cyber security tools and software.
- Cyber insurance to cover business interruption, loss of earnings and response services for the majority of the Group.
- Deployment of additional controls to help prevent and respond to a ransomware attack.
- Improvements and testing of our incident response process including business-wide simulations and playbooks.

Change

No change in risk

The Group's cyber maturity assessment continues to improve but cyber remains a high-profile area. We are witnessing more incidents, especially in the construction industry. Improvements have been made to the cyber control environment in Marley to bring it in line with that of Marshalls; however, this continues to be an area of focus. Considerable effort continues to be given to promoting awareness of cyber security threats and our own IT security policies. The risk of data loss through new (or unknown) security threats continues to increase.

Priorities

- Bolster our controls of our industrial network and equipment.
- Continue to develop cyber risk strategy.
- Alignment of controls in Marley.
- Improve our cyber security response plans and identify and rectify any gaps.

Links to corporate pillars

Impact on business model

3. Security of raw material supply/raw material and labour shortages

Nature of risk and potential impact

Globally, the impact of the ongoing Ukrainian and Middle East conflicts coupled with general energy supply continues to impact material availability and has resulted in significant cost inflation.

There continues to be availability issues with imported materials and longer term there is a risk of "carbon taxation".

Potential impact

Cost inflation or interruption of supply could lead to customer dissatisfaction and reduce demand and margins.

Key risk indicators

- Temporary shortages and cost inflation, impacting materials and labour.
- Decreases in labour availability and skills shortages, particularly in engineering.

Mitigating factors

- The Group benefits from the diversity of its business and end markets.
- The acquisition of Marley has increased diversification and created additional procurement opportunities.
- Maintaining adequate, but not excessive, stocks.
- Collaboration with all EU-based tier one and tier two suppliers to ensure any supply risks are minimised.
- The digitalisation of the supply chain through the implementation of a best-in-class Supply Relationship Management System.
- The Group focuses on its supplier relationships, flexible contracts and long-term supply agreements, the use of hedging instruments and the use of flexible freight forwarding options.
- The Group utilises sales pricing and purchasing policies designed to mitigate the risks.
- Consideration of alternative technologies, including the reduction of cement content.

Change

Reduced risk

Continued weak demand has led to reduced availability issues, although cost inflation has continued.

The risk of temporary shortages is mitigated by proactive supply chain management and the use of alternative suppliers.

Priorities

- Increase productivity and manufacturing efficiency.
- Continue to develop supply chain strategies to reduce risk.

Links to corporate pillars

Impact on business model

Links to corporate pillars

- Shareholder value
- Sustainable profitability
- Relationship building
- Organic expansion
- Brand development
- Effective capital structure and control framework

Read more about our strategy on **pages 22 to 25**

Impact on business model

- Sourcing
- Manufacturing
- Distribution
- Customers

Read more about our business model on **pages 6 and 7**

4. Long-term impacts of climate change

Nature of risk and potential impact

Increasing focus on ESG and the heightened awareness of environmental challenges, with increased operational and reporting requirements, hardening targets and greater scrutiny by investor and stakeholder groups.

The acquisition of Marley means we are having to review and revise our targets and environmental roadmap to reflect the change in energy consumption profile.

Risk of allocating insufficient resource and investment to support our environmental roadmap and product innovation towards adaptation.

A summary of more specific environmental risks is included in the ESG section on pages 46 and 47.

Potential impact

Risk that investors and customers could reduce support if the Group failed to improve performance against targets or did not report appropriately. Risk of customers switching products away from those with a higher carbon footprint.

Cost impact of the "Environmental Protocol" and mitigation programmes could lead to increasingly expensive processes.

Key risk indicators

- Negative feedback from stakeholders – loss of business and investment.
- Failure to meet internal targets.

Mitigating factors

- The Group utilises experienced, specialist staff to support the Group's focus in this area.
- Clear governance structure and reporting processes in place. ESG Board Committee meetings supported by an experienced ESG Steering Committee with Executive and Board level representation. This is further supported by an ESG Delivery Team with responsibility for delivering the ESG strategy.
- Specialist third parties including the Carbon Trust and Verisk Maplecroft (see further details on pages 44 and 45).
- Climate risk analysis.
- Agreed carbon reduction plan and a set of KPIs established.
- The Group is committed to the SBTi and a new Group plan is now being developed to include the impact of the Marley business on our Group carbon footprint.
- Working groups established in all focus areas and controls being progressively embedded across the business, including the Climate Disclosures Working Group.

Change

No change in risk

Significantly heightened focus from stakeholders, Government, customers and investors.

Expectation of clarity over financial impact of strategic plans and transition risk. TCFD and CFD disclosure requirements.

Priorities

- Integration of Marley into the Group's ESG policies and procedures.
- Re-calculation of carbon reduction targets and net zero timeline to include Marley.
- Ongoing assessment of climate change and risks for production, facilities, products and distribution.
- Monitor progress on strategy covering targets, products and business processes.
- Review of opportunities to improve ESG reporting.

Links to corporate pillars

Impact on business model

5. Human rights

Nature of risk and potential impact

Lack of visibility of human rights within the supply chain.

Increased global attention on modern slavery and diversity reporting.

The continuing requirement to identify risk across the whole supply chain and the need to maintain reliable and consistent internal systems, processes and procedures.

A summary of more specific social risks is included in the Sustainability section on pages 38 to 43.

Potential impact

Risk that stakeholders could reduce support if the Group failed to address issues around modern slavery and diversity appropriately.

Key risk indicators

- Negative feedback from stakeholders – loss of business and investment.
- Inadequate data to support systems and procedures.
- Increase in general level of disclosure required and administrative compliance.
- Failure to make tender lists if basic due diligence requirements are not met.

Mitigating factors

- Human rights strategy oversight by the ESG Steering Committee and revised ESG governance framework.
- The Group utilises experienced, specialist staff to support the Group's focus in this area and the development of a comprehensive strategy.
- Regular internal cross-functional meetings to discuss progress, issues and focus areas.
- Specific supply chain human rights training for entire procurement team.
- Annual analysis of sourcing country risk.
- Focus on ethical sourcing processes with BES 6001.
- Working groups established in all focus areas.

Change

Reduced in risk

Focus from stakeholders, Government, customers and investors and increased operational and reporting requirements. Disposal of the business in Belgium reduces this risk for the Group.

Priorities

- Strategic partnership working with stakeholders including UK and overseas governments, NGOs and industry groups.
- Increase focus on the development of the Group's comprehensive strategy.
- Develop robust IT platform for data collection and analysis.
- Use of independent third-party audits to cover more regions and product lines.

Links to corporate pillars

Impact on business model

Principal risks and uncertainties continued

6. Impact of weather events

Nature of risk and potential impact
Increasingly unpredictable weather conditions and extreme weather events. Increased incidence of flooding and droughts across the country.

The longer-term implications of climate change give rise to the transition risk of not addressing the challenges quickly enough.

Potential impact
Disruption to supply chain and operations that might reduce short-term activity levels.

Operational difficulties at manufacturing sites due to flooding and droughts.

Financial risk caused by adverse impact on margins and cash flows as well as sales and production volumes.

Key risk indicators
- Prolonged periods of bad weather (e.g. snow, ice and floods) which make ground working difficult or impossible.
- Changing public perceptions of the longer-term implications of climate change.

Mitigating factors
- Diversity of the business.
- The Group utilises centralised specialist functions to support mitigation plans and the management of relationships on commercial contracts.
- Climate change risk analysis in place.
- Commitment to water harvesting and recycling schemes.
- The development of resilience strategies for climate change is a key element of the Group's Climate Change Policy.
- The development of the Group's Water Management business and the continuing focus on new product development.

Change
Reduced in risk
Weather conditions continue to be closely monitored but are beyond the Group's control.

Significant increase in public awareness of climate change.

Priorities
- Continue to develop resilience strategies.
- Development of Civils and Drainage business.

Links to corporate pillars

Impact on business model

7. Threat from new technologies and business models, and the increased pace of digital change in the market

Nature of risk and potential impact
Reduction in demand for traditional products. Risk of new competitors and new substitute products appearing although this risk is set against a challenging 2024 outlook.

Failure to react to market developments, including digital and technological advances.

Competitor application of AI to add value to customer offer.

Potential impact
The increased competition could reduce volumes and margins on traditional products.

Increased costs and production capacity tied up in redundant technologies.

There is also the risk that a disruptor could use emerging digital technology to enter the market through non-traditional routes to market.

Loss of business to competitors who deliver advantage through AI.

Key risk indicators
- Less demand for traditional products and routes to market.
- Emergence of new competitors and new digital business models.
- More widespread availability of artificial intelligence technology.

Mitigating factors
- Good market intelligence and ongoing monitoring of competitive threats.
- Flexible business strategy able to embrace new technologies.
- Significant focus on research and development and new products.
- A focus on the ease of doing business with the Group.
- Specification strategy to keep us close to customers.
- Use of AI in quotation process.

Change
No change in risk
The ongoing diversification of the business, the continued development of the Group's brands and the focus on new products and greater manufacturing efficiency continue to mitigate the risk.

The pace of digital change in the market continues to increase although this is balanced by a challenging outlook.

Priorities
- Increase pace of digital change and technological solutions (e.g. Dropship).
- Focus on cost reduction and projects that improve business flexibility and agility.

Links to corporate pillars

Impact on business model

8. Corporate, legal and regulatory

Nature of risk and potential impact	Key risk indicators	Mitigating factors	Change
Inadvertent failure to comply with elements of a significantly increased governance, legislative and regulatory business environment. The Group may be adversely affected by an unexpected reputational event, e.g. an issue in its supply chain or due to a health and safety incident, media, NGO exposé on a sector, region or supplier. *Potential impact* Significant increases in the penalty regime across all areas of business (e.g. health and safety, competition law, the Bribery Act and GDPR) could lead to significant fines and/or prosecution in the event of a breach. A health and safety or environmental incident could lead to a disruption to production and the supply of products for customers. Such incidents could lead to prosecutions, increased costs and have a negative impact on the Group's reputation.	• Increased regulatory and compliance requirements. • Integration requirements for new acquisitions. • Significant increases in the penalty regime for health and safety and environmental incidents. Penalty regimes becoming generally more punitive.	• Centralised legal and other specialist functions, the use of specialist advisers and ongoing monitoring and mandatory compliance training programmes. • Centralisation of certain Marley functions into the central legal team. • Regular reviews of policies and procedures. • Regular compulsory data protection training. • The Group has a formal Group ESG strategy focusing on impact reduction. • The Group employs compliance procedures, policies, ISO standards and independent audit processes which seek to ensure that local, national and international regulatory and compliance procedures are fully complied with. • The Group uses professional specialists covering carbon reduction, water management and biodiversity.	*No change in risk* The significant increase in governance requirements and regulation continues to require additional management focus and robust compliance procedures within all areas of the business. *Priorities* • Continue to review and, where appropriate, renew all compliance processes and control effectiveness. • Develop stress tests and crisis planning procedures.

Links to corporate pillars

Impact on business model

9. Competitor activity

Nature of risk and potential impact	Key risk indicators	Mitigating factors	Change
The Group has a number of existing competitors which compete on range, price, quality and service. Potential low price competitors may be attracted into the market despite the challenging outlook in 2024. Competitive risk increases if we fail to achieve a sustainable competitive advantage through our approach to customer service and innovation. *Potential impact* Increased competition could reduce volumes and margins on manufactured and traded products. Erosion of brand equity if the Group loses competitive advantage.	• Threat from new low-cost competitors and new technologies. • Less demand for traditional products and the increased emergence of new digital business models and product solutions. • Gross margins under pressure.	• The Group has unique selling points that differentiate the Marshalls branded offer. • The Group focuses on quality, service, reliability and ethical standards that differentiate Marshalls from competitor products. • The Group has a continuing focus on new product development. • The continued development of the Group's digital strategy and its focus on customers and all stakeholders. • Restructuring programme implemented in 2023 will reduce cost base to support market competitiveness.	*Increase in risk* Risk that competitors accept lower margins putting pressure on the Group to reduce pricing. *Priorities* • New product development. • Research into green technologies. • Review marketing and communications. • Continue to review all elements of customer service, including the continuing development of KPIs. • Develop low-cost supply chain routes.

Links to corporate pillars

Impact on business model

Principal risks and uncertainties continued

10. Project delivery

Nature of risk and potential impact	Key risk indicators	Mitigating factors	Change
Ineffective management of major development projects, from initial scoping to final delivery and benefits management, due to constraints that might impact the Group's ability to absorb change. During 2023 such projects included the implementation of the D365 ERP system in the Marshalls businesses, the construction and commissioning of the dual block plant at St Ives and the successful implementation of a series of major restructuring programmes. *Potential impact* The extent and complexity of projects may cause delays and inefficiency. Potential failure to realise expected benefits from strategic business projects. Reputational damage, service under-delivery and staff retention risks.	• Delays to project delivery. • Inefficiencies in resource utilisation.	• Robust and standardised project appraisal process. • Change management framework and process in place. • Programmes are continually reviewed with strong governance and Executive oversight, including project-specific steering committees where appropriate.	*No change in risk* Although the underlying risk continues, effective control and the ongoing development of an appropriate management framework continue to mitigate the risk. *Priorities* • Develop strategies to manage growth. • Ongoing reviews of acquisition strategy and the business model.

Links to corporate pillars

Impact on business model

11. Health and safety

Nature of risk and potential impact	Key risk indicators	Mitigating factors	Change
Unexpected health and safety incident, possibly caused by human error or the actions of a subcontractor. Ongoing risks in relation to maintaining safe working environments and ensuring compliance with health and safety legislation. Ongoing welfare and mental health of employees. *Potential impact* Risk of harm to all stakeholders, including on-site employees and subcontractors. Significant increases in penalty regime could lead to significant fines and prosecution. A major incident could lead to a disruption to production and a negative impact on the Group's reputation.	• Significant increases in the penalty regime. • Increase in HSE contravention notices.	• Centralised specialist functions (including Marley) and clear policies in place. • Regular communication and support for employees, including those working from home. • Mental Health First Aiders. • Group-wide health and safety strategy recognised through OGSM framework. • Ongoing monitoring, training and health and safety audits. • Introduction of a digital management system for enhanced data collection and analysis. • All senior managers receive the Marshalls Health and Safety and Environmental stage 3 training.	*No change in risk* Health and safety continues to be a high profile risk area. Increased visits from HSE to our factories over the last two years. Continuing risks include mental health and employee welfare. *Priorities* • Ensure health and safety embedded in the "day-to-day" culture. • Improve reporting structures. • Implementation of High Risk Activity ("HRA") programmes. • Implement Group health and safety management system into Marley.

Links to corporate pillars

Impact on business model

Links to corporate pillars

- Shareholder value
- Sustainable profitability
- Relationship building
- Organic expansion
- Brand development
- Effective capital structure and control framework

Read more about our strategy on **pages 22 to 25**

Impact on business model

- Sourcing
- Manufacturing
- Distribution
- Customers

Read more about our business model on **pages 6 and 7**

12. People risks

Nature of risk and potential impact

Being unable to attract and retain people with the right skills to deliver the business strategy. This risk increases in a competitive market and where there are continuing skills shortages in certain areas.

Ongoing risks and requirements concerned with training, development and succession planning. Implications of technological change and automation.

Potential impact

Inability to recruit people with required skills, calibre and potential and insufficient training and development could lead to reduced productivity and efficiency.

Implications for employee health and wellbeing and overall workforce morale.

Potential risk to the Marshalls employer brand.

Key risk indicators

- Reduced productivity and efficiency due to skills gap.
- Increased levels of voluntary staff turnover.
- Increased stress levels within workforce and potentially absenteeism.
- Employee relations becomes increasingly key as we drive change.

Mitigating factors

- Focused human resources department with experienced staff and specialist skills.
- Group People and Organisational Plan with focused plans in each area.
- Strong employee and trade union relationships.
- Strong communication channels and employee feedback through the EVG.
- Regularly seeking employee feedback via surveys and through the EVG.
- Ongoing focus on training, apprenticeships and staff development and leadership potential.

Change

Increase in risk

People continue to be a priority focus for the Group including development, health and safety and wellbeing, especially against the backdrop of business challenges seen throughout 2023. This includes multiple restructuring exercises which have adversely impacted engagement levels.

The labour market continues to be competitive with people increasingly seeking roles and organisations which offer a wider proposition including development.

Priorities

- Focused people plans across the Group building on retention and recruitment strategies.
- Focus on succession planning, development and diversity in the leadership teams.
- Continued effective communications.

Links to corporate pillars

Impact on business model

Our Section 172(1) Statement

The Board of Directors of the Company consider that they, both individually and collectively, have acted in a way that would be most likely to promote the success of the Company for the benefit of its members as a whole in the key decisions they have taken during the year ended 31 December 2023.

Pages 28 and 29 provide details of who our stakeholders are, and how the Board and the business engage with them, and examples of the influence this has on our strategy, day-to-day business management and the way the Board makes decisions.

The Board directly engages with our employees and shareholders throughout the year. This is through well-established mechanisms for engagement, details of which are set out on pages 30 to 33. The Board occasionally engages directly with customers on site visits but, in general, its engagement with our other stakeholders is mainly indirect. The Executive Directors ensure the Board is kept fully informed of any material issues with other stakeholders and how we consider their interests in our operation of the business and in the decisions we make.

The Board also receives presentations and reports from senior management as part of updates on how the business is progressing with its strategic priorities and these include stakeholder considerations. Further details of how we engage with our stakeholders are set out on pages 30 to 33.

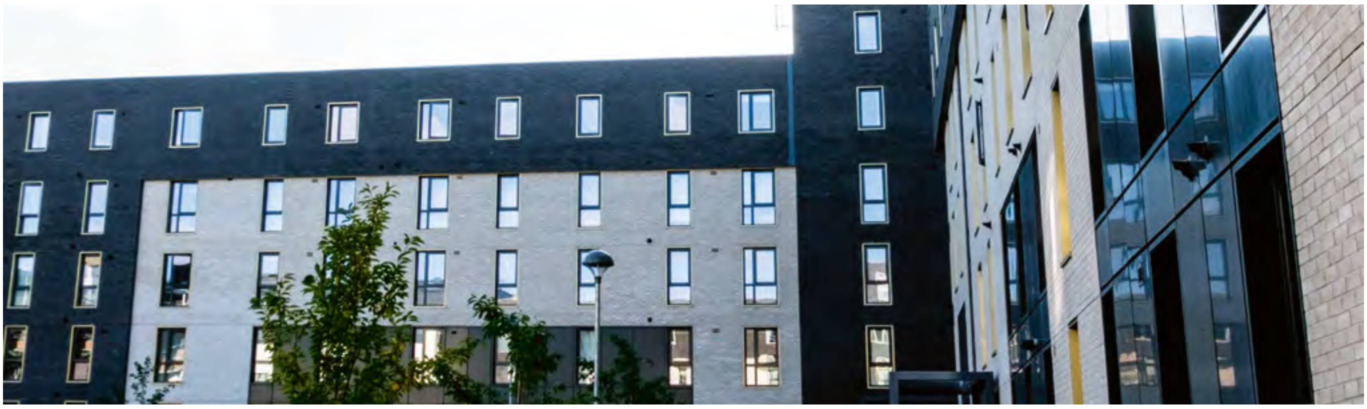
It is through this combination of direct and indirect engagement that the Board is able to fulfil its Section 172(1) duties and ensures decision making is driven by a balanced consideration of what makes us successful and resilient in the short term and sustainable in the long term.

Although there are established parameters for decisions that are reserved for the Board, the business engages openly and transparently with the Board, to ensure that key decisions that are technically outside these established parameters have the benefit of the Board's knowledge and experience.

In taking key decisions, the Directors of the Company considered the factors specified in Section 172(1) of the Companies Act 2006 (the "Act") including:

S172	Relevant disclosure	Reference
The likely long-term impact of any decisions	The Board sets the Group's purpose and strategy and ensures they are aligned with our culture and look to the future "to create better places" by putting people, communities and the environment first.	**Page 2**
	The annual strategic review conducted by the Board and senior management team (the most recent being in November 2023) and the evolution of our strategic objectives, demonstrate the need to ensure we have flexibility in our strategy that allows us to balance long-term goals with more immediate challenges driven by challenging market conditions. The agility this enables underpins the Group's future success, given the cyclical nature of the sector but does not detract from the Board assessing the stakeholder impact of the decisions it takes.	**Pages 22 and 23**
	The Board's risk management procedures identify the potential consequences of decisions in the short, medium and long term so that mitigation plans can be put in place to prevent, reduce or eliminate risks to our business and wider stakeholders. Consideration of risk is integral to, and not separate from, all business decisions.	**Pages 52 to 61**
	The Board has adopted a clear capital allocation policy, that recognises the guiding principles of security, flexibility and efficiency. Organic investment, including new product development and research and development , underpin the long-term sustainability of the Group. Whilst we will always consider acquisition opportunities that help us achieve our strategic goals, our near-term focus is to use the cash the Group generates to reduce leverage, demonstrating the importance of agility and flexibility in the Board's decision making.	**Page 51**
The interests of the Company's employees	Our business is underpinned by people and talent development and is committed to diversity, equity, respect and inclusion. These are central to The Marshalls Way. Challenging market conditions during 2023, and the Board's focus on overseeing business performance, mean that this remains a key opportunity area for the Board to which it is committed to continuously improve, having focused less on this during 2023 than planned.	**Pages 39 and 39**
	Health, safety and wellbeing within our operations is our top priority, with this being a standing item on the agenda at every scheduled Board meeting, in addition to an annual review being undertaken. Our goal is continuous improvement with the achievement of annual health and safety targets being linked to the remuneration of our Executive Directors and our senior management team.	**Page 40**
	The Board monitors culture through our engagement mechanisms, including our EVG which, in addition to being attended by our designated Director for employee engagement, Angela Bromfield, is regularly attended by other Board and senior management team members. 2023 was extremely challenging, but this group is becoming a barometer for the mood of the organisation and provides the opportunity for meaningful action to be taken to support the long-term interests of our colleagues.	**Page 38**
	Relevant members of our senior management team present the results of our employee engagement survey to the Board, together with details of the actions being taken to address the feedback received.	**Page 38**
	Angela Bromfield (our designated Director for employee engagement) and other members of the Board and senior management team, engage with employees on a variety of subjects through our EVG.	**Pages 34 and 35**

S172	Relevant disclosure	Reference
The need to foster the Company's business relationships with suppliers, customers and others	Obtaining and delivering customer specifications for our products and solutions is one of our strategic goals. Nurturing customer relationships by understanding what drives choice requires purposeful relationship management that is a feature of our success to date. Our ability to innovate and optimise our product solutions in a cost-effective way requires strong supplier relationships that have been built over a number of years, but also the flexibility to introduce new relationships, like Wincanton, to whom we've outsourced a large part of our logistics requirements and with whom we hope to build a long-term partnership.	**Pages 22 to 25**
	Sustaining our business against the very challenging market and economic backdrop of 2023, required regular engagement with our customers and suppliers. High inflation, in particular, presented us with obstacles on both the buy and sell side that required regular dialogue to ensure we could effectively perform in the short term without damaging long-term relationships.	**Pages 30 and 31**
	The Group's strategic goal is to be the UK's leading manufacturer of sustainable solutions for the built environment. Operating sustainably and ethically, showing sector leadership, are key to achieving this.	**Pages 6 and 7**
The impact of the Company's operations on the communities in which it operates and the environment	Our sustainability journey began more than 20 years ago and continues to evolve. Our ESG strategy pillars, "Better Product, Better Workplace and Better World" drive our choices and decisions.	**Pages 34 to 43**
	In October 2023, we established an ESG Board Committee to oversee the implementation of our ESG strategy, which is driven by our ESG Steering Committee. Prior to this, the Board received regular ESG updates from the senior management team. The Chair, with other Board members, engages annually with shareholders through meetings with shareholder governance teams, most recently in early 2024. Our COO has management responsibility for ESG on a day-to-day basis, with the Board committed to providing challenge and support.	**Pages 34 to 43**
	Further details of how our ESG strategy and its implementation are governed, measured and controlled are set out on pages 34 and 35.	**Pages 34 and 35**
	We have an established materiality matrix based on stakeholder engagement, the SASB Standards for Construction and the UN SDGs. This supports prioritisation within our ESG programme and was reviewed during 2023.	**See the Group's Sustainability Report at www.marshalls.co.uk/sustainability/document-library**
The regulatory implications of any decisions	Board decisions are taken with the benefit of prior consideration by experienced, well-established, specialist functional teams and with the guidance of the Group's General Counsel and Company Secretary.	**Page 78**
	Where more specialist advice is required, the Board seeks guidance from its professional advisers, as was the case with the outsourcing of a significant part of our logistics requirements to Wincanton.	
The importance of the Company maintaining a reputation for high standards of business conduct	The Marshalls Way defines our culture and our brand and all business decisions are driven by this.	**Page 28**
	Our prioritisation of the health, safety and wellbeing of our colleagues, and our clear ESG commitments, underpin our goal of creating better places, by putting people, communities and the environment first: Better Product, Better Workplace, Better World.	**Pages 34 to 46**
	Our strategic objectives underpin our purpose and strategy.	**Pages 22 to 25**
The need to act fairly as between members of the Company	The Executive Directors engage with shareholders following the publication of our interim and final results (and periodically throughout the year) and the Board receives detailed, real-time investor and market feedback from the Executive Directors, our brokers and our PR advisers.	**Pages 30 to 33**
	The Chair, the Senior Independent Director (who is also Chair of the Audit Committee) and the Chief Operating Officer met with some of our key shareholders in early 2024, as part of our annual programme of meetings with shareholder governance teams to ensure their views are reflected in how we make decisions, operate our business and evolve our strategy.	**Pages 73 and 74**
	Our 2023 AGM provided shareholders the opportunity to ask questions and vote in real time to ensure maximum engagement opportunity. We also consulted with certain shareholders in response to the significant vote (25 per cent) against our Annual Remuneration Report at the 2023 AGM.	**Page 106**
	Equality of rights attaching to members ensures we meet the obligation to act fairly between them.	**Page 106**



An experienced, well-balanced and multi-skilled Board.

The Board is committed and agile and determined **"to do the right things, for the right reasons, in the right way"**.

Overview

The Board has strong ethical values, combined with great depth of experience and skill covering leadership, strategy, manufacturing, operations, marketing, finance, M&A and business transformation and digital technologies.

The Board acts responsively and dynamically applying its experience, skill and knowledge whilst bringing constructive challenge to the table, ensuring the long-term sustainability of the Group. This benefits all of the Group's key stakeholders.

Driving the Group's refreshed strategic plan in The Marshalls Way, whilst demonstrating its ability to be agile and alive to continuing and current geo-political instability and to face into the prolonged macro-economic instability being experienced, are key in maintaining the Group's market leading position.

Committee membership

- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- E ESG Committee
- Chair of the Committee
- I Independent Director

Board key skills

- Leadership
- Strategy
- Manufacturing
- Operations
- Marketing
- Finance
- M&A
- Business transformation
- Digital technology

Links to corporate pillars

- Shareholder value
- Sustainable profitability
- Relationship building
- Organic expansion
- Brand development
- Effective capital structure and control framework

Vanda Murray OBE

Chair

N R E I

Date of appointment
9 May 2018 Re-elected in May 2023

Experience
Fellow of the Chartered Institute of Marketing with extensive experience in both executive and non-executive roles with a wide range of domestic and international businesses. Previous executive roles include Chief Executive of Blick plc from 2001 until its successful sale to Stanley Works Inc in 2004 and Managing Director of Ultraframe plc between 2004 and 2006.

Key skills

Alignment with corporate pillars

External appointments
Senior Independent Non-Executive Director and Chair of the Remuneration Committee of Bunzl plc, Non-Executive Director and Chair of the Remuneration and CSR Committees of Manchester Airports Group, Non-Executive Director of Howden Joinery Group plc and Chair of Yorkshire Water.

Matt Pullen

Chief Executive

E

Date of appointment
8 January 2024

Experience
Experienced executive leader in the construction and FMCG sectors. Previously Chief Operating Officer of Genuit Group plc, one of the UK's largest providers of sustainable water, climate, and ventilation products. Previously, Matt was Managing Director of British Gypsum, part of the Saint-Gobain Group, where he led several significant business transformations. Prior to that, he worked for AkzoNobel for eight years in various commercial and leadership in the UK, Ireland and Northern Europe including as Managing Director, UK & Ireland. Earlier in his career, he also held various operational roles within the FMCG sector. He is a Trustee of the Construction Industry charity CRASH and an Industrial Cadets Ambassador.

Key skills

Alignment with corporate pillars

External appointments
Trustee Director of CRASH.

Angela Bromfield

Non-Executive Director

A N R E I

Date of appointment
1 October 2019 Re-elected in May 2023

Designated Non-Executive Director for employee engagement.

Experience
Broad-based international career in manufacturing, distribution and construction. Formerly, Strategic Marketing and Communications Director at Morgan Sindall plc until 2013 and prior to that held senior roles at the Tarmac Group, Premier Farnell plc and ICI plc.

Key skills

Alignment with corporate pillars

External appointments
Senior Independent Non-Executive Director and Chair of the Remuneration and ESG Committees of Harworth Group PLC.

Avis Darzins

Non-Executive Director

A N R E I

Date of appointment
1 June 2021 Re-elected in May 2023

Experience
A management consultant and formerly a Partner at Accenture focusing on the retail and consumer products sector. Delivered successful profitable growth engagements with many well-known national and international brands. Previously worked as Director of Business Transformation at Sky in addition to leadership roles at Arcadia, BHS, Mothercare and Littlewoods. Most recently served as a Non-Executive Director at Moss Bros Group PLC. Currently providing independent management consultancy on transformational change strategy and execution support.

Key skills

Alignment with corporate pillars

External appointments
Co-chair of the Ambassadors Group of retailTRUST, Senior Independent Non-Executive Director of Barnardo's, Non-Executive Director for Grafton Group PLC and Safestore Holdings plc. Director of Avis Business Consulting.

Justin Lockwood
Chief Financial Officer
E

Date of appointment
26 July 2021 Re-elected in May 2023

Experience
Previously Chief Financial Officer of International Personal Finance plc. Justin spent four years at Associated British Ports in a senior financial role and worked in a variety of business and head office roles for Marshalls between 2002 and 2006. Chartered accountant having qualified and worked for PWC during the first ten years of his career.

Key skills

Alignment with corporate pillars

External appointments
None

Simon Bourne
Chief Operating Officer
E

Date of appointment
1 April 2022 Elected in May 2023

Experience
Experienced manufacturing, supply chain and operations director. Simon joined Marshalls in 2015 as Manufacturing Director and was appointed as Group Operations Director in 2017. Prior to joining the Company, Simon held senior operational and supply chain roles across various sectors. Before his appointment at Marshalls, Simon spent six years at Burtons Biscuits as Manufacturing Director and three years at Betts Group Holdings as Group Director of Manufacturing.

Key skills

Alignment with corporate pillars

External appointments
Chair of MPA British Precast.

Graham Prothero
Senior Independent Non-Executive Director
A N R E I

Date of appointment
10 May 2017 Re-elected in May 2023

Experience
Chartered Accountant and Chief Executive Officer of MJ Gleeson plc. Previous roles include Chief Operating Officer of Vistry Group PLC and Chief Executive of Galliford Try plc. Also on the board of The Jigsaw Trust, a charitable trust committed to autism awareness. Extensive senior management experience in the sector, including with leading property developer Development Securities plc (now part of Land Securities plc), Taylor Woodrow, the listed contractor/developer, and Blue Circle Industries plc. Spent seven years as a partner in the Real Estate, Hospitality and Construction Group of Ernst & Young LLP.

Key skills

Alignment with corporate pillars

External appointments
Chief Executive Officer of MJ Gleeson plc. Board Member of The Jigsaw Trust.

Diana Houghton
Non-Executive Director
A N R E I

Date of appointment
1 January 2023 Elected May 2023

Experience
Group Head of Strategy at Smiths Group plc. Previous roles include Corporate Development Director of Allied Domecq plc and Strategy Director roles with Bass plc. Extensive cross-sector experience from retail, leisure retail, consumer goods and industrial manufacturing industries covering M&A, turnarounds, organic business improvement and strategy. Diana was Senior Adviser to the National Audit Office between 2010 and 2015 and spent seven years on the board of Thornton's plc as Chair of Audit Committee and Senior Independent Director.

Key skills

Alignment with corporate pillars

External appointments
None

Shiv Sibal
Group General Counsel
and Company Secretary

Date of appointment
26 May 2020

Experience
Experienced corporate finance lawyer with 20 years' experience, the last nine of which have been in industry at FTSE 250 businesses. Extensive leadership and legal experience. Formerly a corporate partner with international law firm Womble Bond Dickinson LLP, focused on supporting public companies. Also spent eight years working for international law firm Pinsent Masons LLP and qualified with international law firm CMS.

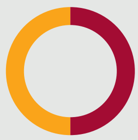
Key skills

Alignment with corporate pillars

External appointments
None

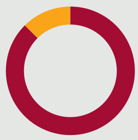
Board Composition

Gender composition



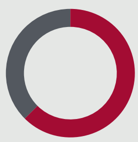
- Female – 4*
- Male – 4

Ethnic diversity



- White – 7
- Mixed Asian and white – 1

Length of service



- 0–2 years – 5
- 3–4 years – 0
- 5+ years – 3

* Female Chair and Remuneration Committee Chair.

A challenging year in which our commitment to responsible governance required us to make difficult decisions to ensure our capacity and cost base were aligned with demand, **underpinning the long-term resilience of the business**.

Open and transparent communication and decisive action underpinned our agility in challenging market conditions and position us well for when markets recover.

Vanda Murray OBE
Chair

Dear shareholder

During 2023, the Board supported management actions addressing the challenges created by prolonged market weakness, driven predominantly by macro-economic conditions. Whilst these actions position the Group well for when markets recover, we recognise the impact they have had on our people and how they test our culture. We thank those colleagues who left us during the last year for their hard work and commitment during their time with the business and wish them well for the future. Board engagement, particularly through our Employee Voice Group ("EVG"), ensured we understood how this has impacted our culture and the communication and support colleagues have received.

The Group's ability to dynamically respond to opportunities and threats, requires decisiveness and a determination "to do the right things for the right reasons, the right way". Our commitment to responsible governance and The Marshalls Way creates strong alignment at Board level and throughout the business.

In addition to carefully navigating the Group through "choppy" economic waters, the Board has overseen the development of the Group's strategy, details of which are set out on pages 22 and 23. The need to retain the agility required in volatile markets without sacrificing the opportunity presented by the significant growth drivers in the Group's key end markets, has culminated in an evolution of the Group's strategy that will ultimately make us a more flexible and efficient business, without sacrificing the customer focus and product and service innovation that are the foundations upon which the Group has been built.

The end of 2023 also saw the appointment of Matt Pullen as the successor to Martyn Coffey as Chief Executive. Under Martyn's outstanding leadership, Marshalls has been transformed into a diversified building products manufacturer, with leading positions in its key markets, whilst retaining its culture and core values. During Martyn's tenure, Marshalls has grown organically and through acquisitions, achieving its key strategic ambitions. Martyn leaves behind a significant legacy and we would like to thank him for his leadership over the last ten years.

Diana Houghton has completed her comprehensive induction with the business and is now well-established as a member of the Board team. Notwithstanding recent changes as at Balance Sheet date, the composition of the Board continues to comply with the Listing Rules that require UK listed companies to disclose on a "comply or explain" basis against set diversity targets. Details of the current composition of the Board by gender, ethnic diversity and length of service are on page 65.

We have entered 2024 with continued political and economic uncertainty, but the actions we have taken during the last year, including our strategic review, give us confidence that we can capitalise when growth returns.

Balanced decision making and open communication, reflective of our culture and purpose, is what "good governance" means to Marshalls. This is central to our application of the UK Corporate Governance Code.

This Corporate Governance Statement explains how Marshalls' governance framework supports the principles of integrity, strong ethical values and professionalism which are integral to our business.

The Board recognises that we are accountable to shareholders for good corporate governance. This report, together with the Reports of the Nomination, Audit and Remuneration Committees on pages 80 to 102, seek to demonstrate our commitment to high standards of governance that are recognised and understood by all.

Our governance framework

Board

- Audit Committee — Read more on **pages 84 to 87**
- Nomination Committee — Read more on **pages 80 to 83**
- Remuneration Committee — Read more on **pages 88 to 102**
- ESG Committee — Read more on **pages 34 to 43**

Executive Committee

- Diversity and Equity Taskforce
- ESG Steering Committee
- Business Management Teams
- Employee Voice Group — Read more on **page 38**

Programme of activities

Board
- Board meetings
- AGM
- Annual strategy day
- Business and stakeholder engagement
- Designated NED for employee engagement
- Shareholder engagement

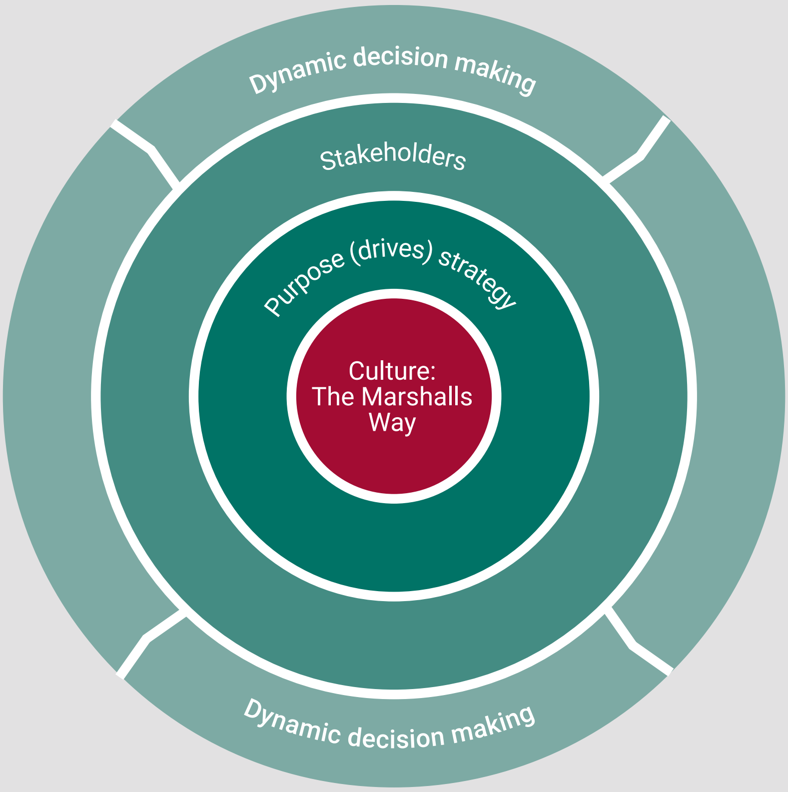
Committees
- Committee meetings
- AGM
- Remuneration Policy consultation

Executive Committee
- Monthly meetings
- Weekly update calls
- Annual strategy review

Diversity and Equity Taskforce, ESG Steering Committee, Business Management Teams and Employee Voice Group
- Monthly business reviews
- Bi-monthly ESG Steering Committee meetings
- Regular EVG meetings

Governance at Marshalls

Our **culture** is at the heart of everything we do: The Marshalls Way. Our **purpose** drives our **strategy**. These operate as a virtuous circle with regular reflection by the Board and the business. The operation of our business and the decisions we make have regard to the interests of our **stakeholders**. This approach to governance enables **dynamic decision making** but ensures we never lose sight of the elements within that drive our long-term sustainability.



Activities in 2023

- We have acted with agility to address the business impact of challenging market conditions which have persisted throughout 2023. The weakness in volumes that impacted our financial results for the year has required us to act to reduce costs and manage cash without compromising our ability to respond when markets recover. The decisions we've taken, whilst undoubtedly difficult, reflect our commitment to responsible governance that has regard to the interests of all stakeholders.
- The Group has completed a number of restructurings during the year, resulting in a significant reduction in our workforce, particularly in operations. We have closed our site in Carluke and significantly reduced operations in other sites ensuring our manufacturing capacity is aligned with current demand. We have also sold a number of non-core, predominantly property, assets to generate cash and support our commitment to deleverage.
- The Board, working closely with the senior management team, has approved the outsourcing of the vast majority of the Group's logistics requirements to Wincanton. This represents a significant change in the Group's operating model and is expected to deliver both operational efficiencies and improved service to customers. Wincanton have significant sector experience and are an experienced outsourced logistics partner. They were selected following a comprehensive tender exercise led by our procurement team. The agreement with Wincanton is the culmination of more than a year's work and is expected to go live in April 2024.
- Where these support our strategic ambitions or are part of our commitment to continuous improvement, we've continued to support investments in the business. For example, our dual block plant at our St Ives site is now operational. We've also approved investment in additional silos at our St Ives, Eaglescliffe and Newport sites that will enable the use of cement alternatives in our production, lowering the embodied carbon in our products, and more efficient production.
- The senior management team and the Board have undertaken a comprehensive strategic review resulting in a refresh of our strategy, as set out on pages 22 to 25. Whilst this constitutes evolution rather than revolution, more detailed consideration has been given to how we will ensure the strategy is embedded within all areas of the businesses and how performance against our strategic objectives will be measured. We have agreed that we will apply the OGSM methodology (objectives, goals, strategies and measures), that has been used successfully for a number of years to drive operational improvements in the business, to implement and measure our progress against our strategic goals.
- Working with the Nomination Committee, we have managed the succession of our Chief Executive, with Matt Pullen having now taken over from former Chief Executive Martyn Coffey, who stepped down from the Board at the end of February 2024.
- We completed the disposal of our loss-making Belgian business, Marshalls NV, to our joint venture partner, refocusing our business almost entirely on the UK market.
- Following a comprehensive review by the current administrators and actuaries of the Marshalls plc Defined Benefit Pension Scheme of how member benefits have historically been administered, the Board decided to augment the benefits of certain pensioners who would have otherwise suffered hardship due to a reduction in pension payments following this review, re-affirming our commitment to responsible governance (see page 128 for further details).
- Following her appointment as a successor to Tim Pile, we have supported Diana Houghton through a comprehensive induction plan arranged by our General Counsel and Company Secretary.
- Strong cash generation during 2023 supported the Board's approval of a £30 million reduction in the Group's term loan to £180 million in early January 2024, ensuring efficient management of borrowings and finance costs. The Board approved this with the knowledge that the Group's remaining facilities provide it with significant liquidity to fund its strategic and operational plans going forward.
- In accordance with our obligations under the UK Corporate Governance Code, we consulted with shareholders following the significant vote (25 per cent) against our Annual Remuneration Report to ensure we understood their concerns and take these into account in future decisions on remuneration matters. Further details are set out on page 90.
- We have continued to reflect on the Board's performance. Our internal evaluation concluded that the Board has been supportive, agile and decisive as it has navigated challenging macro-economic and market conditions, ensuring we are resilient in the short term. It has balanced this with managing succession and completing a strategic review, ensuring our medium to long-term strategic ambition is reflected.
- The Board and Audit Committee have continued to consider the impact of proposed changes to the Code, which have been significantly pared back in recent months in response to stakeholder feedback. Given that the work we have been undertaking is in readiness for the changes originally anticipated in the initial consultation on the Code, and particularly those relating to our internal control environment, we are confident of being able to demonstrate compliance when the new Code comes into effect. (See page 86 for further details.)
- We've built on our ESG commitments and enhanced our governance by establishing an ESG Committee that will challenge and support the work of our ESG Steering Committee, which is leading the charge on ensuring our sustainability credentials are continuously improved and deliver measurable commercial benefit, in addition to supporting our commitment to reducing our environmental impact. We are in the process of submitting the Group's data (including Marley's) to the SBTi for re-approval, paving the way for an approved, Group-wide, carbon reduction target. (See page 42 for further details.)
- There has been Board representation at each of the EVG meetings, with Angela Bromfield continuing as our designated Director for employee engagement. The EVG has evolved, with broader representation, but we acknowledge the need for more representation from our manufacturing sites, which are the "beating heart" of our business. (See page 38 for further details.)

Priorities in 2024

- To welcome and support our new Chief Executive, Matt Pullen, to the Board and the business. To play an active role in his induction with the support of Martyn Coffey, in his advisory role.
- Monitoring how the Group's refreshed strategy is communicated and operationalised within the business, ensuring all colleagues understand the part they play in achieving the Group's strategic ambitions. Allocating more time to considering strategic priorities and to structured reviews of our progress against key strategic priorities. This will be critical to the long-term sustainability of the Group.
- Working closely with the senior management team to carefully monitor short-term business performance given that market and macro-economic conditions remain very challenging. Retaining flexibility in our strategy in the event of prolonged market weakness and our agility in responding to this. Improving our cost effectiveness, capital efficiency and flexibility is one of our strategic pillars.
- Given the criticality of optimising our market share and our price positioning, monitoring how the business serves the needs of our customers. Simplifying the Group's product and service offerings are an important part of this, as is building a greater understanding of what is driving customer choice and brand preference.
- Reviewing progress against the Group's People strategy, and the actions we take to support, attract, motivate, develop, progress and retain diverse talent across all levels of the business, are critical to the long-term sustainability of the business. Monitoring succession planning and "bench strength" beyond the Board is critical, as is the need to ensure our high potential colleagues are given opportunities to develop in what remains an extremely competitive, and candidate-driven, talent market.
- Monitoring the impact of the difficult decisions taken during 2023 on the Group's people and its culture. The Board acknowledges that our colleagues will have been affected by the structural changes we've made during the year, their co-workers leaving the business and the uncertainty this creates. Given that we believe the Group is well positioned for when markets recover and the growth drivers in our end markets, there is an opportunity, through the execution of our refreshed strategy, to galvanise our people around our strategic ambitions.
- Embedding the role of our ESG Committee that will monitor progress against the Group's commitments and support the senior management team in ensuring our sustainability credentials translate into commercial success, particularly in relation to our solar and concrete brick offerings.
- Monitoring the implementation and impact of the pared-down audit and corporate governance reforms proposed by the Government and in the code, which will come into force during 2025 and 2026 and will have implications for the operation and expectations of the Board.
- To continue to ensure we do everything in The Marshalls Way: "the right things, for the right reasons, in the right way", and at all times with our stakeholders in mind.

ESG priorities

Our strategic goal is to be the UK's leading manufacturer of sustainable solutions for the built environment. Our approach to ESG is at the heart of this and the long-term sustainability of the business. Whether it be through our product offering, our people strategy or how we operate the business more generally, we recognise the importance of understanding and managing our impact in these areas to build a business that is resilient in the long term and which understands the concerns of our key stakeholders.

Following our strategic review during 2023, governance of ESG is now the responsibility of the newly formed ESG Committee that will work closely with and provide challenge to our ESG Steering Committee. Our ESG Governance framework is set out on page 34.

Operating responsibly has been a foundation of our business from the outset. Current global challenges, whether political, economic, or environmental, demand transparent corporate citizens who have the trust of their stakeholders. Our ESG commitments and credentials demonstrate this clearly.

- **Environmental** — we take our environmental impact seriously. We've begun the process of recalibrating our commitment to net zero following the acquisition of Marley, but this remains our goal. This will take some time as we want to ensure our carbon-related data is independently validated and accredited.
- **Social** — we respect and value the dignity, wellbeing and rights of employees, their families and the wider communities in which we operate, as well as their safety.
- **Governance** — strong, responsible governance supported by effective leadership helps nurture our healthy corporate culture and our processes and controls enable us to operate ethically and responsibly.

For further details see **pages 34 to 43**

ESG oversight

The Board

ESG Board Committee

Board-level oversight of ESG strategy and ESG risk management, including climate-related risks and opportunities

Executive Team

- The Chief Executive is accountable for the delivery of the ESG strategy, including climate-related issues
- The Executive Team members are individually responsible for reviewing and confirming risks in their own areas, including climate-related risks

ESG Steering Committee

- Attended by Chief Executive, CFO, COO and General Counsel and Company Secretary
- Responsible for ensuring the ESG strategy remains fit for purpose, plans are in place and progress is measured and reported
- Advises the Board on ESG-related risks and opportunities

Group Risk Management

- Responsible for implementing the Group risk management framework and Risk Register
- See risk management framework and governance on pages 52 and 53

ESG Delivery Team

- Responsible for driving progress along our plans, including science-based targets
- Updates the ESG Steering Committee and the ESG Committee on progress against targets

Operational teams

- Responsible for managing and resourcing approved activities
- Advise on operational feasibility of projects
- Collaborate on ESG and sustainability projects

Supported by

- ESG metrics
- ESG Board updates
- Shareholder engagement
- TCFD reporting

- Risk Register
- Climate-related risks and opportunities
- Climate Disclosures Working Group
- Sustainability Report

- Science-based targets
- Metrics and targets

Continuing to leverage benefits of new and more efficient ways of working

Ensuring all colleagues can work safely remains our top priority and our safety record evidences the positive progress we have made. (read more on page 40).

Ways of working have fundamentally changed over the last few years and retaining this flexibility where feasible enables us to attract talent in a competitive recruitment market. Whilst technology adoption increases agility, saves costs and helps us reduce our carbon footprint, we recognise this should not be at the expense of our culture and we've invested throughout the year in getting our teams together more frequently, which supports the induction and development of new colleagues joining the business. For example, in April 2023, we held our management conference (Leadership Connected Live) at St George's Park in Burton-upon-Trent, bringing together leaders from across the Group, including Marley, to ensure we captured their views on our performance and the development of our strategy and also to celebrate their contributions throughout a very challenging period for the Group.

The Board and Committees hold all scheduled meetings "in person", facilitating more engaged, inclusive and challenging discussions regarding the development and execution of our strategic objectives and business performance. The Board continues to leverage technology when greater agility is required, for example in managing the succession of our Chief Executive or when discussing trading updates.

Many of the good practices we've introduced over the last few years continue to serve the business well and improve our control environment and dynamic decision making remains central to the way the Board and senior management team manage the business. The Board sets the culture for effective risk management and, together with the senior management team, ensures that we're having regard to our key stakeholders when making decisions.

Diversity

Introducing greater diversity represents a major opportunity for the business. The Board and the senior management team's focus on addressing business critical issues throughout much of 2023, meant that the business did not make the investment or progress in improving diversity that we had hoped to. Whilst we are clearly disappointed with this, we continue to actively promote diversity, equity, respect and inclusion ('DERI') and have a zero-tolerance approach to discrimination. The sector remains challenged, particularly when trying to improve diversity in operational and site-based roles and we acknowledge this is aspirational. Greater collaboration within the industry is needed to address this structural challenge.

Page 38 sets out details of how we promote DERI across the Group. We apply our policies to ensure there is equality of opportunity for every role we recruit. Our commitment is supported by our Code of Conduct and central to our People Strategy.

Making our business accessible is critical to its long-term sustainability and our hope is that more stable market conditions will afford us the time and investment required to improve. The Board has approved the Group-wide Diversity and Inclusion Policy and continues to support the senior management team in the execution of the Group's longer-term DERI strategy.

At Board level, we have improved our gender diversity during 2023. Including myself, a female Chair, we have 50 per cent female representation on our Board overall and one Director from an ethnic minority background. Before Tim Pile retired from the Board in May 2023, our female representation was 44 per cent, by virtue of the Board's desire to ensure that Tim's successor, Diana Houghton, had sufficient time for her induction and to build her knowledge of the business.

Board evaluation

I conducted, with the support of the Company Secretary, an internal evaluation of the Board and its Committees using a tailored online questionnaire that considered both performance during the year, including a reflection on the Board's achievement of the objectives identified in the externally facilitated review carried out with the support of Lintstock in 2022, and future priorities for the Board.

The review measured both Board behaviours and processes. It was prepared on a consistent basis with the redesigned internal evaluation used in 2020 and 2021, adjusted to reflect the findings of the last externally facilitated review. This allows the Board to reflect on its year on year performance. As required by the Code, the Board will next conduct an externally facilitated evaluation during 2025. Page 78 of this report gives more detail on the most recent evaluation and the extent to which the objectives from 2022 were achieved.

Responsibility Statement

In the opinion of the Directors, these Annual Financial Statements present a fair, balanced and understandable assessment of the Group's position and prospects and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The respective responsibilities of the Directors and the auditor in connection with the Financial Statements are explained in the Statement of Directors' Responsibilities and the Auditor's Report on pages 106 and 107 and 114 respectively.

The strategic report was approved by the Board and signed on behalf of the Board.

Vanda Murray OBE
Chair
18 March 2024

Compliance Statement

This Corporate Governance Statement has been prepared in accordance with the principles of the UK Corporate Governance Code dated July 2018 (the "UK Code") which applies to the financial year 2023. We have complied with the principles and provisions of the UK Code throughout 2023. The UK Corporate Governance code is available at www.frc.org.uk.

Our Governance sections over the following pages explain how the Group has applied the principles throughout the year and up to the date of this Annual Report.

1 Board leadership and Company purpose

Read more on **pages 73 and 74**

- Strong leadership from an experienced female Chair who drives strategic focus, inclusive and robust debate and dynamic decision making.
- Dynamic Board with a good balance of technical and sector knowledge and experience and a demonstrable ability to address both the critical issues facing the Group in the near term and its long-term sustainability.
- 2023 focus on agility, cost and cash management, strategic development and Chief Executive succession.
- Our culture, The Marshalls Way, and purpose, "to create better places", are at the heart of all decision making.

2 Division of responsibilities

Read more on **pages 75 and 76**

- Open and transparent communication and information drive trust and support dynamic decision making.
- Relationship between Board and senior management team supported by regular engagement. Will evolve given recent changes to the team.
- Robust challenge and support provided and well received by management.
- Clear, proportionate decision-making parameters balance Board control and operational flexibility, with clear and timely information supporting the effective and efficient functioning of the Board.

3 Composition, succession and evaluation

Read more on **pages 77 and 78**

- Diverse Board with breadth of experience, knowledge and skills.
- Majority of independent Directors and experienced Committee Chairs.
- Well-executed succession plan with rigorous procedure for appointments supported by experienced external search consultants.
- Internal evaluation reflecting on findings of the 2022 externally facilitated review and highlighting our actions relating to strategy deployment and monitoring, our people and culture, our customers and leveraging the commercial benefit of our sustainability credentials and key areas of focus for the Board in 2024.
- Engagement with shareholders, both as part of our ongoing commitment to ensuring the Board evolves to reflect their priorities and additionally to enable them to share their views in relation to the significant vote against our Annual Remuneration Report at the 2023 AGM.

4 Audit, risk and internal control

Read more on **page 79**

- Clear oversight of external and internal audit functions and planning, in a challenging year.
- Effective oversight of internal control environment, and the programme of work to review the design, completeness and effectiveness of the Group's control environment that supports compliance with prospective governance changes.
- Detailed consideration of development in reporting under TCFD and prospective requirements under other emerging standards.
- Ensuring adequacy of the Group's risk management framework participating in the risk review process.
- Maintaining the improvement in the processes by which we ensure we act upon recommendations and monitor outcomes, allowing us to continuously improve.
- Oversight of financial reporting, including judgements made in preparing this Annual Report and Accounts and notably those relating to our goodwill impairment review and disclosure of adjusting items.

5 Remuneration

Read more on **page 79**

- Implementing our revised Remuneration Policy following its approval by 88.35 per cent of shareholders at our 2023 AGM.
- Engagement with shareholders following the significant vote against our Annual Remuneration Report at our 2023 AGM.
- Reviewing incentives scheme targets. Ensuring they support attraction and retention of talent, drive good behaviours and create alignment with stakeholder interests.
- Appropriate and proportionate consideration of performance and reward outcomes.

Role of the Board

The Board currently comprises an Independent Non-Executive Chair, four independent Non-Executive Directors and three Executive Directors. Their biographical details are on pages 64 and 65.

Our Schedule of Matters Reserved for the Board (summarised below) is reviewed annually and is available on our website. It ensures we retain the right balance between Board oversight and operational flexibility.

Delegation to Board Committees

Audit Committee Report on pages 84 to 87 provides details of the Board's application of Code principles in relation to financial reporting, audit, risk management and internal controls.

Nomination Committee Report on pages 80 to 83 reports how Board and senior management composition (including diversity), succession and development are managed to reflect Code principles.

The Remuneration Report on pages 88 to 102 explains how the Group's Remuneration Policy has been implemented and shows Directors' remuneration for 2023. The Remuneration Report also provides gender pay and balance information.

An ESG Committee was also established in October 2023 to provide oversight and support for the Group's ESG strategy and the ESG Steering Committee (which comprises members of the senior management and ESG delivery teams).

Ad hoc Board Committees are established for specific purposes: for example, during 2023, Board Committees were established to finally approve the preliminary and half year results.

Delegation to the Executive and management

The day-to-day management of the business and the execution of the Group's strategy are delegated to the Executive Directors.

The Group's reporting and governance structure (see page 67) and controls below Board level are designed so that decisions are made by the most appropriate people in an effective and timely manner. In deciding what is "appropriate" for these purposes, we consider the scale and complexity of our business and reflect how this has grown over time.

Management teams report to members of the Executive Committee, which is comprised of the senior management team, including the three Executive Directors. The Executive Directors and other Executive Committee members give regular briefings to the Board in relation to strategic progress and specific business issues and developments.

Clear and measurable KPIs are in place to enable the Board to monitor progress. This structure, our controls and open and transparent information and communication enable the Board to make informed decisions on key issues. These include our strategy, capital structure, internal control and risk frameworks and our risk appetite whilst having regard to the interests of all of our key stakeholders.

1 Board leadership and Company purpose

Leadership and purpose

Challenging market conditions during the last year have tested our culture and leadership, at Board level and throughout the business. The Marshalls Way has guided our approach to governance throughout the year. Whilst this has positioned us well for when markets recover, the Board acknowledges that some of the decisions we have made have been difficult and have impacted our people, but it has been necessary to carefully monitor performance of the business, reducing costs, improving our agility and managing our cash. We have communicated with our colleagues throughout the year, providing support through some of the changes we've initiated. Whilst significant growth drivers remain, that are expected to result in a recovery in the Group's key end markets, the Board remains mindful of its duty to continue to ensure that the Company's purpose, values and strategy are aligned with our culture. The Board will do this through our well-established engagement channels, including the EVG, site visits and our leadership conference, as well as receiving relevant updates at Board and Committee meetings throughout the year.

In addition to addressing the challenges we've faced, the Board has undertaken a strategic review ensuring that our strategy continues to evolve, that all colleagues understand how they support its delivery and that the Board can measure our performance against the goals we've set.

Although a great deal of focus during the year has been on monitoring performance, the Board recognises the importance of continuing to build on their understanding of how the business operates and our culture, particularly following the acquisition of Marley. The Board's continuing engagement with the business through the forum of Board meetings and in the business itself (e.g. through attendance at the Group's management conference, the EVG and at site visits), has informed its contributions to the Group's strategic review and has enabled the Board to monitor the Group's culture.

In addition, the Board has continued to engage regularly with our shareholders, which this year included engaging to understand the reasons for certain shareholders voting against our Annual Remuneration Report at our 2023 AGM. As part of our annual programme of meetings with shareholders' governance and compliance teams, we've covered business performance, our proposed approach to corporate governance reforms (particularly those relating to internal controls) and ESG. Understanding their concerns ensures we challenge management on things we know shareholders are concerned about and make balanced decisions.

Our Strategic Report on pages 1 to 63 explains how we seek to fulfil our purpose, how this is supported by our policies and procedures, and how we identify and manage our key risks. Transparency and openness between management and the Board have built trust and confidence in how the business is operated and controlled on a day-to-day basis. This trust and confidence has supported the agility with which action has been taken to address the challenges we've faced during the last year. Those actions, and the strategic review undertaken alongside them, underpin business sustainability in the medium term. They reflect the Board's willingness to take immediate action to address performance without sacrificing our ability to respond when markets recover.

The reports of our Board Committees give further detail on how our policies and processes, and the principles of the Code, have been applied during the year in particular areas and how this relates to our culture and strategy.

Dynamic decision making enabled us to align our capacity with demand and dispose of our interests in underperforming or redundant assets, generating cash for the business in support of our commitment to deleverage. In the longer term, our refreshed strategy recognises the need to build greater flexibility into our cost base so that we are better equipped where there is market volatility.

Our well-established ESG programme is driven by our commitment to operate the business responsibly, having regard to the interests of our stakeholders. We have established an ESG Committee to oversee, support and challenge the development and execution of the Group's ESG strategy. As part of this, and as we're required to, we're resetting our SBTi approved net zero commitments to ensure our whole business, including Marley, has clear, measurable commitments in this regard. We're also sharing product and manufacturing knowledge to optimise production processes and have developed Environmental Product Declarations ("EPDs") for most of our ranges, providing customers clear, independently reviewed, information on the carbon impact of our products.

We continue support investment in the business, with the focus during the year being the completion of our multi-million-investment in our dual block plant at our St Ives site, which is now operational, providing significant additional capacity for both existing and new ranges. Consistent with our commitment to sustainability, we've also invested in additional silos at three sites that support the production of cement reduced and cement free products. We've also invested in improving existing sites, demonstrating our commitment to continuous improvement.

We reviewed the Group's refreshed strategy in November, following the senior management team's comprehensive review over the year, focusing on its execution and measurement of performance against strategic objectives. Reflecting on the challenges we've faced during the year, our strategic plan balances our desire for long-term growth with the need to operate flexibly, balancing capacity and demand, and cost effectively. At its heart are our people and customers, recognising that growth is unattainable unless colleagues can work safely and in an environment that values and supports their development and progression.

The Board receives regular updates from the Executive Directors on the agreed KPIs set out on pages 26 and 27. We've continued to focus on enhancing the quality of information provided to the Board to ensure it can clearly track performance against the Group's objectives and to provide additional challenge and support where necessary.

Continued market weakness, driven by macro-economic factors, saw our people face a number of change projects during 2023. Whilst the need to balance capacity and demand has led to a significant number of colleagues leaving the business, we've tried to manage this sensitively and support colleagues in finding other roles. Executing our people strategy against this backdrop has been challenging, but we have supported positive changes to benefits and seen some of our senior leaders participate in leadership programmes with Cranfield University.

Keeping our colleagues appraised of changes throughout the year has been important, together with ensuring we have appropriate support mechanisms in place for those impacted. We used the EVG and our Leadership Connected forum to ensure our internal stakeholders and leaders understood the reasons for the changes and had the tools to cascade the information throughout the business. We used our management conference to introduce our senior colleagues to our refreshed strategic pillars (as set out on pages 22 to 25) and to get their views on what these mean for the Group. These insights then informed the development of our strategic plan. Inclusive engagement is critical to ensuring colleagues feel connected to our strategic objectives and the colleague roadshows we delivered throughout January and February 2024 have further supported this.

1. Board leadership and Company purpose continued

Leadership and purpose continued

The development of our EVG as an effective and representative colleague engagement forum has continued, with its new members now having been in place for nearly twelve months. During 2023, the EVG received regular updates on the various change programmes undertaken, including details of the communication plans and the support put in place for affected colleagues. Members were forthright about the impact these were having on morale and stretched resources and regularly voiced their concerns regarding the risk to staff retention. Attendance by our designated Director for employee engagement, Angela Bromfield, and other members of the Board and senior management team, ensures the Board understands how the actions we've taken are impacting colleagues and our culture. In addition to the change programmes, the EVG has covered the development of our Group strategy, our health and safety activities and strategy, our life as a PLC, an update on the market and EPDs. Encouraging our operational colleagues to put themselves forward for the EVG remains key to making it truly representative of our business, but the EVG remains a useful barometer for whether the Group's purpose, values and strategy remain aligned with our culture. Further details of how we engage with employees are set out on pages 38 to 40.

Whilst we remain committed to our DERI strategy, the Board acknowledges that the challenges experienced during the year have unfortunately limited our opportunities to invest, and our progress. Our commitment to operating an inclusive business remains, as does our desire to introduce greater diversity to our manufacturing and production roles. Our DERI strategy remains an important component of our long-term success and we aim to make more progress during 2024.

Good governance is supported at Marshalls by robust systems and processes and a good understanding of risk and risk appetite. The Group's control and risk management frameworks are reviewed annually and have been critically reviewed during the year. We review our Risk Register at least twice a year and our internal audit plan factors in the results of these reviews. The Board and the Audit Committee receive periodic reports from the internal auditor on a range of topics each year that are given careful consideration by the Audit Committee.

Further details of our approach to risk identification and management are set out in the Strategic Report on pages 52 to 61.

The Board remains confident the Group's application of the UK Code principles during 2023 will drive its long-term sustainable success by providing a platform to achieve its strategic goals.

Conflicts and concerns

The Board maintains a conflicts register that identifies situations in which conflicts may arise, which is reviewed regularly. In situations where an actual conflict is identified, the affected Director may be excluded from participating in relevant Board meetings or voting on decisions. There is no shareholder with a holding of sufficient significance to exercise undue influence over the Board or compromise independent judgement.

Concerns about the running of the Company or proposed action would be recorded in the Board minutes. On resignation, if a Non-Executive Director did have any such concerns, the Chair would invite the Non-Executive Director to provide a written statement for circulation to the Board.

Whistleblowing

The Group's Serious Concerns Policy sets out the principles under which employees can raise concerns in confidence. This is supported by an independent whistleblowing telephone and online reporting service, through which concerns may be reported anonymously if preferred. The Audit Committee receives reports on matters raised under this policy and the outcome of investigations. Any concerns raised are investigated appropriately by individuals whose judgement is independent and who are not directly involved with the matters raised.

2
Division of responsibilities

Roles and division of responsibilities

There is a clear division between Executive leadership and leadership of the Board expressed in the written Terms of Reference of the Chair and Chief Executive.

Chair	The Chair leads the Board and is responsible for its overall effectiveness. She was independent on appointment in 2018 and brings her judgement, experience and skills to the role. Our internal Board evaluation assessed all aspects of Board performance including Board dynamics, strategic and risk oversight, composition and succession and the support the Board receives from the business and the Company Secretary. The evaluation concluded that during 2023, the Board has been agile and decisive in difficult situations and supportive as it has navigated challenging macro-economic and market/sector conditions.
Chief Executive	The Chief Executive has responsibility for all operational matters which include the implementation of strategy and decisions approved by the Board.
Senior Independent Director	The Senior Independent Director provides a sounding board for the Chair and also acts as an intermediary for other Directors and shareholders.
NED independence	The Board has determined each of the Non-Executive Directors to be independent in accordance with Section 2, Provision 10 of the UK Code.
Evaluating performance	At least once a year the Chair meets the Non-Executive Directors without the Executive Directors being present. The Senior Independent Director meets the other Non-Executive Directors annually without the Chair to appraise the Chair's performance.
No over-boarding	On appointment, the expected time commitment for Board members is made clear. The Chair and other Non-Executive Directors disclosed their other commitments prior to appointment and agreed to allocate sufficient time to the Company to discharge their duties effectively and ensure that these other commitments do not affect their contribution. The current commitments of the Chair and other Directors are shown on pages 64 and 65.

Board meetings and attendance*

Key = 👤 Present	Board	Audit Committee	Remuneration Committee	Nomination Committee
Vanda Murray OBE (Non-Executive Chair)	👤👤👤👤👤👤👤👤👤👤	–	👤👤👤👤👤	👤👤👤
Martyn Coffey	👤👤👤👤👤👤👤👤👤👤	–	–	–
Justin Lockwood	👤👤👤👤👤👤👤👤👤👤	–	–	–
Simon Bourne	👤👤👤👤👤👤👤👤👤👤	–	–	–
Graham Prothero (Non-Executive)	👤👤👤👤👤👤👤👤👤👤	👤👤👤👤	👤👤👤👤👤	👤👤👤
Tim Pile (Non-Executive)	👤👤👤👤	👤	👤👤	👤
Angela Bromfield (Non-Executive)	👤👤👤👤👤👤👤👤👤👤	👤👤👤👤	👤👤👤👤👤	👤👤👤
Avis Darzins (Non-Executive)	👤👤👤👤👤👤👤👤👤	👤👤👤👤	👤👤👤👤	👤👤
Diana Houghton (Non-Executive)	👤👤👤👤👤👤👤👤👤👤	👤👤👤👤	👤👤👤👤👤	👤👤👤

* The Board held seven scheduled meetings during the year. Additional Board meetings were held to conditionally approve the appointment of Matt Pullen and the publication of trading statements in May and October 2023.

The Chair, Chief Executive, Chief Financial Officer and Chief Operating Officer are not members of the Audit Committee but normally attend Audit Committee meetings by invitation. The Non-Executive Directors, excluding Tim Pile, also meet the external auditor in private.

The Chief Executive attends Remuneration and Nomination Committee meetings by invitation. The Company Secretary attends Board and Committee meetings as Secretary. Board members also participate in the Group's annual strategy review with the senior management team, which during 2023 was held over two days in November. In addition, the Board participates in site visits, training sessions, the EVG and other business activities where they have relevant expertise and experience. Members of the Board also attended the Group's annual management conference on 2023.

Tim Pile retired as a Non-Executive Director and Board Member at the Company's 2023 AGM in May.

2. Division of responsibilities continued

Board meetings

There is an established format and programme for scheduled Board meetings, which were all held in person last year.

This programme is supported by a forward-looking planner that focuses on Board business for the year ahead and ensures an appropriate balance between the Board's consideration of strategy, performance and governance. The Board's agenda is flexible and this has supported the Board devoting more time to the Group's performance during the year given challenging market conditions. This enabled dynamic consideration of the issues we've faced throughout the year. The Board has convened, outside of scheduled meetings, to consider urgent matters such as monitoring and reporting on business performance and the appointment of Matt Pullen.

The Chief Executive, the Chief Financial Officer and the Chief Operating Officer report on strategic, financial and operational performance respectively at each Board meeting. The Chief Executive also updates the Board, at each meeting, on wider industry, sector and competitor considerations that are relevant to ensuring that decision making has regard to all stakeholder interests.

The Chief Operating Officer reports to the Board on health and safety, including the development and implementation of our health and safety strategy. Health and safety remains a key priority and is reported on and considered on a standalone basis at every scheduled Board meeting. The safe operation of our sites and our safety culture are constantly monitored to ensure they are aligned with The Marshalls Way, i.e. "we are doing the right things, for the right reasons, in the right way".

The Board participated fully in the Group's annual strategy review which was held across two days in November 2023. This involved engagement with key members of the senior management team in considering the Group's refreshed strategy and our plans for embedding it within the business.

In addition to the standing items on the Board's agenda, the principal areas of focus considered by the Board in 2023 were:

Strategy

- Group-wide strategic review and restatement
- Divestment of interest in Marshalls NV
- Group restructuring programmes
- Outsourcing of logistics to Wincanton
- IT/Digital: digital strategic pillars, electronic and frictionless trading, customer experience, ERP implementation, cyber security and insurance and data literacy
- Divisional strategy: Marshalls Landscape and Building Products
- People and culture, including succession, talent development and DERI
- Divisional strategy: Marley Roofing Products incorporating Viridian Solar
- Commercial update: marketing, new product development
- 2024 budget
- Capital investments: tri-blend silos, fleet replacement
- Capital structure and dividends
- Market, sector and competitor updates and outlook
- ESG

Operations

- Health and safety (including Marley)
- Marley integration
- Supply chain, procurement and logistics
- Technical innovation project updates
- People: culture, engagement and morale

Governance and risk

- Interim and final results and dividends
- Group-wide restructuring proposals
- Board composition: succession of Martyn Coffey and appointment of Matt Pullen as CEO
- Shareholder consultation on Remuneration Policy and pay proposals
- Internal Board and Committee performance evaluation
- Annual shareholder governance meetings
- Shareholder consultation following significant vote against 2022 Annual Remuneration Report
- EVG feedback
- Policy reviews in accordance with matters reserved for the Board
- Whistleblowing
- Cyber security and data protection
- Stakeholder engagement
- AGM voting and guidance

3
Composition, succession and evaluation

There is a transparent and formal process for appointments led by the Nomination Committee and supported by external specialist recruiters. Board succession planning is reviewed at least annually by the Nomination Committee, while succession planning at Executive level is reviewed by the Board.

The Board also reviews succession planning for senior management and is able to consider and challenge, as appropriate, the Group's recruitment policies and how they promote diversity and inclusion. During 2023, alongside its regular review of the Group's people strategy, the Board received a detailed update on the Group's wider talent identification and development programmes, with an acknowledgement that the change programmes undertaken during the year have limited progress with these. The policies and process are commented on further in the Nomination Committee Report on pages 80 to 83.

The Board recognises that organic development of future leaders is key to our people strategy and the long-term sustainability of the Group and acknowledges that this is an area for further development.

Our Board is diverse with great depth of skills, experience and knowledge. Our internal Board evaluation has found that our committees are well led by suitably experienced Chairs with recent and relevant expertise. During the year, Matt Pullen was appointed as Martyn Coffey's successor as Chief Executive and Tim Pile retired from the Board in May following the Company's 2023 AGM.

Matt Pullen's appointment followed an extensive search to find a successor to Martyn Coffey, who has led the Group in exemplary fashion for more than ten years. Matt is an experienced leader with cross-sector experience and is supported by an experienced senior management team. The Board looks forward to working closely with Matt to help the Group achieve its strategic ambitions.

The Board is currently 50 per cent female, with a female Chair and one Director from an ethnic minority background. Board composition is reviewed annually, and we assess whether the current skills, experience and knowledge are aligned with the Group's refreshed strategy and expected future leadership needs, and the benefit greater Board diversity could bring to the Group. Further details of the Board and their skills are set out on pages 64 and 65.

Our succession plan is designed to ensure that Board members' terms expire or they retire over clearly defined periods, normally not exceeding nine years. All Directors stand for election or re-election (as appropriate) at every Annual General Meeting, and all current Directors will stand for re-election or election at the 2024 Annual General Meeting. The Directors' biographical details on pages 64 and 65 show their roles, date of appointment and length of service on the Board.

During 2023, we conducted an internal Board performance review led by the Chair and the Company Secretary. See page 70 for further details.

Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are complied with and, through the Chair, advises the Board on governance matters. The appointment or removal of the Company Secretary are matters for the whole Board.

How Board priorities were addressed during the year

Focusing on the most critical issues
- The Board has supported the business through challenging market conditions during 2022 and 2023. The restructurings undertaken have ensured our capacity and cost base are aligned with demand.

Overseeing strategy and monitoring execution
- Whilst the focus in the year has been on more short-term strategic decisions underpinning our resilience, a detailed strategic review has also been undertaken to ensure we have the right focus for when markets recover and in the longer term. The successful deployment of our new strategy and how we measure progress against strategic objectives are key themes for 2024 and beyond.

Supporting management in a challenging external environment
- The actions we have taken throughout the year evidence the Board's progress in this regard. There is an acknowledgement that the focus on business performance and cost base control in 2023 has, to an extent, impacted other priorities (for example our People Strategy), but this reflects the Board addressing those issues most critical at the time.

Succession planning
- Whilst we've managed the succession of our Chief Executive and Chief People Officer, succession planning, in the broader sense, remains critical. Our progress in improving representation and diversity, particularly in operational roles, has slowed while we've focused on immediate business priorities. Creating opportunities for development for our talent group remains a key priority in the short term.

3. Composition, succession and evaluation continued

Focus areas and actions to enhance effectiveness in 2023

The 2023 internal Board performance review was conducted by the Chair and Company Secretary. The process followed was consistent with our last internal review and reflected on the findings of the externally facilitated review in 2022 and on our performance against the priorities for 2023. It was carried out immediately after the Board's annual strategy review in November, so the Board could reflect this in their feedback. A detailed summary of the 2023 review is set out below.

As we have set out above, whilst we made progress against the priorities for 2023, we acknowledge that 2024 presents an opportunity to accelerate progress with our people strategy, which is key to the Group's long-term sustainability.

Dynamic decision making remains critical to the effectiveness of our Board. Our focus on managing performance, costs and cash during 2023 was driven by market conditions and the need to align capacity with demand without compromising our ability to respond when markets recover. We recognise however that agility in addressing short to medium-term strategic challenges should not be at the expense of reflecting on, developing and executing our strategic plans.

Board engagement and support have yet again been critical during the last year and remain key strengths of our Board, which has strong leadership and is focused on responsibly governing to ensure the long-term sustainability of the business.

2023 Board performance review

The 2023 Board performance review was conducted internally by the Chair and Company Secretary using a comprehensive tailored questionnaire that evaluated Board behaviour and processes as well as providing the Board an opportunity to reflect openly on its, and the Group's, strengths, weaknesses, opportunities, threats and strategic priorities.

Having redesigned the internal evaluation with the Company Secretary's support, the Chair conducted this year's evaluation on a consistent basis with the last internal review carried out in 2021 to enable the Board to reflect on its year on year performance. The review questionnaire incorporated the findings of the externally facilitated review supported by Lintstock in 2022 and also asked the Board to assess its achievement against the priorities set last year. This year's review was carried out immediately after the Group's annual strategy review in November 2023.

The findings of the evaluation were discussed at the January 2024 Board meeting. The review concluded that during 2023 the Board was agile and decisive in difficult situations and supportive as it has navigated challenging macro-economic and market conditions. The Board has managed the succession of our Chief Executive and completed a strategic review, to ensure our priorities make us resilient in the short term and reflect our medium to long-term strategic ambitions. The Board and Committees are well led, with great depth of knowledge, skills and relevant experience and are supported by a strong senior management team. Progress against the Board's 2023 priorities is summarised above and the specific areas identified for focus during 2024 are:

- **People:** The actions we take to support, attract, motivate, develop, progress and retain diverse talent across all levels of the business are critical, as is identifying areas of the business where we are dependent on certain colleagues. Succession planning at the senior management team level also requires focus. After two tough years, our people need to experience winning, both from a business perspective and personally.
- **Customer centricity:** Given the criticality of maintaining our market share and our price positioning, a reinvigorated focus on the customer is required. Simplifying our product and service offerings are critical, as is building a greater understanding of what is driving customer choices. Leveraging our sustainability credentials is a key part of this.
- **Commercialising ESG:** Converting our sustainability credentials into commercial success, particularly in relation to our solar and concrete brick offerings, is key. Whilst our organisational credentials are clear, we need to ensure our investment in sustainability initiatives translates into sales and profits.
- **Strategy:** Embedding the refreshed strategy using the OGSM methodology, and the Board allocating more time to considering strategic priorities and to structured reviews of our progress against key strategic priorities, are key for 2024 and beyond. This includes the flexibility of our strategy in the event of prolonged market weakness and our agility in responding to this.

4
Audit, risk and internal control

The Board has established written policies and procedures for external and internal audit functions designed to ensure that they remain independent and effective and these are regularly reviewed. Annual questionnaire-based evaluations are conducted of both our internal and external audit partners with the Board and members of the senior management team participating. The Board scrutinises financial and narrative statements in accordance with best practice, supported by the advice of our auditor.

The Board has a well-established procedure to identify, monitor and manage risk, and has carried out reviews of the Group's risk management and internal control systems and the effectiveness of all material controls, including financial, operational and compliance controls and the mitigation of material risks. These reviews considered the Group's actions in response to anticipated changes to the Code.

The Strategic Report comments in detail (pages 55 to 61) on the principal risks facing the Group, in particular those that would threaten our business model, future performance, solvency or liquidity, and, where possible, how these are mitigated. The Board conducts a rigorous assessment of these risks, particularly operational risks that might affect the Group's viability in the short term and emerging risks that might impact the medium to longer term.

The Board's risk and viability review incorporates stress testing, by envisaging scenarios that might arise during the financial year and/or the planning cycle, and considering, with financial impact modelling where appropriate, the likely effect on the business and its prospects. Additionally, the outcomes of our risk reviews drive our internal audit planning, ensuring our resources are being directed at the most appropriate areas.

The Audit Committee (on behalf of the Board) reviews the effectiveness of the Group's risk management system and the system of internal control annually. The Group's Risk Register and our risk disclosures in this report were reviewed by the Board and Audit Committee in December 2023 and March 2024 respectively.

The Chair and Non-Executive Directors carried out a standalone risk review in December 2023, the outcome of which has been incorporated into the Risk Register. In addition, our internal and external auditors are invited to all risk review meetings and participated in our most recent meeting in November 2023. Our approach underpins our commitment to transparency in managing risk and internal controls and lends additional efficacy to our procedures.

The Audit Committee Report on pages 84 to 87 describes the Group's internal control system, how the Board assures itself of the independence and effectiveness of internal and external audit functions and how they are managed and monitored. With the Committee's support and oversight, we continued our programme of work to address anticipated changes to the UK corporate governance regime, as they relate to our internal control environment. We remain confident this will support the assurances the Board will be required to provide in this regard. The Board acknowledges that such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives.

Read the Audit Committee Report on **pages 84 to 87**

5
Remuneration

Our current Remuneration Policy was approved by shareholders in 2023 and is summarised in the Directors' Remuneration Report on pages 88 to 102. Our Policy addresses the relevant requirements of the Code and was prepared in consultation with Company shareholders and external voting agencies.

The Remuneration Committee Report describes how the current Remuneration Policy has been implemented during 2023 and the outcomes achieved. It also describes how the Remuneration Committee has carried out its responsibilities during the year.

The Remuneration Committee continues to effectively discharge the duties delegated to it by the Board under the leadership of the Committee Chair, ensuring outcomes reflect performance and taking a holistic view of remuneration across the Group, having consulted employees appropriately, the importance of which is recognised by the Board.

Read the Remuneration Committee Report on **pages 88 to 102**

Vanda Murray OBE
Chair
18 March 2024

Supporting the development of our diverse Board, ensuring we are equipped to **support the implementation of the Group's refreshed strategy**

> "Our stable, and well-balanced Board has been critical in challenging and supporting management actions during a tough year, ensuring the Group is well positioned for when markets recover.

Vanda Murray OBE
Chair of the Nomination Committee

Members and attendance

	Meetings
Vanda Murray OBE – Chair	3
Graham Prothero – SID	3
Tim Pile*	1
Angela Bromfield	3
Avis Darzins	2
Diana Houghton	3

* Tim Pile retired from the Board in May 2023.

Find our Terms of Reference and Nominations Policy at:
www.marshalls.co.uk/about-us/corporate-governance

Dear shareholder

I am pleased to report to shareholders on the main activities of the Committee and how it has performed its duties during 2023. I chair Nomination Committee meetings but would not do so where the Committee was dealing with my own reappointment or replacement as Chair.

2023 highlights

- We recommended that the Board appoint Matt Pullen to succeed Martyn Coffey as Chief Executive. We worked closely with our search partner, Russell Reynolds Associates (which is an independent executive search firm with no other connection to the Company or the Company's individual directors), conducting a robust and objective search and selection process to identify a successor to Martyn. A comprehensive induction plan was arranged for Matt when he joined the Group as Chief Executive Designate in January 2024.
- We have continued to support our Chief Operating Officer, Simon Bourne, in his transition to the Board following his promotion in 2022.
- Diana Houghton has completed our comprehensive Director induction programme with the support of colleagues throughout the business, demonstrating our commitment to open and "unfiltered" engagement with all Directors.
- Following Tim Pile's retirement and the appointment of Diana Houghton, we've reviewed Board performance and succession, recognising that stability through a challenging year was critical. We have not lost sight of the need to ensure that Board composition, succession and performance in the medium to long term must continue to support the Group's strategic ambitions, whilst ensuring we retain the diversity we currently have within the Board and reflect on the tenure of current Board members.

- With the support of our then the Chief People and ESG Officer, Louise Furness, we conducted a comprehensive review of our Diversity, Equity, Respect and Inclusion ("DERI") strategy. Although progress and investment in our DERI strategy has been slower, largely due to other priorities during another very challenging period, the Board recognises the importance of this to the long-term sustainability of the business and the challenge it presents to the sector. A key goal for Marshalls is to improve female representation in senior management roles within the business (see page 103).
- Performance, succession, development and progression below Board level were reviewed in detail by the Committee. There is an acknowledgement that, following two years of relative stagnation due to challenging market conditions, a re-shaping of the management and leadership development curriculum is critical to ensuring internal senior management succession candidates are retained and supported by the business. We also need to ensure early talent programmes, including apprenticeships, support the development of a diverse pipeline of future management candidates.
- The Committee has supported a restructuring of the senior management team with Paul Reed, formerly Chief Operating Officer of Marley, being appointed as Divisional Managing Director of Marshalls Landscape and Building Products divisions. After more than 20 years with the business, Chris Harrop, Group ESG Strategy Director, retired from the Group at the end of December 2023 and we thank him for his incredible service and commitment to the Group, particularly as the driving force behind our early engagement with sustainability challenges and initiatives.
- In support of their re-election at the 2024 AGM, we reviewed individual Director performance and also completed an internal performance review, which concluded the Committee continues to operate effectively and under strong leadership and is sensitive to the challenges the Group has faced during the last two years and their impact on progress with the Group's people strategy, including its DERI strategy.
- We reviewed and approved the Group's Nominations Policy and reflected on how we implemented it.

2024 priorities

- Continuing to support Matt Pullen during his induction and transition into the Chief Executive role.
- Focusing on the retention and development of the Group's senior management team.
- Board succession, particularly as it relates to our Senior Independent Director and Audit Committee Chair, Graham Prothero, and the Executive Directors.
- Following a challenging start, to continue to support the Group's progress with its DERI strategy and the Group's participation in sector-wide initiatives to improve diversity. The Committee recognises the challenges presented by the sector profile and market conditions but is committed to supporting the internal education and mentoring programmes which will underpin, in particular, the development and progression of future female leaders.

  Greater gender, cultural and cognitive diversity are huge opportunities the Group with the lack of these being externally acknowledged as an "existential threat" to an industry with an ageing workforce. The Board currently comprises 50 per cent women. We have a female Chair and one Board member from a non-white ethnic minority background and comply with the Listing Rules that require us to publish an annual "comply or explain" statement regarding the achievement of the targets on Board diversity.

- Overseeing the continued implementation of the Group's wider people strategy, which underpins and acts as an enabler to the Group's refreshed strategy and includes the development and support of colleagues in our high-performing category, as well as our approach to recruitment for senior leadership positions, which will prioritise promoting colleagues from within.
- Focusing on retention, succession, development and progression below Board level, particularly given the importance of developing and building the leadership capabilities of those working directly for the Executive Directors and other members of the senior management team.

Marshalls' Nominations Policy

The table below summarises the key features of our Nominations Policy and how it is applied.

Policy principle	Supporting measures	How implemented in 2023
• Recruitment and succession reflect the strategic needs of the business. • Recruitment contributes to desired values and culture.	• Nomination Committee conducts an annual skills review aligned with three to five-year strategic plans. • New Directors agree commitment to strategic direction and Group policies.	• Following her appointment to the Board at the beginning of the year, providing Diana Houghton a comprehensive induction to the Group, and given experience, engaging her in the development and communication of our refreshed strategy. • Paul Reed appointed Divisional Managing Director for Marshalls Landscape and Building Products, reflecting his success as Chief Operating Officer of Marley and transferability of his skills. • Succession priorities for coming years established, following a review of current performance and skills against our refreshed strategy.
• Recruitment to achieve diversity in widest sense.	• Policy sets direction and gives leadership. • Brief for search consultants for new Board and senior management appointments. • Diversity initiatives/ succession plans at Executive level reviewed and targets monitored.	• Following appointment of Diana Houghton and Tim Pile's retirement, 50 per cent of the Board are female, with a female Chair and one Director with a non-white ethnic minority background. • All future search briefs for Board and senior management roles will emphasise the importance of diversity in the broadest sense. • Detailed review of the execution of the Group's wider DERI strategy. Disappointing progress in the business during the last year, stifled by other business priorities and challenges. • Clear recognition of the sector-wide challenge and the threat this poses to long-term sustainability. Engagement with sector initiatives and members of the Employers Network for Equality and Inclusion, which provides access to resources and materials to support our DERI programme.

Marshalls' Nominations Policy continued

Policy principle	Supporting measures	How implemented in 2023
• There should be a clear formal Board succession plan based on objective criteria.	• Annual review of terms of office. • Annual individual evaluation. • Use of independent external search advisers.	• Succession under continuous review. Diana Houghton appointed in January 2023 as successor to Tim Pile, who stood down at the 2023 AGM. • Terms of office are reviewed, annually supported by individual Director evaluations that were last conducted in November 2023. Chair held additional one-to-ones with Directors during the year. • We select external search advisers for Board appointments based on relevant expertise. Russell Reynolds Associates were retained for the recruitment of Diana Houghton and Matt Pullen. Norman Broadbent are retained for senior management team recruitment and were appointed following a formal tender process. • Beneath Board level, we have monitored senior management team performance and succession. We are carefully assessing any internal candidates and ensuring that, in the longer term, development opportunities for our high performers are identified and supported with investment.
• Directors must devote sufficient time to perform effectively and familiarise themselves with the business.	• Limit on other Board appointments. • Detailed induction, site visits, training and employee engagement programme.	• Recruitment process addresses existing commitments and risk of "over boarding". • Time commitment referenced in letters of appointment. • New Director induction process well established and well received by incoming Directors. The induction process is regularly reviewed and refreshed. See page 83. • Board training is included as part of Director induction together with site visits. All Directors are supported by the Company Secretary, who also arranges additional training on relevant topics. • Directors continuously engage: on risk; through site visits; attendance at EVG meetings; with functional team on specific strategic objective; through attendance at Lunch and Learn sessions; and by participating in our annual strategy review. Engagement has been both in person and virtually.
• Compliance/ good governance.	• Conflicts policy and register reviewed no less than six-monthly. • Annual re-election of Directors.	• Reviews in June and December 2023. • All Directors stood for election/re-election in May 2023.

The performance of the Committee was reviewed as part of our internal Board performance review, described on page 78. This review reflected on the outcome of the externally facilitated review in 2022 and any specific objectives identified. The Committee Terms of Reference were reviewed in December 2023. No material changes were made, and the terms continue to reflect the requirements of the Code.

During the year, the Nomination Committee held two scheduled meetings and, one additional meeting, in December 2023, to approve a recommendation to the Board that Matt Pullen be appointed as Chief Executive Designate. There were additional ad hoc meetings and discussions between Committee members in connection with succession planning and recruitment.

Evaluation and reappointment of Directors

Each Non-Executive Director was, on joining, provided with a detailed description of their role and responsibilities, and received a detailed business induction, which is managed by our Company Secretary. All Directors have biannual one-to-one review meetings with the Chair to appraise the composition and performance of the Board and their individual contributions, behaviours and participation, both at Board and Committee meetings and through their wider engagement with the business. In addition, these meetings provide an opportunity for the Directors to give their views on the topics the Board is currently focusing on and on the broader strategic, macro-economic and market considerations and risks that should be factored into setting the Board's future agenda. This demonstrates the Chair's commitment to regular reflection on Board and individual Director performance.

Before any Director is proposed for re-election, or has their appointment renewed, the Committee considers the outcome of the reviews to ensure that the Director continues to be effective and demonstrates commitment to the role. The Chair provides an explanation to shareholders as to why the Director should be re-elected and confirming that a formal performance evaluation has taken place when the Resolution to re-elect is circulated.

It is the Company's policy that Executive Directors can only hold one external listed company non-executive directorship. Voluntary service on the governing board of a social, trade or charitable organisation is also permitted. Details of the external appointments held by the Executive Directors are included in the biographical notes on pages 64 and 65.

Governance

The Committee has acted throughout 2023 in accordance with the principles of the Code. In addition, the Committee's performance against the Code was reviewed as part of our internal Board performance review for 2023. The evaluation concluded that the Committee has effectively managed Board composition and succession, with a well-balanced, stable and multi-skilled Board that has acted with agility during another challenging year and ensured we are well positioned for when markets recover. The framework for the refreshment of skills, experience and diversity to support the needs of the business and its stakeholders in the future is transparent and well understood.

Vanda Murray OBE
Chair of the Nomination Committee
18 March 2024

Director induction

Our induction process focuses on informing, engaging and supporting new Directors when they join the business to ensure they understand the Group's culture, business, strategy and stakeholders.

We feel this knowledge, combined with their skills and experience, provides the right foundation for them to make an effective contribution to the Group and to fulfil their statutory duties as Directors. This induction process is a key building block of effective governance and reflects The Marshalls Way – "we do the right things, for the right reasons, in the right way".

Our Director induction

The Marshalls Way

We do the **right things**, for the **right reasons**, in the **right way**

Inform

- Summary of the Group's history
- Introduction to the Group's Strategy
- Biographies of the senior management team
- Employee Engagement Survey
- Sustainability Report
- ESG update
- Latest Board evaluation
- Access to key corporate documents
- Market research, including indicators and drivers

Engage

- Board one-to-ones
- Executive management one-to-ones
- Site visit programme
- Customer visits
- Introduction to our markets
- Introduction to investor relations
- Introduction to Remuneration Policy
- EVG attendance

Support

- Core compliance and additional topical training
- Appointment documentation support
- Company Secretary support
- Organograms
- Key contacts
- Details of key advisers
- Payroll and administration support

Marshalls continues to maintain a strong focus on **control, risk management and governance**

> During 2023, the Committee oversaw a continuing project to review the design, completeness and effectiveness of the Group's control environment to ensure that it continues to be robust and suitably documented.

Graham Prothero
Chair of the Audit Committee

Members and attendance

	Meetings
Graham Prothero – Chair	4
Angela Bromfield	4
Avis Darzins	4
Diana Houghton	4
Tim Pile	1

Find our Terms of Reference at:
www.marshalls.co.uk/about-us/corporate-governance

The Audit Committee has addressed its key responsibilities throughout 2023. It has focused on the integrity of the Group's external reporting and challenged judgements made by management alongside seeking input from the external auditor on key matters.

It has also assessed whether the 2023 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and, having concluded that it is, the Committee made a recommendation on this basis to the Board. It performed an effectiveness review of the 2022 audit process and ensured that an effective external audit was conducted in 2023 by critically assessing the scope of work undertaken and the results of the audit work. It has continued to oversee the project to enhance the Group's control environment ahead of expected changes in reporting obligations on internal controls and it monitored and reviewed the effectiveness of the existing control environment. The scope of work of the internal audit function was approved by the Committee, the reports were reviewed and the completion of actions was monitored.

The principal areas of focus for 2024 are to continue to discharge the key responsibilities under its Terms of Reference, as set out in this report. The Committee will also continue to oversee the project to improve both the effectiveness and assurance of the internal control environment with the aim of being ready for the changes that will become effective from January 2026. In addition, the Committee will oversee an external audit tender process that will appoint the external auditor for the year ending 31 December 2025.

Role and composition

The Committee consists of independent Non-Executive Directors and met four times during the year. Members and their attendance at meetings are set out above. Diana Houghton was appointed to the Committee on 1 January 2023. The Chair of the Committee is a Chartered Accountant, and the Board is satisfied he is independent and has recent and relevant financial experience as required by the Code. Other members also have relevant sectoral and financial experience. Their biographical details are on pages 64 and 65.

The Chief Executive Officer, Chief Financial Officer and Chief Operating Officer together with the external auditor (Deloitte LLP) and internal auditor (KPMG LLP) are all invited to attend the meetings of the Committee. In addition, the Company Chair attended all meetings during 2023. The Committee Chair meets with the Chief Financial Officer and both the external and internal auditors on a regular basis outside the formal meetings. The external auditor met with the Committee without the Executive Directors being present at both the March and August meetings.

The Committee acknowledges and embraces its role of protecting the interests of shareholders as regards the integrity of the financial information published by the Company and the effectiveness of the audit. The Committee's responsibilities are outlined in its Terms of Reference which are available on the Group's website (www.marshalls.co.uk). The Committee's main responsibilities are to:

- Review the integrity of formal announcements relating to the Group's financial performance, and specifically consider the significant financial reporting judgements contained within them.
- Provide advice to the Board on whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Group's financial position and performance, business model and strategy.
- Review and monitor the independence and objectivity of the external auditor and effectiveness of the external audit process.
- Make recommendations to the Board, for the Board to put to shareholders in general meeting, on the appointment, reappointment and removal of the external auditor and to approve the terms of that appointment.
- Monitor the Group's systems of internal control including financial, operational and compliance and risk management systems, and to perform an annual review of their effectiveness.
- On behalf of the Board, review and monitor the Group's risk management process, in particular the assessment of principal risks and the associated mitigating actions included in the Group Risk Register.
- Review and approve the internal audit programme, monitor its delivery during the year. Review the effectiveness of KPMG, as internal auditor, and the internal audit programme.

The Committee reviewed its responsibilities in the context of the FRC's Minimum Standards for Audit Committees and concluded that they are aligned although certain processes, including the granularity of the external audit effectiveness review, have been enhanced in response.

Performance evaluation

During the year, as part of the internal evaluation of Board and Committee effectiveness, an evaluation of the Committee's performance was also undertaken. A summary of the internal evaluation is set out in the Corporate Governance Statement on pages 66 to 79. The review found the Committee to be effective and well led by an appropriately experienced Chair, with clear Terms of Reference. The review found that Committee strikes an appropriate balance between being supportive and providing robust challenge. No areas of concern were highlighted during this review although a number of items will be kept under review, including the time allocated to key review topics in light of forthcoming governance reforms.

Significant issues related to the Financial Statements

In preparing the Financial Statements, the Committee has been mindful of potential issues arising from high inflation and interest rates and the uncertainty over a range of macro-economic factors. The significant judgements considered by the Committee are set out below.

Goodwill impairment review

The Group's balance sheet includes goodwill totalling £324.4 million that is required to be subject to an annual impairment review under 'IAS 36 "Impairment of Assets". The key areas of judgement in this review are the reasonableness of the future cash flows that are forecast to be generated by the Group's cash generating units ("CGUs"), the rate used to discount the cash flows into their current value and the long-term growth rate.

The Committee received and challenged a detailed paper from management that summarised the work performed to prepare the forecast cash flows, the calculation of the market-based discount rate, the long-term growth rate and a series of sensitivities that illustrated the impact of key judgements being different to the assumptions included in the modelling. The Committee also benefited from its members' industry experience when considering the cash flow projections. The external auditor performed detailed audit work on all aspects of the impairment modelling and reported its findings to the Committee. The Committee concluded that management's assessment that no impairment charge was required was appropriate. In addition, it reviewed the disclosures included in the Annual Report and Accounts, received feedback from the external auditor on their adequacy and concluded that the disclosures were appropriate.

Disclosure of adjusting items

The Group's Annual Report and Accounts highlights both statutory results and results stated after adding back adjusting items. The Group has an accounting policy for adjusting items see page 128, which states that they are items that are unusual because of their size, nature or incidence and which Directors consider should be disclosed separately to enable a full understanding of the Group's results and to demonstrate the Group's capacity to deliver dividends to shareholders. The Committee received a paper from management setting out details of those items that were assessed to meet the criteria of the policy. The Committee challenged the paper and received feedback from the external auditor and concluded that the proposed items met the criteria of the policy. The Committee also considered the use of adjusting items in the Group's financial reporting and concluded that there was no undue prominence given to adjusted results compared to the statutory results.

Fair, balanced and understandable

The Committee has considered whether, in its opinion, the 2023 Annual Report and Accounts is, taken as a whole, fair, balanced and understandable, and whether it provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. As part of its review, the Committee considered the disclosures in the Strategic Report together with the enhanced disclosures relating to the Group's ESG objectives, sustainability and climate-related risks and opportunities and targets. The Committee also considered the adequacy of the disclosures made in relation to the measures undertaken by the Group to mitigate risk. In making this assessment, the Committee has advised the Board in relation to the statement required by the UK Corporate Governance Code. The Committee has concluded that the disclosures, and the process and controls underlying their production, were appropriate to enable it to determine that the 2023 Annual Report and Financial Statements is fair, balanced and understandable.

FRC Corporate Reporting Review ("CRR")

The FRC's CRR team carried out a limited scope review of the Group's 2022 TCFD disclosures of metrics and targets, and the adequacy of net zero commitment disclosures as part of its thematic review of climate-related disclosures. The CRR did not raise any questions or queries that required a response, but it did highlight a number of potential improvements. The Committee welcomed the FRC CRR's review and management has made changes to the TCFD disclosures included in this Annual Report based on this feedback.

External audit

Deloitte LLP tenure and audit partner

Deloitte LLP was appointed as the external auditor in May 2015, for the audit of year ended 2015, following a competitive tender process. Deloitte LLP has processes in place designed to maintain independence, including regular rotation of the audit partner. The current audit partner is Bashir Bahaj and the 2023 audit is the first year of his rotation. For the financial year under review, the Company has complied with the Competition and Markets Authority's Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Audit tender process for the 2025 financial year

The financial year ending 2024 will be the tenth year of Deloitte LLP's tenure as external auditor and, in accordance with its obligations under the Companies Act 2006, the Committee plans to run an audit tender process during 2024 to appoint the external auditor. The Committee intends to invite Deloitte LLP and other appropriately qualified audit firms, including "challenger" auditors, to present proposals for this role. The tender process will be conducted in accordance with the guidelines included in the FRC's "Minimum Standards for Audit Committees" that was published in May 2023, the guidance issued by the Investment Association, FRC and the EU Audit Regulation (Regulation 537/2014) as it applies under UK law). The outcome of the process will be put to members for approval at the 2025 AGM.

Audit fee and provision of non-audit services

The Committee reviewed the auditor's fee proposal and made a recommendation to the Board that it be accepted. In addition the Committee has adopted policies to safeguard the independence of its external auditor, Deloitte LLP. Any non-audit services require the specific approval of the Committee. Where the Committee perceives that the independence of the auditor could be compromised, the work will not be awarded to the external auditor. Details of amounts paid to the external auditor, and its entire network, for audit and non-audit services in 2023 are analysed in Note 3 on page 127. Other than the half yearly review of Marshalls plc, for which a fee of £40,000 was charged (2022: £35,000), no amounts were paid for non-audit work during 2023.

FRC Audit Quality Review Team ("AQRT")

The FRC's AQRT reviewed Deloitte LLP's audit of the 2022 Annual Report and Accounts. This review concluded the audit was compliant and identified an area of best practice that was associated with the audit of the Marley Group Limited acquisition accounting along with a proposed enhancement to the revenue analytics component of the audit. Deloitte enhanced their audit approach to the 2023 external audit to address this matter.

External audit effectiveness

An effectiveness review of the 2022 external audit process was conducted with reference to guidance set out in the FRC's Minimum Standards for Audit Committees. While satisfied with the robustness of the audit in 2022, the Committee felt that the audit process required attention and in particular had concerns regarding timing of matters being highlighted during the 2022 audit. Both management and Deloitte have responded to the Committee's feedback and Deloitte introduced a new lead partner for the 2023 audit. The Committee are satisfied with the induction process the new partner undertook and are satisfied that its previous concerns have now been addressed by management and by Deloitte. The Committee have also considered the effectiveness of the 2023 audit by critically assessing the scope of work and the results of the audit work undertaken and concluded that the audit was effective and the process was better managed by both management and Deloitte.

Risk management and internal control

Risk management process

The Committee, along with the Board, reviewed and assessed the Group's risk management framework and the output of the bi-annual risk reviews. The action plans developed by management to improve risk management, compliance and governance are monitored by the Committee and the Board.

Internal controls

The Committee is responsible for monitoring the Group's systems of internal control, including financial, operational and compliance-related controls, and risk management systems, and to perform an annual review of their effectiveness. It performed the following work in respect of this responsibility:

- Reviewed and challenged a detailed paper presented to the Committee covering the Group's internal control framework and the underlying control environment across financial, operational and compliance functions, including controls over their reporting.
- Received a report from management on the output of the internal controls self-assessment process.
- Considered those areas where management applies judgement in determining the appropriate accounting and discussed this with the external auditor.
- Considered the findings identified from the external audit.

The Committee concluded that the internal control systems were working effectively.

Internal control improvement process

During 2023, the Committee oversaw a continuing project to review the design, completeness and effectiveness of the Group's control environment to ensure that it continues to be robust and suitably documented with any improvements identified and addressed. This was established in support of the objectives of the Government's consultation on "Restoring trust in audit and corporate governance". KPMG was engaged to support the process and to provide assurance to the Committee and to facilitate the monitoring of progress during the year. Following a review of the material risks, we have created risk and control matrices ("RACMs") for all financial and IT General Control processes, to capture the relevant key controls. Work has also begun on our non-financial controls, with a scoping exercise completed towards the end of the year and RACMs to be created for the appropriate process areas. The FRC published changes to the Corporate Governance Code in January 2024 and management and the Committee will evaluate the implications for this project during the coming year.

Internal audit

Internal audit function and plan

The internal audit function is undertaken by KPMG LLP, and the annual internal audit programme uses a risk-based assessment that considers the Risk Register and management input. KPMG LLP attends the Group's Risk Register review meetings on a regular basis. This risk-based assessment is reviewed, challenged and approved by the Audit Committee, and the process is overseen by the Chief Financial Officer. KPMG LLP is independent from the Company's external auditor and has no other connection with the Group.

The internal audit programme includes both regular audit checks and assignments to look at areas of critical importance. Control weaknesses that are identified through this process prompt a detailed action plan and a follow-up review to confirm that agreed actions have been completed. Instances of fraud or attempted fraud (if any) and preventative action plans are also reported to the Committee and recorded in a fraud register.

2023 internal audit projects comprised a review of the adequacy of IT general controls (which is part of the Group's response to the BEIS proposals on internal controls), a review of the Marley cyber security control environment, ESG reporting and the D365 ERP implementation project together with support on the Group's project to enhance its internal control environment in line with the BEIS proposals on internal controls.

Internal audit effectiveness

An annual review of internal audit effectiveness and of the performance of KPMG LLP as independent internal auditor was undertaken by the Committee in 2023. This included feedback from colleagues who engaged with KPMG directly on the audits and the conclusion was that the current internal audit process continues to be an efficient and effective means of fulfilling the internal audit function.

Whistleblowing and anti-bribery

The Audit Committee monitors, on behalf of the Board, reported incidents under the Serious Concerns Policy (our Whistleblowing Policy), which is available to all colleagues. A third-party organisation, Safecall, provides an independent and confidential channel on behalf of the Group for any concerns to be reported.

These procedures are embedded into the Group's Code of Conduct and are relevant to all stakeholders including suppliers, partners and colleagues. The policy and the Safecall process are displayed on operating site noticeboards and on the Company's intranet and set out the procedure for employees to raise legitimate concerns about any wrongdoing without fear of criticism, discrimination or reprisal.

The Committee, on behalf of the Board, receives regular updates from the Company Secretary regarding any matters of material concern and an annual summary of matters raised throughout the relevant year including the nature of matters reported, the outcome of any material investigations and details of any actions taken to address concerns raised. The Committee is satisfied that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

The Company is committed to a zero-tolerance position with regard to bribery, made explicit through its Anti-Bribery Code and supporting guidance on hospitality and gifts. The policy and procedures are published on the Company's website and displayed on operating site noticeboards. The Board reviews and approves any changes to the Anti-Bribery Code annually. Online training is available to all employees to reinforce the Anti-Bribery Code and procedures and is part of our core compliance training programme for relevant colleagues. There is a maintained record of gifts and hospitality with a requirement for these to be reported quarterly.

I would like to thank our shareholders for their continued support during the year. I will be available at the Company's 2024 AGM to answer any questions in relation to this report.

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

Graham Prothero
Chair of the Audit Committee
18 March 2024

Continuing with a Remuneration Policy which **aligns to the strategic goals**

> Remuneration arrangements for Executive Directors provide an appropriate balance of fixed and variable remuneration with a focus on long-term growth.

Angela Bromfield
Chair of the Remuneration Committee

Members and attendance

	Meetings
Angela Bromfield – Chair	
Vanda Murray OBE	
Tim Pile*	
Graham Prothero	
Avis Darzins	
Diana Houghton	

* Tim Pile stepped down from the Board and the Remuneration Committee on 10 May 2023.

The CEO and CFO may attend the Committee meetings by invitation but may not participate in discussions about their own remuneration. The Company Secretary acts as Secretary to the Committee and attends Committee meetings, along with the Chief People Officer.

Find our Terms of Reference at:
www.marshalls.co.uk/about-us/corporate-governance

2023 highlights

- We are pleased that the refreshed Policy was approved by shareholders at the 2023 AGM. Before the AGM, we actively engaged with shareholders. Following the AGM result, in relation to Resolution 14 ("Annual Remuneration Report"), we re-engaged with shareholders to understand views and published a statement in line with the requirement under the UK Corporate Governance Code.
- Agreed that the 2024 annual salary review for Executive Directors be deferred until mid-2024, in line with all Marshalls colleagues, reflecting the focus on costs at the current time.
- Agreed the incentive plan outcomes for 2023, taking into account the formulaic outturn and the wider stakeholder experience.
- Agreed incentive plan targets for 2024, continuing to use the same robust financial and non-financial measures designed to align with strategic objectives and stakeholder interests. These measures take into account current expectations and the continuing market uncertainty.
- Reviewed the approach to setting underpins under the MIP to ensure that they remain appropriate.
- Agreed the leaver arrangements for Martyn Coffey and the remuneration for Matt Pullen as Chief Executive.
- Continued engagement with the EVG, which operates as a forum for feedback and consultation on employee matters and wider business change. Board and Executive Team members rotate attendance during the year to listen to and understand colleague viewpoints. Angela Bromfield is the Company's designated Non-Executive Director for employee engagement and attended all the EVG meetings during 2023.
- Reviewed remuneration report disclosures to make the report more streamlined.

2024 priorities

- Monitor developments in corporate governance and reporting requirements.
- Consider the deferred pay rise decision for all colleagues and the salary review approach for the Executive Directors.
- Continue to focus on wider workforce reward for all colleagues in the context of a continuously competitive market for talent.
- Continue to engage with employees, shareholders and other stakeholders on remuneration to ensure it remains effective.
- Ensure the measures and targets for 2024 are appropriate in the context of Company structures and forecasts.

Dear shareholder

I am pleased to set out in this report how the Committee has carried out its objectives and responsibilities during 2023.

The content consists of:

- my Annual Statement as Chair of the Committee;
- an "At a glance" summary of how incentives operate and remuneration outcomes for 2023;
- the Annual Report on Remuneration which sets out additional detail on the remuneration outcomes for the Executive Directors, disclosures required by the remuneration reporting regulations, and considerations in respect of pay for colleagues; and
- a summary of the Directors' Remuneration Policy (the "Policy") which was approved at the 2023 AGM.

Business performance

As noted in the Strategic Review, 2023 was a challenging year due to market conditions which resulted in a reduction in volumes. The weakness in volumes meant that the financial performance of the Group was impacted negatively. Management took decisive actions to reduce costs, improve agility and manage cash without compromising medium-term capacity in the face of unexpected headwinds including rising interest rates, high inflation and energy costs.

The Group's key strategic KPIs are shown on pages 26 and 27 of the Strategic Report.

Board changes

As announced on 6 December 2023, Martyn Coffey stepped down as Chief Executive on 29 February 2024 and was succeeded by Matt Pullen. Martyn will remain with the Company to support Matt's induction and transition during 2024. His termination date will be 6 December 2024 and his salary and contractual benefits will continue to be paid as normal until that date. Reflecting Martyn's long service and his excellent contribution to Marshalls, he will be treated as a good leaver for the purposes of the Management Incentive Plan ("MIP"). Having worked for the full FY23 year, he will receive a MIP A contribution for 2023 and a pro rata MIP A contribution for the proportion of 2024 worked on the same terms as other participants. Outstanding MIP B awards will continue to run on their original terms and will vest subject to time prorating and the achievement of their respective performance underpins. He will not be granted any MIP B options in relation to performance outcomes for 2023 or 2024 and will not be eligible for any salary increases.

Matt Pullen joined the Board as a Director on 8 January 2024 and took over as Chief Executive on 1 March 2024. His base salary on appointment was set at £580,000, which is 14 per cent lower than Martyn's current salary. His pension allowance is aligned to the majority of the workforce at 5 per cent of salary and his total maximum variable remuneration under the MIP is in line with the approved Policy at 250 per cent of salary.

Incentive outcomes

The Company operates a single long-term incentive plan, the MIP, which focuses directly and indirectly on aligning the reward of Executive Directors and senior management through delivery of some of the Group's KPIs being EPS, a ratio of operating cash flow ("OCF") to EBITDA, carbon reduction and health and safety.

2023 MIP performance conditions

Performance targets were set at the beginning of 2023 taking into account both internal budgets and external factors such as analyst consensus for the full year 2023 at that time.

As with the previous year, the measures were consciously focused on financial metrics, being EPS (75 per cent weighting) and OCF to EBITDA ratio (25 per cent weighting). There are two ESG objectives relating to carbon reduction and health and safety and if these are not achieved, there is a reduction of award value of 10 per cent each.

The final 2023 adjusted EPS was 16.7 pence which was below the threshold of the target range, resulting in a zero pay-out for that element of the MIP.

The OCF to EBITDA ratio element was 106 per cent, which was above the maximum and therefore resulted in a formulaic outturn of 25 per cent for this element of the MIP. More details of the financial measures targets and outturn are shown on page 93.

The EPS and OCF to EBITDA metrics resulted in a potential MIP outcome of 25 per cent of maximum for 2023 which is subject to two ESG moderators. For 2023, these were:

- a carbon reduction target, which was linked to the Company's sustainability strategy, was based on carbon emissions of below 45,719 tonnes. This was achieved; and
- a health and safety measure which was based on the lost time accident frequency rate for 2023 being no worse than the average of the last three years. This was also achieved.

As a result of achieving both of these objectives, there was no moderation applied to the MIP financial outcome of 25 per cent of maximum.

The Committee also considered whether downward discretion was required to adjust the MIP formulaic outcomes given the profit that was delivered against the backdrop of challenging market conditions. The Committee was mindful of the operational and financial performance of the Group in the difficult market conditions as well as the experience of a range of stakeholders including our customers, shareholders and colleagues. In the round, and in particular acknowledging management's actions to reduce leverage and manage cash effectively over the year, by improving agility, aligning capacity with demand and reducing costs whilst ensuring that capacity could be brought back when markets recover, the Committee therefore believes that the outcome is a fair representation of overall performance and therefore no discretion has been applied. More detail is included on page 93.

MIP A: As a result of the Company's performance during the year, the performance conditions for MIP A were achieved in part and as such a contribution to MIP A plan account will be made in respect of 2023, equivalent to 25 per cent of the maximum available.

MIP B: The performance conditions that determine the allocation of MIP B awards are the same as the performance conditions for MIP A. As a result of the Company's performance, there will be an allocation of awards under MIP B in respect of 2023, equivalent to 25 per cent of the maximum available.

Expiry of MIP A cycle 3

The MIP A part of the incentive plan runs on four-year cycles. 2023 marked the final year and expiry of the third MIP A cycle. Contributions were made to the Plan Accounts in respect of performance in financial years 2022 and 2021 but not for 2020, reflecting the performance achievement in each of those years. Financial year 2023 was the holding period year before value within the Plan Account is released to participants. The release of the closing balances in the MIP A account is subject to an EPS underpin. The average EPS for the three-year period ending 31 December 2023 was above the plan underpin of 21.5 pence and therefore the MIP Account balances will be released to participants in March 2024.

Implementation of policy for 2024

The Committee has determined that in light of the business challenges the pay review for Executive Directors will be deferred to mid-2024 in line with all Marshalls employees. If any increases to Executive Directors' base salaries are made during 2024, these will be disclosed in next year's Remuneration Report. The salary for Matt Pullen on appointment was set at £580,000 which is less than his predecessor and will not be increased as part of any mid year 2024 review.

For 2024, the MIP A and B incentives will continue to be based on the same measures as last year, being EPS (75 per cent weighting) and OCF to EBITDA ratio (25 per cent weighting). ESG objectives based around carbon reduction and health and safety performance will continue to act as downward moderators (up to 10 per cent each) to the financial performance outcomes. The Committee believes it remains appropriate to have a firm focus on financial performance in the current circumstances, but the moderators ensure this is achieved in an appropriate manner. Martyn Coffey's MIP A contribution and Matt Pullen's MIP A and MIP B contributions will be prorated for the period of service rendered.

For 2024, the Committee reviewed the process for setting the underpins to ensure that the process and the underpins are appropriate. Setting of underpins:

- The MIP A underpin in respect of the brought forward Plan Account balance will be set at the start of the relevant performance year and be assessed based on performance for that year.
- The MIP B underpin for the grant in 2024 will be set just prior to the date of grant and will be assessed based on the average performance over the three-year vesting period.

The underpins therefore remain relevant and are aligned to the respective assessment periods.

Group-wide considerations

Marshalls is committed to creating an inclusive working environment and to continue to reward its colleagues in a fair way. In making decisions on Executive pay, the Remuneration Committee considers remuneration and terms and conditions for colleagues across the Group. The Committee's role in monitoring and reporting on these matters is key to the promotion and development of our values and culture.

For 2023, the majority of Marshalls colleagues received a pay rise awarded in two parts: a first pay rise of 4 per cent effective from 1 January 2023 and a further increase of 4 per cent effective from 1 July 2023. Senior management within Marshalls received a pay rise from a budget of 5 per cent, effective from 1 January 2023. In Marley the majority of employees received a pay rise of 4 per cent effective 1 January 2023. For 2024, given the market conditions, Marshalls will delay the normal pay review until later into 2024, as mentioned above. Marley will continue with their separate pay review arrangements for 2024.

Marshalls and Marley continue to be Living Wage employers and will implement increases announced by the Living Wage Foundation requirement within the implementation window.

Our Remuneration Report has been prepared in accordance with the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. It meets the requirements of the 2018 UK Corporate Governance Code (the "UK Code") and is also prepared in accordance with the UK Listing Authority's Listing Rules and Disclosure and Transparency Rules.

Responding to 2023 AGM result

At the 2023 AGM, the Remuneration Policy, Resolution 13, was approved by 88.4 per cent of shareholders (11.6 per cent against, with 22,816 votes withheld). 75.0 per cent of votes were received in favour of Resolution 14, the advisory vote to approve the Directors' Remuneration Report (25 per cent against, with 6,662,460 votes withheld). In accordance with the UK Corporate Governance Code the Committee engaged extensively with the Company's major shareholders, both before and after the AGM to understand the advisory voting outcome. As Committee Chair, I wrote to major shareholders before the AGM, setting out details of the remuneration review and the rationale for adjustments to Executive Director salaries. I also had meetings with shareholders who wished to discuss the arrangement, ensuring the Company fully understood their views and any concerns. The Committee acknowledges that several shareholders questioned the quantum and timing of Executive Director salary increases.

Following the AGM, I engaged again with those major shareholders who voted against the Remuneration Report to ensure they had another opportunity to share and discuss their views and concerns. Having reflected on the feedback, the Committee continues to believe that it acted fairly and proportionately with regard to Executive Director salary increases, with balanced consideration given to the increased responsibilities of the relevant Executive Directors and market data. The Committee understands the sensitivity of Executive salary increases, particularly given the economic climate at the time and believes its decisions were robust, based on sound principles and focused on ensuring remuneration is fair and appropriate. Regular shareholder engagement is a foundation of Marshalls' approach to investor relations and the Committee is committed to open dialogue on remuneration matters, to ensure decision making considers shareholders' views.

In conclusion

2023 has been a difficult year for the Group with challenging and changing market conditions and a second consecutive year of low incentive outcomes reflect this. Against these market conditions, we continued to deliver our service to customers throughout 2023 and we are well positioned to take advantage of opportunities in 2024 and beyond. The reward strategy for all colleagues will continue to be a focus, with the goals of attracting and retaining the talent to help us drive the business forward.

I would like to thank our shareholders for their support during the year. I will be available at the Company's 2024 AGM to answer any questions in relation to this Remuneration Report.

Angela Bromfield
Chair of the Remuneration Committee
18 March 2024

At a glance

Link to Company strategy

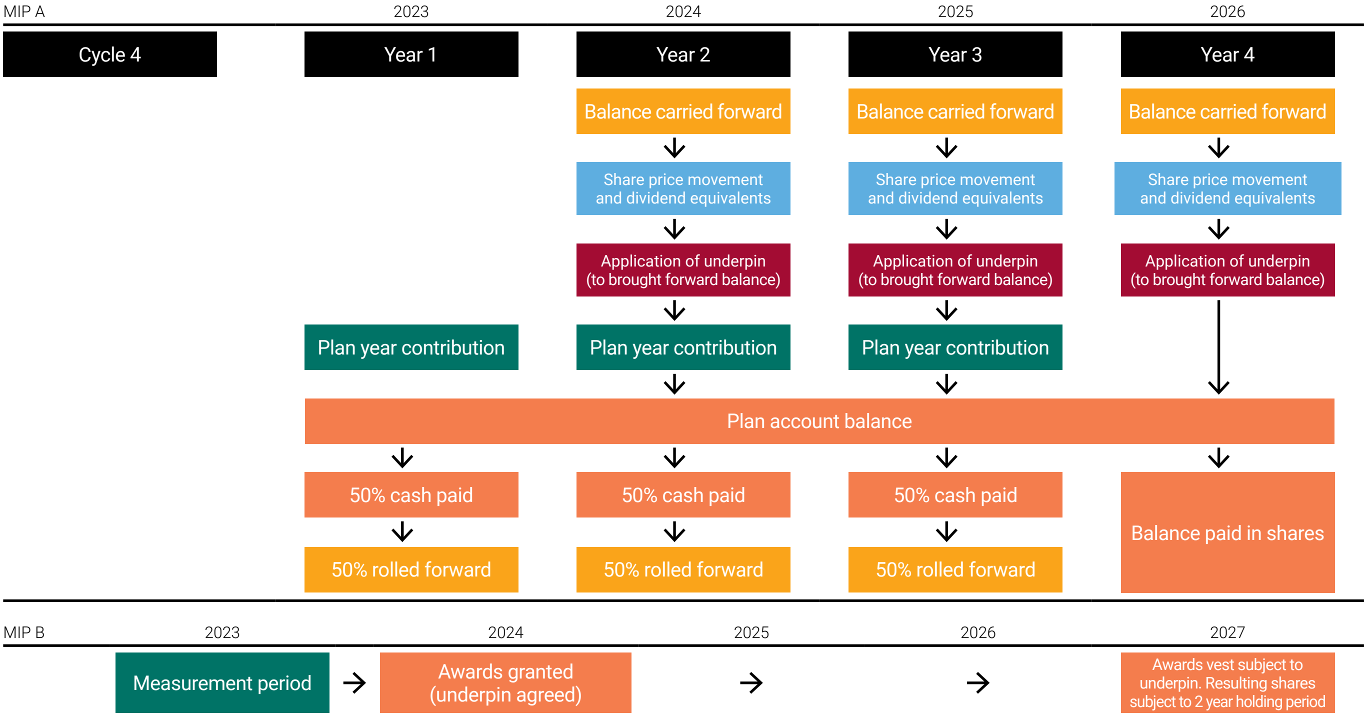
The following table sets out the Group's KPIs and how they are reflected in the operation of the MIP:

Strategic KPI	Revenue	Profit	ROCE	Net debt	Carbon reduction	Health and safety
MIP Measure	EPS/OCF	EPS/OCF	EPS/OCF	OCF	Target KPI	Target KPI

The use of EPS as the main MIP performance condition ensures that the Executive Directors are focused on driving profitable growth in accordance with the Company strategy. The OCF to EBITDA ratio ensures that this growth in profit is not at the expense of its quality and sustainability. The carbon reduction and health and safety performance conditions are ways we incorporate environmental, social and governance ("ESG") measures into our incentive framework and reflect our commitment to our sustainability strategy and employee wellbeing. This ensures that growth and profitability are not achieved in a way that is detrimental to the Company's environmental commitments or employees nor in a way that promotes short-term, high-risk behaviour.

Full details of the Company's strategy are set out in the Strategic Report on pages 22 to 25.

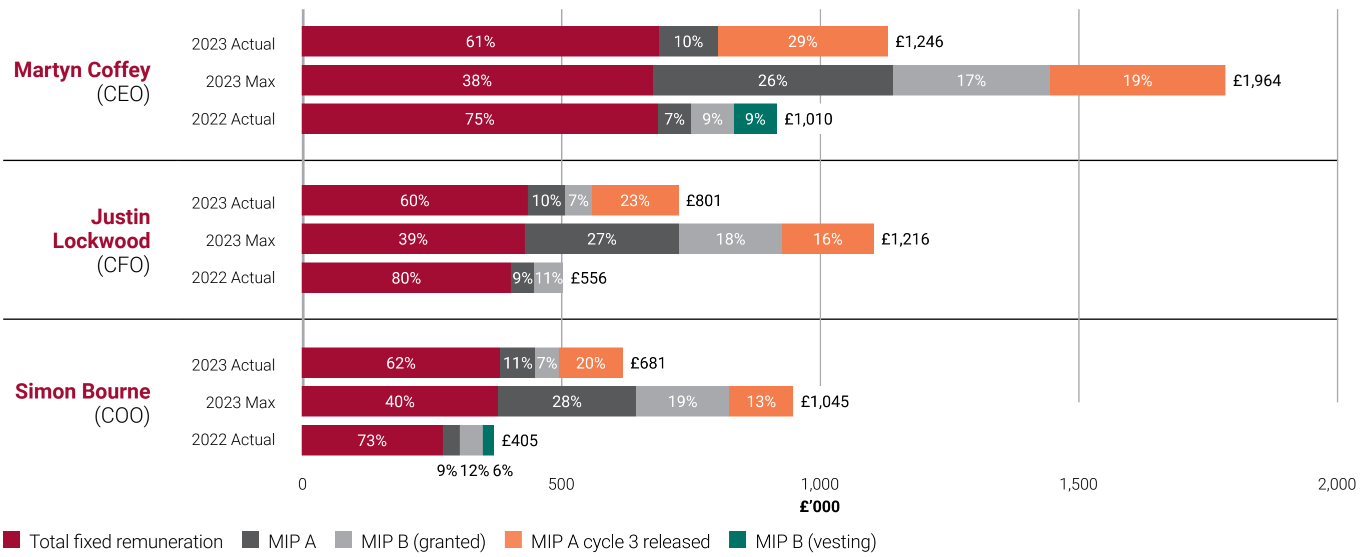
Illustration of operation of MIP A and MIP B



2023 single figure

The following charts summarise the single figure of remuneration for 2023 in comparison with 2022.

2023 pay outcomes



Annual report on remuneration

Implementation of the Policy in 2024

Element of pay	How we will implement the Policy in 2024
Salary	Executive Director salary increases for the CFO and COO will be reviewed later in 2024. Therefore, effective 1 January 2024, annual salaries remain unchanged at: • Former CEO, Martyn Coffey – £676,200 • Chief Executive, Matt Pullen – £580,000 • CFO, Justin Lockwood – £442,050 • COO, Simon Bourne – £388,500
Benefits and pension	The Executive Director's pension contribution is 5% of salary, which is aligned with the majority of the wider workforce.
MIP A	Maximum opportunity of 150% of salary with target set at 50% of opportunity and threshold at 0%. The performance measures are: • EPS (75%); and • ratio of OCF to EBITDA (25%). Non-financial performance conditions to reflect our focus on ESG commitments and our colleagues will apply as follows: • annual carbon reduction targets must be achieved. The 2024 target is that carbon consumption must be below 43,289 tonnes in the year; and • health and safety: the lost time accident frequency rate for the year to be below 2.99 for the whole Group. If they are not met, there is a reduction of award value earned by 10% in relation to each of these additional conditions. The EPS underpin used to assess the MIP A carried forward balance has been set for 2024 and will be disclosed on a retrospective basis, alongside the 2024 financial targets.
MIP B	The 2024 performance measures are the same as for MIP A above (EPS and OCF to EBITDA ratio). The maximum opportunity is 100% of salary. To the extent that the measures are achieved, a MIP B option will be granted in March 2025. For the 2023 performance year, the grant value is based on the 2023 performance outcome (25 per cent of maximum). The awards will be granted in March 2024. Awards will vest after three years, and up to half of the awards will be subject to the achievement of an underpin. The underpin for the 2024 grant will be 13.8p and will be assessed based on the average EPS over the three-year period (2024 - 2026). Vested shares are subject to a two-year holding period.
Non-Executive Directors' fees	Chair and Non-Executive Director fees will also be reviewed later in 2024. Therefore, effective 1 January 2024, they remain as: • Chair fee – £231,500 • Non-Executive Director base fee – £57,600 • Chair of a committee fee – £10,000 • Senior Independent Director fee – £10,000 • Employee Engagement Director fee – £10,000

As mentioned on page 89 the Committee agreed the remuneration package for Matt Pullen on his appointment as Chief Executive, within the approved Policy. When agreeing the base salary, the Committee took into consideration Matt's experience in the sector, external benchmarking and the relativity of the salary to Martyn Coffey and the other Executive Directors.

Single total figure of remuneration in 2023 – Executive Directors (audited)

	Fixed						Performance related				Long-term incentives							
							Annual bonus											
	Salary		Other benefits		Salary supplement in lieu of pension		MIP A		MIP B		MIP A and B		Total		Total fixed		Total variable	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000
Martyn Coffey	**676**	621	**43**	44	**34**	93	**127**	70	**–**	94	**366**	88	**1,246**	1,010	**753**	758	**493**	252
Justin Lockwood	**442**	414	**12**	11	**22**	21	**83**	47	**55**	63	**187**	–	**801**	556	**476**	446	**325**	110
Simon Bourne (e)	**389**	276	**12**	8	**19**	14	**73**	35	**49**	49	**139**	23	**681**	405	**420**	298	**260**	107
Total	**1,507**	1,311	**67**	63	**75**	128	**283**	152	**104**	206	**692**	111	**2,728**	1,971	**1,649**	1,502	**1,078**	469
			Note a		Note b		Note c				Note d							

Notes:

a) The value of benefits includes car/car allowance, fuel/fuel allowance, private medical insurance and travel and accommodation expenses. For Martyn Coffey, for 2022, the number includes an additional £8,000 of expenses than was reported last year which relates to travel and accommodation expenses. Martyn Coffey's pension allowance was reduced from 15 per cent to 5 per cent of salary from 1 January 2023.

b) The Executive Directors each received a salary supplement in lieu of contributions into the Group's pension scheme throughout the year. No Director had any entitlement under the defined benefit section of the pension scheme and no additional benefit was received as a result of early retirement.

c) The outcome of the 2023 MIP was 25% of maximum. MIP A reflects the amount released in cash at the start of 2024 in relation to 2023 performance (50% of the 2023 award was paid in cash and 50% of the award was deferred into the Plan Account and converted into notional shares). MIP B reflects the 50% of the MIP B granted at the start of 2024 in relation to 2023 performance which is not subject to an underpin.

d) The long-term incentives column shows the aggregate value of sums released from MIP Plan Account balances from earlier years that are no longer subject to deferral and forfeiture risk. There were no MIP B awards due to vest in relation to 2023 and therefore this relates solely to the MIP A Plan Account closing balance. The value is based on a share price of 256.6 pence.

e) Simon Bourne joined the Board as Chief Operating Officer on 1 April 2022 and his fixed remuneration elements reflect his time on the Board since the date of appointment.

Single total figure of remuneration in 2023: Non-Executive Directors (audited)

Non-Executive Directors do not participate in any of the Company's incentive arrangements. The Chair's fees are set by the Committee; other Non-Executive Directors' fees are set by the Board as a whole. The Non-Executive Directors reclaim travel and accommodation expenses incurred in the performance of their duties, and where this is a taxable benefit it is shown below as a grossed-up taxable amount.

	Board fee		Committee fees		Expenses (a)		Total	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000
Vanda Murray OBE Chair and Chair of Nomination Committee and member of Remuneration Committee	**232**	219	**10**	5	**3**	2	**245**	226
Graham Prothero Senior Independent Director, Chair of Audit Committee and member of Remuneration and Nomination Committees	**58**	55	**20**	18	**0**	0	**78**	73
Angela Bromfield Chair of the Remuneration Committee and member of Audit and Nomination Committees and designated NED for employee engagement	**58**	54	**20**	16	**0**	0	**78**	70
Tim Pile (b) Member of Audit, Remuneration and Nomination Committees	**21**	54	**0**	0	**0**	0	**21**	54
Avis Darzins Member of Audit, Remuneration and Nomination Committees	**58**	54	**0**	0	**0**	0	**58**	54
Diana Houghton (c) Member of Audit, Remuneration and Nomination Committees	**58**	0	**0**	0	**0**	0	**58**	0
Total	**485**	436	**50**	39	**3**	2	**538**	477

Notes:

a) Relates to travel and accommodation expenses.

b) Tim Pile stepped down from the Board and all Board Committees on 10 May 2023.

c) Diana Houghton joined the Board on 1 January 2023.

Outcomes of incentive schemes in 2023 (audited)

2023 MIP Performance Conditions

	Threshold (0% payable)	Maximum (100% payable)	Actual (2023)	Outcome (% total award)
EPS (75% of maximum)	23.06p	27.05p	16.7p	0%
OCF to EBITDA ratio (25% of maximum)	70%	83%	106%	25%
Non-financial targets (carbon reduction/health and safety)	—	—	Achieved	—
Aggregated total				25%

Non-financial targets

The carbon reduction target aligns incentive measures to the Company's commitment to our sustainability strategy. For 2023, the target performance was that carbon consumption should be below 45,719 tonnes CO_2e. The outcome was 32,624 tonnes CO_2e.

The Group continued to make good progress against its stated health and safety objective of keeping the number of days lost to accidents to a minimum. The measurement for the 2023 incentive schemes required the lost time accident frequency rate for the year to be no worse than the average of the last three years. The outcome was 0.78 against the three-year average of 2.10.

The non-financial targets did not include Marley for 2023 as management were continuing to incorporate the business into the Group reporting on a fair and consistent basis during the year.

Overall assessment of performance over 2023

The Committee considered whether downward discretion was required to adjust the MIP formulaic outcomes to reflect underlying business performance. The Committee was mindful of the operational and financial performance of the Group in difficult market conditions as well as the experience of a range of stakeholders including our colleagues, customers, suppliers and shareholders. In making this assessment, the Committee took the following detailed points into account.

2023 was a challenging year for the Group due to weak activity levels in its key end markets which adversely impacted customer demand and profitability, in both Marshalls and across the wider sector. Management acted decisively in response to the challenges that the weaker market presented and took action to improve agility, align capacity with demand, and reduce costs alongside ensuring that capacity could be brought back online when markets recovered. Importantly, management also took action to focus on the priority of reducing leverage which is a key component of the Group's Capital Allocation Policy. The key steps taken by management in order to reduce leverage comprised:

1. Working capital management - the management team were focused on working capital management during the year and particularly on managing inventory levels to align with reduced customer demand. This involved taking decisions to reduce manufacturing volumes in order to reduce the amount of cash tied up in stock, which in itself had an adverse impact on profitability. The credit control team managed cash collection effectively and management continued to pay trade creditors in accordance with agreed terms. Therefore, the positive outcome delivered by management was not at the expense of other stakeholders.
2. Capital expenditure – the management team proactively managed capital expenditure commitments and reduced spend in the year compared to the original plan whilst still delivering key programmes.
3. Site disposals – management focused on realising capital that was tied up in assets that were not delivering a commercial return through an asset disposal programme. This delivered asset sales which generated £6.9 million of cash in 2023.

Annual report on remuneration continued

Overall assessment of performance over 2023 continued

4. Cash management – the finance team consolidated the banking arrangements of the Marshalls and Marley businesses, which improve the efficiency of our cash management operations through the use of a 'netting' arrangement. This reduced the quantum of our drawn borrowings, which reduced the Group's financing costs.

These efforts delivered a positive outcome for the business with closing pre-IFRS16 net debt reducing by £17.8 million during the year, which is fully aligned with the Group's Capital Allocation Policy, despite profit being lower than the Board's expectation at the start of the year.

Our colleagues remained a priority, evidenced by the 2023 pay rises received by the majority of Marshalls colleagues being four per cent from 1 January 2023 and a further four per cent from 1 July 2023; the ongoing development of the employee benefits and wellbeing offering; a continued commitment to treating colleagues in the right way where they are impacted by change programmes; and a successful campaign to improve health and safety.

After taking these factors into account, the Committee concluded that the formulaic outcome of the MIP calculation is a fair representation of overall management performance and therefore no downward discretion has been applied.

MIP awards relating to 2023 performance

MIP A

First year of MIP A cycle 4

	Martyn Coffey	Justin Lockwood	Simon Bourne
Brought forward balance	n/a	n/a	n/a
MIP A contribution in respect of 2023 performance (% of maximum opportunity earned)	25%	25%	25%
Value of contribution (£)	£253,575	£165,769	£145,688
Cash element released at the start of 2024 in relation to 2023 (a) – included in the Single Total Figure	£126,788	£82,884	£72,844
Closing balance at 31 December 2023 (b)	£126,787	£82,884	£72,844
Number of notional shares represented by closing balance (b)	49,410	32,301	28,388

Notes:

a) 50 per cent of the earned MIP A award is released to the participant on an annual basis, the remaining 50 per cent is deferred into the participant's MIP Plan account and converted into notional shares.

b) The carried-forward balance is converted into shares by reference to the mid-market average value for the 30-day period ended 31 December 2023 (256.6 pence). An underpin has been set for 2024 which applies to the 2024 opening balance and will be disclosed retrospectively in next year's Annual Report; if the actual EPS for 2024 falls below the underpin, 50 per cent of the MIP A Plan Account balance is forfeited.

MIP B (2024 award to be granted in respect of 2023 performance)

	Martyn Coffey	Justin Lockwood	Simon Bourne
Total number of shares to be awarded	n/a	43,068	37,850
Percentage of maximum	n/a	25%	25%
Face Value at 30-day average share price at the performance year end – not subject to any further conditions – included in the Single Total Figure (a)	n/a	£55,256	£48,563
Face Value at 30-day average share price at the performance year end – subject to EPS forfeiture conditions	n/a	£55,256	£48,563
30-day average share price at the performance year end	n/a	£2.566	£2.566
EPS underpin - 2024-2026 (b)	n/a	13.8p	13.8p

Notes:

a) In accordance with the regulations, 50 per cent of the MIP B award which is not subject to the underpin is included in the single figure table on grant. The remaining 50 per cent plus any dividends accrued are included on vesting and will feature in the 2026 single figure.

b) The EPS underpin has been set at 13.8 pence which will be assessed at vesting based on average EPS over financial years 2024-2026. In line with normal practice the Committee will monitor the outcomes at vesting to ensure they are appropriate. If the underpin is not met, up to 50 per cent of the MIP B options are forfeited.

c) MIP B awards vest after 3 years and vested shares must normally be held for a further two years. MIP B awards lapse on cessation of employment except in "good leaver" circumstances, in which case they vest on the normal vesting date or cessation of employment if determined by the Committee.

d) MIP B options are nil-cost options and the exercise price is £nil.

Closure of MIP A cycle 3 Plan Account (end of holding period)

For MIP A, 2023 is both the final (holding) year of cycle 3 and the first year of cycle 4. At the end of a cycle, after the final holding year, the balances in the plan accounts are released (subject to the achievement of the underpin).

For cycle 3, the residual balance was subject to the achievement of an EPS underpin of 21.52 pence. The Committee determined that the underpin had been met based on the three-year average EPS performance to 2023 of 25.7 pence.

	Martyn Coffey	Justin Lockwood	Simon Bourne
Value of deferred notional shares in plan account at 31 December 2022 (end of cycle 3) (a)	£379,064	£192,979	£143,404
Dividend equivalents	£17,020	£8,665	£6,439
Share price movement	(£29,682)	(£15,111)	(£11,229)
Closing balance at 31 December 2023	£366,401	£186,532	£138,613
Number of shares represented by closing balance and to be released (b)	142,791	72,694	54,019

Notes:

a) Brought forward balance from 2022. Dividends paid during the year are also added to the carried-forward plan account and an adjustment applied for share price movement.

b) Number of shares equals closing balance at 31 December 2023 divided by mid-market average value for the 30-day period ended 31 December 2023 (256.6 pence). This being the final year of MIP A Cycle 3, and the underpin having been met, the shares will be released in full to participants.

MIP B award (2021 award in respect of 2020 performance)

There was no MIP contribution in respect of financial year 2020 and therefore no MIP B options were granted in 2021 that were capable of vesting in 2024.

Directors' outstanding share interests in MIP B awards

The following table sets out Executive Directors' MIP B awards.

	Grant date	Interest at 31 December 2022	Awards granted during the year	Awards vested during the year	Awards lapsed during the year	Interest at 31 December 2023	Date of vesting
Martyn Coffey (a)	March 2020	60,625	0	60,625	0	0	March 2023
	March 2022	82,920	0	0	0	82,920	March 2025
	March 2023	0	70,358	0	0	70,358	March 2026
Justin Lockwood	March 2022	25,835	0	0	0	25,835	March 2025
	March 2023	0	46,873	0	0	46,873	March 2026
Simon Bourne (b)	March 2020	16,144	0	16,144	0	0	March 2023
	March 2021	13,676	0	0	0	13,676	March 2024
	March 2022	28,469	0	0	0	28,469	March 2025
	March 2023	0	36,842	0	0	36,842	March 2026

Notes:

a) Martyn Coffey's March 2022 and March 2023 options will be pro-rated on his termination date in line with good leaver treatment.

b) The options granted to Simon Bourne in March 2021 were awards made to him prior to joining the Board. These vest subject to continued employment only and are not subject to an underpin assessment.

c) Up to half of the awards in the table above are subject to underpins which were set before grant and will be tested at vesting. The March 2022 and March 2023 awards have underpins of 21.42p and 22.39p respectively, to be assessed based on the three-year average EPS over the relevant periods.

d) There is a two-year holding period following the vesting of all MIP B options.

Directors' shareholdings and share interests

The following table sets out, in respect of each of the Directors:

- the number of shares the Director holds unconditionally; and
- the number of shares subject to unvested incentive awards as at 31 December 2023.

	Shareholding requirement (Note a)		Beneficially owned (Note b)	Deferred shares (Note c)	Deferred and contingent share interests (Note d)	Total interests in shares (including contingent interests)
Director	% of salary	Number of shares required	Number of shares	Number of shares	Number of shares	Number of shares
Executive						
Martyn Coffey	200	527,046	455,852	148,035	148,034	751,921
Justin Lockwood	200	344,544	49,931	72,702	72,700	195,333
Simon Bourne	200	302,806	65,753	73,342	59,664	198,759
Non-Executive						
Vanda Murray OBE	–	–	39,891	–	–	39,891
Tim Pile	–	–	47,118	–	–	47,118
Graham Prothero	–	–	2,602	–	–	2,602
Avis Darzins	–	–	6,738	–	–	6,738
Angela Bromfield	–	–	9,091	–	–	9,091
Diana Houghton	–	–	–	–	–	–

Notes:

a) The number of shares required has been calculated using the mid-market average value for the 30-day period ended 31 December 2023 (256.6 pence).

b) As at the date of this report the number of shares beneficially owned by Martyn Coffey was 455,852, by Justin Lockwood was 49,931 and by Simon Bourne was 65,753.

c) This column includes the 50 per cent proportion of share interests awarded in 2022 and 2023 under Element B of the MIP in the form of nil-cost options that may be exercised after the three-year deferral period but where vesting is only dependent on continuing employment throughout the three-year deferral period with no other performance conditions. For Simon Bourne, this includes options granted in March 2021, before he was appointed to the Board.

d) This column comprises share interests awarded under MIP A and MIP B that remain subject to financial performance conditions as well as to continued employment over the relevant deferral period. 50 per cent of MIP A awards and up to 50 per cent of MIP B awards shown in this column may be forfeited if the financial condition is not satisfied.

e) Share interests under MIP A and MIP B of the MIP are calculated by reference to the mid-market average value for the 30-day period ended 31 December 2023 (256.6 pence).

f) The table above includes the interests of "persons closely associated" as defined under the Financial Services and Markets Act (Market Abuse) Regulations 2016.

g) There are no vested unexercised options.

Martyn Coffey's shareholding is 173% of salary, based on the 256.6 pence share price, which is lower than the requirement. He has previously been above the 200 per cent guideline and, based on the share price at the date of signing off this report, he would be above the guideline. Justin Lockwood and Simon Bourne are building their shareholdings after their appointments to the Board in July 2021 and April 2022 respectively.

There have been no changes to the share interests of the Directors between 31 December 2023 and the date of this report.

Annual report on remuneration continued

Payments to past Directors/payments for loss of office

There were no payments to Directors or former Directors for loss of office.

As announced on 6 December 2023, Martyn Coffey stepped down from the Board and the role of Chief Executive Officer with effect from 29 February 2024.

- Martyn will remain with the Company until the expiry of his twelve-month notice period (the "Leaving Date") to ensure a smooth and orderly handover. In accordance with his Service Agreement, Martyn Coffey will receive salary, pension, car allowance and other contractual benefits until the Leaving Date, 6 December 2024.
- Martyn will, for the purposes of the MIP, be treated as a "good leaver" on the Leaving Date. Any outstanding MIP Element B share awards under the MIP will be prorated to the Leaving Date and will only vest to the extent that the underpin conditions are satisfied. Malus and clawback provisions will continue to apply. Any vesting shares will remain subject to the two-year holding requirement. Martyn is also required to maintain a shareholding equivalent to 200 per cent of his leaving salary for the first year after the termination date and 100 per cent of salary for the year after that.
- Martyn will be entitled to receive a MIP Element A award for the financial year ending 31 December 2023 and for the prorated period 1 January 2024 to the Leaving Date to the extent that the applicable performance conditions are satisfied. He will not be entitled to receive a MIP Element B award in respect of performance in 2023 or 2024.
- In accordance with the scheme rules, Martyn will be treated as a "good leaver" for the purpose of the Group's Sharesave Scheme and Share Purchase Plan.
- The Company paid £1,500 in legal fees incurred by, and other payments due to, Martyn.
- Other than the above, no other remuneration payment, including for "loss of office" has been or will be paid to Martyn Coffey after the termination date.

Setting pay in context

The following graphs illustrate the relationship between total expenditure on remuneration and other disbursements from profit over the past three years.

The four elements represent the most significant outgoings for the Company during the financial year. In addition to colleague pay and shareholder distributions, capital investment and taxation are shown for the following reasons:

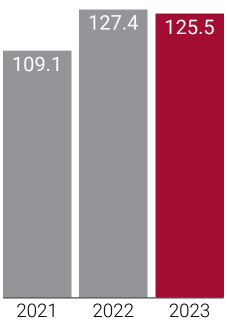
- investment – the Company's strategy is to invest in organic growth opportunities in order to ensure that the business grows in a sustainable manner with a corresponding long-term benefit for all stakeholders; and
- tax – the Company is a UK taxpayer and feels that it is beneficial to demonstrate to all its stakeholders its total UK tax contribution. The most significant elements of the Company's UK tax contribution are VAT, employer's NI, corporation tax, fuel duty and aggregates levy. As profitability increases, corporation tax will also increase. In 2023 the Group was re-accredited with the Fair Tax Mark.

Relative importance of spend on pay (percentage change)

Staff pay (£'m)

£125.5m

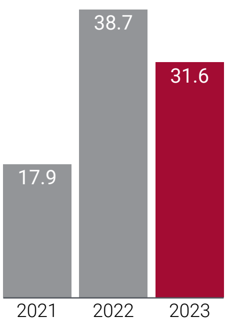
-1%



Distributions to shareholders (£'m)

£31.6m

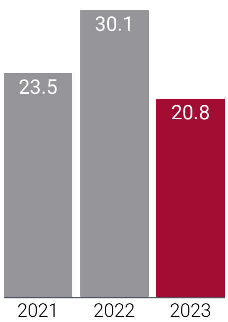
-18%



Capital investment (£'m)

£20.8m

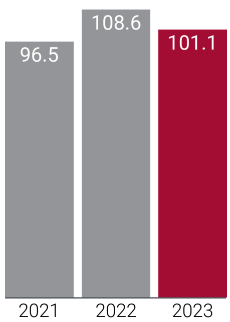
-31%



Tax (£'m)

£101.1m

-7%



Pay comparisons

CEO ratio

The ratio of CEO pay (based on the single total figure of remuneration) to that of UK employees for the five years is shown in the table below. The calculation has been performed using the methodology in Option A of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) in line with best practice and is based on the total single figure of remuneration.

	CEO pay ratio				Employee salary				Employee total pay and benefits		
Financial year	25th percentile	50th percentile	75th percentile	CEO salary £'000	25th percentile	50th percentile	75th percentile	CEO total pay and benefits £'000	25th percentile	50th percentile	75th percentile
2023	**40.2:1**	**31.9:1**	**27.7:1**	**676**	**31**	**39**	**44**	**1,246**	**31**	**39**	**45**
2022	35.4:1	27.2:1	21.7:1	621	31	40	51	1,002	33	43	53
2021	55.0:1	42.6:1	35.5:1	532	29	40	45	1,685	31	40	45
2020	70.6:1	46.3:1	38.2:1	485	23	35	42	1,695	24	37	44
2019	77.6:1	60.6:1	51.0:1	460	22	36	40	2,213	28	36	43

The 25th, 50th and 75th percentiles have been calculated using actual pay for the year ended 31 December 2023, increased where appropriate to give full time equivalent remuneration for part time workers or those working only part of the year.

- Our CEO pay is made up of a higher proportion of performance related incentives than that of our employees, in line with the expectations of our shareholders. This introduces a higher degree of variability in CEO pay each year which affects the ratio. The ratio is lower in the last two years which reflects lower levels of MIP outcomes.
- The value of long-term incentives which measure performance over three years is disclosed in pay in the financial year directly prior to vesting.
- Long-term incentives are provided in shares, and therefore a change in price during any deferral or vesting period impacts the value of a long-term incentive award in the year in which it vests.
- We recognise that the ratio is mainly driven by the different structure of the pay of our CEO versus that of our employees, as well as the make-up of our workforce.
- Where the base structure of remuneration is similar, for example on comparison between the Executive Committee pay and that of the CEO, the ratio is much more stable over time.

Percentage change in Directors' remuneration

In accordance with The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, the table below shows the percentage change in Executive Director and Non-Executive Director total remuneration compared to the change for the average of UK-based employees of the Group excluding Executive Directors and Non-Executive Directors.

	Salary/fees					Taxable benefits					Short-term variable pay				
	2023	2022	2021	2020	2019	**2023**	2022	2021	2020	2019	**2023**	2022	2021	2020	2019
Martyn Coffey (CEO)	**8.9%**	16.8%	6.0%	5.4%	3.30%	**(2.3)%**	6.3%	n/a	0%	3.10%	**(22.7)%**	(75.3)%	n/a	n/a	n/a
Justin Lockwood (CFO)	**6.8%**	8.1%	n/a	n/a	n/a	**9.1%**	0.0%	n/a	n/a	n/a	**25.6%**	(47.2)%	n/a	n/a	n/a
Simon Bourne (COO)	**40.8%**	n/a	n/a	n/a	n/a	**50%**	n/a	n/a	n/a	n/a	**44.5%**	n/a	n/a	n/a	n/a
Vanda Murray OBE (Chair)	**8.0%**	26.3%	1.4%	(0.7)%	3.30%	**–**	n/a	n/a	n/a	n/a	**–**	n/a	n/a	n/a	n/a
Angela Bromfield (NED)	**11.4%**	25.0%	1.4%	(0.7)%	n/a	**–**	n/a	n/a	n/a	n/a	**–**	n/a	n/a	n/a	n/a
Tim Pile (NED)	**(61.1)%**	5.9%	1.4%	(0.7)%	3.30%	**–**	n/a	n/a	n/a	n/a	**–**	n/a	n/a	n/a	n/a
Graham Prothero (NED)	**6.8%**	14.1%	1.4%	(0.7)%	3.30%	**–**	n/a	n/a	n/a	n/a	**–**	n/a	n/a	n/a	n/a
Avis Darzins (NED)	**7.4%**	80.0%	1.4%	n/a	n/a	**–**	n/a	n/a	n/a	n/a	**–**	n/a	n/a	n/a	n/a
Diana Houghton (NED)	**–**	n/a	n/a	n/a	n/a	**–**	n/a	n/a	n/a	n/a	**–**	n/a	n/a	n/a	n/a
Employees	**6.2%**	3.6%	0.3%	5.4%	3.30%	**(87.0%)**	(26.4)%	7.3%	(8.8)%	23.80%	**18.1%**	27.1%	81.0%	(85.1)%	22.20%

Notes:

a) For employees, the change is based on total pay and the average number of employees during the year. We have included all UK employees from all employing entities, including Marshalls plc, in order to provide fair reflection across the Group.

b) The bonus is the non-deferred amount earned for the relevant year taken from the single figure remuneration table on page 93.

c) The majority of Marshalls colleagues received a pay award for 2023 which consisted of two parts, a pay rise of 4 per cent effective 1 January 2023 and a further increase of 4 per cent effective 1 July 2023.

d) During 2023, the healthcare cash plan available to all Marshalls colleagues became a taxable benefit and is now, therefore, included in the calculations of average taxable benefits above.

e) The average bonus for employees in 2023 is higher compared to the average for 2022 because fewer employees received a bonus in 2023 which increased the average calculation.

f) UK employees have been used as the number of overseas employees is not significant (25) and pay conditions in the non-UK locations (Belgium – business was sold during 2023, China and USA) are different from those prevailing in the UK. These numbers include Marley colleagues and are on a full-time equivalent basis.

g) Simon Bourne was appointed to the Board as Chief Operating Officer on 1 April 2022.

h) Diana Houghton joined the Board in January 2023. Tim Pile stepped down from the Board on 10 May 2023. Avis Darzins joined the Board in June 2021 and therefore her single figure for 2021 (£29,000) reflected part of the year. During 2022, fees were paid to Vanda Murray OBE in relation to her role as the Chair of the Nomination Committee and to Angela Bromfield in relation to her role as the designated employee engagement NED and her role as Chair of the Remuneration Committee.

CEO pay in the last ten years

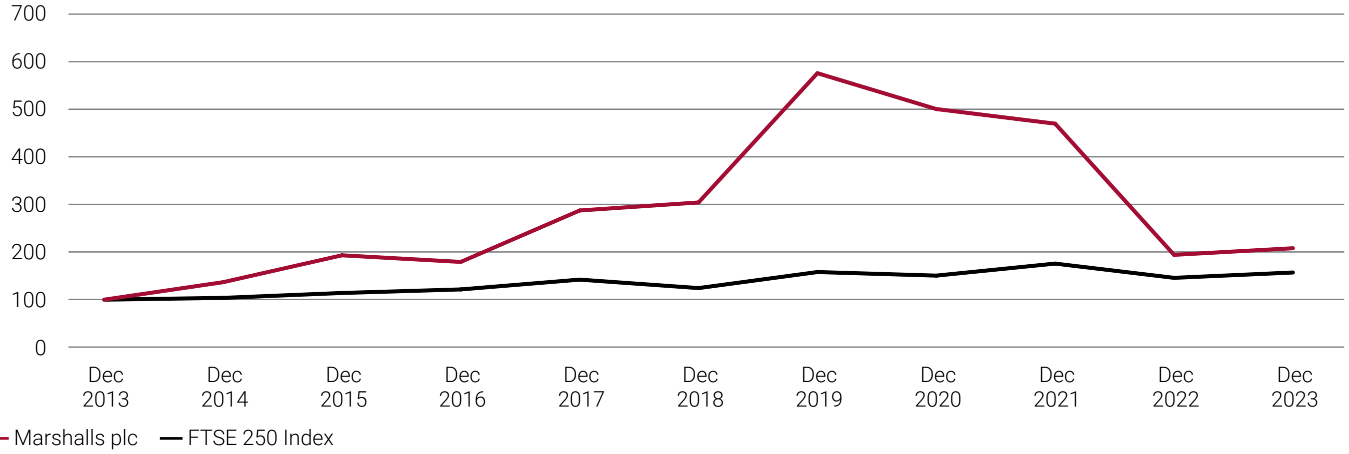
This table shows how pay for the CEO role has changed in the last ten years:

	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	2021 £'000	2022 £'000	**2023 £'000**
Single figure remuneration	1,101	2,064	1,913	2,383	1,602	2,213	1,695	1,685	1,010	**1,246**
% of maximum annual bonus earned	99.3%	100.0%	96.9%	100.0%	98.0%	99.6%	0%	100.0%	30.2%	**25%**
% of maximum LTIP/MIP awards vesting	—	100.0%	100.0%	100.0%	98.0%	99.6%	0%	100.0%	100.0%	**n/a**

Annual report on remuneration continued

Total shareholder return

This chart shows the Group's total shareholder return ("TSR") performance compared to the FTSE 250 Index. This index has been chosen as Marshalls is a constituent of the FTSE 250. TSR is defined as share price growth plus reinvested dividends. This chart shows the value at 31 December 2023 of £100 invested in Marshalls plc on 31 December 2013 compared with the value of £100 invested in the FTSE 250. The other plotted points are the intervening financial year ends.



Source: Datastream (a LSEG product)

External advisers

The Remuneration Committee was advised during the year by external remuneration adviser PricewaterhouseCoopers LLP ("PwC") until August 2023 and following a competitive tender process, by FIT Remuneration Consultants LLP ("FIT"). PwC and FIT attended meetings of the Committee by invitation.

Advisers' fees are agreed by the Remuneration Committee according to the work performed and terms of engagement are available on request from the Company Secretary. The Committee is satisfied that the remuneration advice from FIT is objective and independent as they provide no other services to the Group. The Committee was also satisfied that there is no connection between the advisers and the company or individual Directors. PwC was considered objective and independent based on the separation of the team advising the Committee from any other work undertaken by PwC for the Group. Both PwC and FIT are signatories to the Remuneration Consultants Group's Code of Conduct.

The amount paid to PwC in respect of remuneration advice received during 2023 was £12,750 (2022: £104,610). The amount paid to FIT in respect of remuneration advice during 2023 was £36,232.

Wider workforce considerations

The Committee carries out an annual review of the wider workforce remuneration, incentives and policies to inform the approach applied to the remuneration of the Executive Directors and senior management. In particular, the Committee is focused on whether the approach is consistent with that applied to the wider workforce. The Committee also receives feedback from regular employee surveys and from site visits made by the Executive Directors and senior management.

Marley colleagues continue to participate in their relevant remuneration arrangements which are currently separate to the Marshalls arrangements. Work is in progress to understand all remuneration arrangements, and whilst no changes have been made at the time of writing this report, Marley colleagues will be invited to join the Share Purchase Plan and any new Sharesave Scheme to be launched, enabling all colleagues to acquire shares in the Marshalls Group (see below for more information).

The 2023 review highlighted the continued commitment to colleague wellbeing through comprehensive and established benefits and wellbeing programmes. Management continue to review the benefits offering, with a focus on improving where possible and continuing the successful communications and engagement approach. For example, a new improved employee assistance programme was successfully launched for Marshalls colleagues (using the provider already used in Marley). The focus on communication and engagement campaigns has led to successful increased participation in available benefits and offerings.

As discussed on page 89, 2023 saw a number of change programmes where colleagues left the business through redundancy. We applied The Marshalls Way in how we approached these, treating everyone with respect, and seeking to mitigate the impact by offering voluntary redundancy where possible, and successfully redeploying a number of colleagues across the business. For key roles, in areas where the recruitment market is particularly challenging, there has been a focus on reviewing remuneration. A highlight has been the engineering apprenticeship intake, as described on page 39.

As Chair of the Remuneration Committee and designated Non-Executive Director for employee engagement, Angela Bromfield attends the Employee Voice Group ("EVG"). The EVG meets six times a year and, amongst other things, provides valuable input into a range of topics including reward and Remuneration Policy. The meetings are chaired by the Chief People Officer and attended by a mixed group of colleagues from across the different parts of the Group. We are pleased to confirm that from February 2023, colleagues from Marley have joined the EVG. The attendees of the meeting are elected by their colleagues to be their representatives. Other Non-Executive Directors and members of the Marshalls Executive Team also attend EVG meetings on a rotational basis. A summary of the EVG's activities is set out in the Strategic Report on page 38.

Incentive schemes

Dependent on role and level of seniority, colleagues are able to share in the success of the Company through incentive compensation. The incentive approach applied to the Executive Directors aligns with the wider Company policy on incentives, which is to apply a higher percentage of at-risk performance pay for more senior roles, and also to increase the amount of the incentive that is deferred, provided in equity and/or measured over the longer term for roles with greater seniority. The key incentive schemes are the MIP and the Bonus Share Plan ("BSP"). Participation in the MIP and BSP schemes extends to senior management. Sales bonuses apply to those in relevant roles. All employees have the opportunity to join the Sharesave and the Share Purchase Plan as noted below.

Widening employee share ownership

Employees can become shareholders through employee share plans including:

Sharesave Scheme

The Sharesave Scheme was launched in 2021 to encourage wider ownership of Marshalls plc shares, so that colleagues were able to participate in the Group's success in a way that aligns their interests with those of shareholders. A new Sharesave Scheme is being considered to be launched in 2024.

Share Purchase Plan

The Share Purchase Plan is open to all colleagues and provides the opportunity to purchase shares in the market on a monthly basis out of gross salary.

Living Wage employer

The Group is proud to be a Living Wage employer, underscoring its commitment to its colleagues. Marshalls achieved Living Wage accreditation in 2018, with Marley achieving accreditation in 2022, and we have both maintained status throughout 2023.

Summary

In summary, the Committee is satisfied that the approach to remuneration across the wider workforce is consistent with the Company's Remuneration Policy and the wider principles of fairness and sustainability that are fundamental to the Group's culture. Further, in the Committee's opinion the approach to Executive remuneration aligns with the approach taken in the wider Company pay policy.

Remuneration Policy

Introduction

Our current Remuneration Policy was approved by shareholders at the 2023 AGM held on 10 May 2023. A summary of the policy is provided below. The full policy can be viewed in last year's Annual Report.

2023 Remuneration Policy table

Fixed remuneration

Salary	
Purpose and how it supports the strategy	Base salary recognises the market value of the Executive's role, skills, responsibilities, performance and experience.
Operation	An Executive Director's base salary is set on appointment and reviewed annually or when there is a change in position or responsibility. When determining an appropriate level of salary, the Committee considers: • general salary rises for employees; • remuneration practices within the Group; • any change in scope, role and responsibilities; • the general performance of the Group; • the experience of the relevant Director; • the economic environment; and • whether a benchmarking exercise is appropriate (using salaries within the ranges paid by the companies in the comparator groups for remuneration benchmarking). Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the general rises for employees until the target positioning is achieved.
Maximum	Typically, the base salaries of Executive Directors in post at the start of the Policy period and who remain in the same role throughout the Policy period will be increased by a similar percentage to the average annual percentage increase in salaries of other UK employees in the Group. The exceptions to this rule may be where: • an individual's package is below market level and a decision is taken to increase base pay to reflect proven competence in the role; or • there is a material increase in scope or responsibility in the individual's role. The Committee ensures that maximum salary levels are positioned in line with companies of a similar size and validated against industry/sector peers, so that they are competitive. The Committee intends to review the comparators periodically and may add or remove companies as it considers appropriate. Any changes to the comparator groups will be explained in the report on the implementation of the Remuneration Policy in the following financial year.

Remuneration Policy continued

2023 Remuneration Policy table continued
Fixed remuneration continued

Pension	
Purpose and how it supports the strategy	To enable Executive Directors to make appropriate provision for retirement.
Operation	Executive Directors are entitled to join the defined contribution scheme operated by Marshalls. The Company contributes at an agreed percentage of basic salary. Executive Directors may take a pension allowance in place of the Company's contribution to the Scheme. Pension allowances are excluded for the purposes of calculating any other element of remuneration based on a percentage of salary.
Maximum	The maximum Company contribution or pension allowance for all Executive Directors is in line with that provided to the majority of employees, which is currently 5% of salary. For any new Executive Director appointments, the maximum employer pension contribution or allowance will be in line with that provided to the majority of employees.

Benefits	
Purpose and how it supports the strategy	The Company is required to provide benefits in order to be competitive and to ensure it is able to recruit and retain Executive Directors.
Operation	Benefits include car or car allowance, health insurance, life assurance and membership of the Group's employee share plans (the Executive Directors will also be eligible to participate in any other all-employee plan operated by the Company from time to time). The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy. Additional benefits may therefore be offered such as relocation allowances on recruitment.
Maximum	The maximum is the cost of providing the relevant benefits as described.

Variable performance-based remuneration

MIP A	
Purpose and how it supports the strategy	Enabling the successful implementation of Group strategy through setting relevant targets to measure Executive Director performance. Aligns the interests of Executives with shareholders and contributes to the retention of key individuals by ensuring that Executives take part of their annual bonus in shares or share-linked units rather than cash.
Operation	Annual performance conditions and targets are set at the beginning of the Plan year by reference to financial, strategic and operational objectives by the Remuneration Committee. As well as determining the performance conditions, targets and relative weighting, the Committee will also determine, within the approved range, the level of target bonus at the beginning of the Plan year. Upon assessment of performance by the Committee, a contribution will be made by the Company into the participant's Plan Account; up to 50 per cent of the cumulative balance will be paid in cash for the first three years of the Plan. Any remaining balance will be converted into shares or share-linked units. 100 per cent of the balance in the final year (the fourth year) of the Plan will normally be settled in the form of shares transferred or allotted to the participant. During the Plan period, 50 per cent of the retained balance is at risk of forfeiture based on a minimum performance measure determined annually by the Committee (the underpin). Full details of the relevant targets and their weighting, and how they have been measured, will be reported in the Remuneration Report for the relevant financial year. The Committee may award dividend equivalents on shares or share-linked units held under the Plan to the extent that they vest.
Maximum	Maximum 150 per cent of salary. • Threshold 0 per cent of maximum • Target 50 per cent of maximum • Maximum 100 per cent of maximum

Performance conditions	An award under the Plan is subject to satisfying relevant performance conditions and targets determined annually by the Remuneration Committee by reference to financial and non-financial objectives that are closely linked to the strategy of the business and may also contain individual performance objectives, measured over a period of one financial year. A minimum of 50 per cent of the bonus is based on financial performance measures. The Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the bonus, disclosing precise targets for the Plan in advance would not be in shareholder interests. Targets, performance achieved and awards made will be published at the end of the performance period so shareholders can fully assess the basis for any pay-outs under the Plan. The Committee retains the discretion to: • change the performance measures and targets and the weighting attached to the performance measures and targets part-way through a performance year if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate; and • make downward or upward adjustments to the amount of bonus contribution earned resulting from the application of the performance measures, if the Committee believes that the bonus outcomes are not a fair and accurate reflection of business performance. Any adjustments or discretion applied by the Committee will be fully disclosed in the following year's Remuneration Report. The Plan contains malus and clawback provisions.

MIP B	
Purpose and how it supports the strategy	To link variable pay to achievement of annual financial and business objectives. To promote long-term shareholding in the Company and strengthen alignment between interests of Executive Directors and senior managers and those of shareholders.
Operation	Annual performance conditions and targets are set by reference to financial, strategic and operational objectives by the Remuneration Committee. Awards are granted retrospectively in shares based on the achievement of performance targets for the relevant year. Awards vest (subject to continued employment) three years from grant. Sale restrictions apply to awards that have vested: normally vested awards may not be sold for a further two years after vesting or post-cessation of employment. There is a financial underpin which, if not achieved over the three-year vesting period, results in the loss of up to 50 per cent of unvested awards. Details of the performance conditions, targets and their level of satisfaction for the year being reported on will be set out in the Remuneration Report for the relevant financial year. The Committee may award dividend equivalents on shares or share-linked units held under the Plan to the extent that they vest.
Maximum	Maximum 100 per cent of salary. • Threshold 0 per cent of maximum • Target 50 per cent of maximum • Maximum 100 per cent of maximum
Performance conditions	An award under the Plan is subject to satisfying relevant performance conditions and targets determined annually by the Remuneration Committee by reference to financial and non-financial objectives that are closely linked to the strategy of the business and may also contain individual performance objectives, measured over a period of one financial year. The Committee takes the same view on commercial sensitivity as for Element A of the MIP. The discretions set out above for Element A also apply to Element B. Any adjustments or discretion applied by the Committee will be fully disclosed in the following year's Remuneration Report. The Plan contains malus and clawback provisions.

Minimum shareholding requirement

The minimum shareholding requirements for Executive Directors, is 200 per cent of base salary. Executive Directors are required to retain 50 per cent of the post-tax number of vested shares from the Company incentive plans until the minimum shareholding requirement is met and maintained. Adherence to these guidelines is a condition of continued participation in the incentive arrangements. This policy ensures that the interests of Executive Directors and those of shareholders are closely aligned.

The Committee retains the discretion to increase the minimum shareholding requirements.

On cessation of employment, Executive Directors are required to retain the minimum shareholding requirement of 200 per cent of base salary for one year post-cessation and 100 per cent of base salary for a further year. Where their actual shareholding at departure is below the minimum shareholding requirement, the Executive Director's actual shareholding is required to be retained on the same terms and for the same periods.

Remuneration Policy continued

Chair and Non-Executive Directors' Remuneration Policy

Fees	
Purpose and how it supports the strategy	Annual fee to attract and retain experienced and skilled Non-Executive Directors with the necessary experience and expertise to advise and assist with establishing and monitoring the strategic objectives of the Company. Fees reflect the time commitment and responsibilities of the roles.
Operation	The Board is responsible for setting the remuneration of the Non-Executive Directors. The Remuneration Committee is responsible for setting the Chair's fees. Non-Executive Directors are paid an annual fee. There are additional fees for the SID role, chairing Committees and the designated employee engagement Non-Executive Director. The Company retains the flexibility to pay fees for the membership of Committees. The Chair does not receive any additional fees for membership of Committees. Fees are reviewed annually based on equivalent roles in the comparator group used to review salaries paid to the Executive Directors. Non-Executive Directors and the Chair do not participate in any variable remuneration or benefits arrangements.
Maximum	The fees for Non-Executive Directors and the Chair are broadly set at a competitive level against the comparator group. In general, the level of fee increase for the Non-Executive Directors and the Chair will be set taking account of any change in responsibility and salary increases for UK employees generally. The Company will pay reasonable expenses incurred by the Non-Executive Directors and Chair in the performance of their duties and may settle any tax incurred in relation to these.

Directors' service contracts

	Date of appointment	Notice by Company	Notice of Director
Martyn Coffey	September 2013	12 months	6 months
Matt Pullen	8 January 2024	12 months	12 months
Justin Lockwood	July 2021	12 months	12 months
Simon Bourne	April 2022	12 months	12 months
Vanda Murray OBE	May 2018	6 months	6 months
Graham Prothero	May 2017	6 months	6 months
Angela Bromfield	October 2019	6 months	6 months
Avis Darzins	June 2021	6 months	6 months
Diana Houghton	January 2023	6 months	6 months

Service contracts are kept at the Company's registered office.

Angela Bromfield
Chair of the Remuneration Committee
18 March 2024

The information required by the Disclosure Guidance and Transparency Rules ("DTRs") 4.1.8R is contained in the Strategic Report and the Directors' Report.

Marshalls plc is registered with company number 5100353.

Directors and Board composition: The Directors of the Company are listed on pages 64 and 65.

As at 31 December 2023, the Company had met the targets on Board diversity set out in LR 9.8.6 R(9). Board and executive management composition at that date was as follows:

Gender identity or sex

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	4	50	3	6	86
Women	4	50	1	1	14
Not specified or preferred not to say	N/A	N/A	N/A	N/A	N/A

Ethnic background

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	7	87.5	4	5	71
Mixed/Multiple Ethnic Groups	1	12.5	0	0	0
Asian/Asian British	0	0	0	2	29
Black/African/Caribbean/Black British	0	0	0	0	0
Other ethnic group, including Arab	0	0	0	0	0
Not specified or preferred not to say	N/A	N/A	N/A	N/A	N/A

Between 31 December 2023 and the date of this report, Matt Pullen was appointed to the Board, initially as Chief Executive Designate and successor to Martyn Coffey. Until Martyn Coffey stepped down from the Board on 29 February 2024, there were nine Board members but this did not the affect the Company's ability to meet the targets under LR 9.8.6 R(9).

For the purposes of the disclosures set out above, made pursuant to LR 9.8.6 R(9) and (10), the Company collected the relevant data from the Board directly and, in the case of executive management, the data is contained within the Group's human resources management system, Marshalls Connect. The data is provided with the consent of the relevant individuals.

Political donations: The Group made no donations during the year to any political party or political organisation or to any independent election candidate, whether in the UK or elsewhere (2022: £nil).

Risk management: The Group's risk management objectives, its approach to managing risk generally and its use of financial instruments are described in the Strategic Report on pages 52 to 61. Further details of the Group's risk management in relation to financial risks and its use of financial instruments to mitigate such risks are set out in Note 20on pages 138 to 141.

Greenhouse gas emissions: The Group's disclosure in respect of the SECR requirements can be found in the Strategic Report on page 43.

Employees: Details of how the Directors have engaged with employees are set out on page 31. Further information is provided in relation to the engagement channels used and the outcomes from the engagement. The Company's policies in relation to diversity and inclusion and employee involvement and communication are explained in the Strategic Report on pages 38 to 41.

Stakeholders: Details of how the senior management team and the Directors have engaged with shareholders, customers, suppliers and other stakeholder groups are set out on pages 30 to 33, along with engagement channels used. Details of the Group's stakeholder engagement strategy are explained on pages 28 to 33. The statement by the Directors in relation to their statutory duties under S172(1) Companies Act 2006 is found on pages 62 and 63.

Corporate governance: Details of how the Group complies with and applies the UK Corporate Governance Code are set out on pages 66 and 79.

Post-balance sheet events of importance since 31 December 2023: New Chief Executive appointed 8 January 2024 and during January 2024 the Group announced a new partnership with Wincanton plc.

Research and development: Activity and likely future developments for the business are described in the Strategic Report on pages 24 and 25.

Dividends

The Board is recommending a final dividend of 5.7 pence (2022: 9.9 pence) per share, which, together with the interim dividend of 2.6 pence (2022: 5.7 pence) per share, makes a combined dividend of 8.3 pence (2022: 15.6 pence) per share. Payment of the final dividend, if approved at the Annual General Meeting, will be made on 1 July 2024 to shareholders registered at the close of business on 7 June 2024. The ex-dividend date will be 6 June 2024.

The dividend paid in the year to 31 December 2023 and disclosed in the Consolidated Income Statement was 12.5 pence (2023: 15.3 pence) per share, being the previous year's final dividend of 9.9 pence and the interim dividend of 2.6 pence per share in respect of the year ended 31 December 2023.

Share capital and authority to purchase shares

The Company's share capital at 31 December 2023 was 252,968,728 Ordinary Shares of 25 pence each. No new Ordinary Shares were issued during the year ended 31 December 2023. Details of the share capital are set out in Note 24 on pages 147 and 148.

The Ordinary Shares of the Company carry equal rights to dividends, voting and return of capital on the winding up of the Company, as set out in the Company's Articles of Association. There are no restrictions on the transfer of securities in the Company and there are no restrictions on any voting rights or deadlines, other than those prescribed by law, nor is the Company aware of any arrangement between holders of its shares which may result in restrictions on the transfer of securities or voting rights, nor any arrangement whereby a shareholder has waived or agreed to waive dividends (other than the EBT – see below).

The Marshalls plc Employee Benefit Trust ("EBT") generally holds shares for the purposes of satisfying future awards that may vest under the Company's share-based incentive schemes. The EBT may purchase shares in the Company from time to time to satisfy awards granted to Directors and senior Executives (subject to the achievement of performance targets under the Company's incentive schemes) or to facilitate the satisfaction by employees of their tax liabilities arising from any rewards. Details of outstanding incentive awards are set out in Note 21 on pages 142 to 145.

In addition to its general purpose, as part of the acquisition of Marley in April 2022 the manager sellers agreed to the legal title to their consideration shares being held on trust by the EBT for a period of twelve months following completion of the acquisition. Arrangements were put in place as part of the acquisition to enable the EBT to support this arrangement. These shares were released to the manager sellers in April 2023.

Where shares are acquired by the EBT, these are accounted for by the Company as a purchase of own shares. During the year ended 31 December 2023 the EBT acquired 75,000 shares for a total consideration of £226,792.

At 31 December 2023 the EBT held 100,238 Ordinary Shares in the Company (2022: 2,501,511 shares) in respect of future incentive awards under the Company's employee share schemes.

The EBT has waived its right to receive dividends on shares that it holds beneficially in respect of future awards. The Trustee of the EBT exercises any voting rights on such shares in accordance with the Directors' recommendations.

UK-based employees of the Group with more than six months' service may participate in the Marshalls plc Share Purchase Plan during any offer period. Employees purchase Ordinary Shares in the Company with their pre-tax salary. The shares are purchased in the market and then held in trust by Computershare Investor Services plc. Employees receive dividends on these shares and may give voting instructions to the Trustee.

At the Annual General Meeting in May 2023 shareholders gave authority to the Directors to purchase up to 37,920,012 shares, representing approximately 14.99 per cent of the Company's issued share capital in the Company, in the market during the period expiring at the next Annual General Meeting at a price to be determined within certain limits. No Ordinary Shares in the Company were purchased during the year or between 31 December 2023 and 18 March 2024 under this authority, which will expire at the 2024 Annual General Meeting. The Directors will seek to renew the authority at that meeting.

Contracts of significance and related parties

There were no contracts of significance between any member of the Group and (a) any undertaking in which a Director has a material interest, or (b) a controlling shareholder (other than between members of the Group). There have been no related party transactions between any member of the Group and a related party since the publication of the last Annual Report.

There are a number of agreements that take effect, alter or terminate upon a change of control of the Group. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole.

Articles of Association

The Company's Articles of Association give powers to the Board to appoint Directors. Newly appointed Directors are required to retire and submit themselves for re-election by shareholders at the first Annual General Meeting following their appointment.

The Board of Directors may exercise all the powers of the Company, subject to the provisions of relevant laws and the Company's Memorandum and Articles of Association. These include specific provisions and restrictions regarding the Company's power to borrow money. Powers relating to the issuing and buying back of shares are included in the Articles of Association and such authorities are renewed by shareholders each year at the Annual General Meeting.

The Articles of Association may be amended by Special Resolution of the shareholders.

The Group has granted indemnities to its Directors to the extent permitted by law (which are qualifying indemnity provisions under Section 236 of the Companies Act 2006) and these remained in force during the year in relation to certain losses and liabilities that the Directors may incur to third parties in the course of action as Directors or employees of the Company, any subsidiary or associated company, or a Director of the pension scheme trustee board. Neither the liability insurance nor the indemnities provide cover in the event of proven fraudulent or dishonest activity. The Group has not indemnified any Director under the indemnities currently in place.

Directors' interests

Details of Directors' remuneration, their interests in the share capital of the Company and the share-based payment awards are contained in the Remuneration Committee Report on pages 88 to 102.

Listing Rule requirements

The applicable requirements of Listing Rule 9.8.4R in respect of long-term incentive schemes and contracts of significance are included in this Annual Report.

Substantial shareholdings

The Company has no controlling shareholder. As at 15 March 2024, the Company had been notified, in accordance with DTR 5, of the following disclosable interests of 3 per cent or more in its voting rights:

	As at 29 February 2024 %	As at 31 December 2023 %
Inflexion Private Equity Partners	**8.72**	8.72
Montanaro Asset Management	**7.24**	6.90
abrdn	**6.68**	6.67
BlackRock	**5.06**	5.34
Royal London Asset Management	**4.88**	5.06
AXA Framlington Investment Managers	**4.59**	4.49
Vanguard Group	**4.58**	4.55
Columbia Threadneedle Investments	**4.01**	3.41
Janus Henderson Investors	**3.98**	3.94
Legal & General Investment Management	**3.38**	3.26
Jupiter Asset Management	**3.13**	2.46

The Directors' Report, comprising the Strategic Report, the Corporate Governance Statement and the Reports of the Audit, Remuneration and Nomination Committees, has been approved by the Board and signed on its behalf by:

Shiv Sibal
Group Company Secretary
18 March 2024

in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. Under that law they are required to prepare the Group Financial Statements in accordance with United Kingdom adopted International Accounting Standards and International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). The Directors have elected to prepare the Parent Company Financial Statements in accordance with UK Accounting Standards, including FRS 101 *"Reduced Disclosure Framework"*.

Under 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 Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group Financial Statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company Financial Statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

In preparing the Group Financial Statements, IAS 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Parent Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors on the Annual Report and Accounts

The Directors who held office at the date of approval of this Directors' Report and whose names and functions are listed on pages 64 and 65 confirm that, to the best of each of their knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report contained in this Annual Report includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' 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 the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Going concern

The Directors have adopted the going concern basis in preparing these Financial Statements in accordance with the Financial Reporting Council's "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting", issued in September 2014. The Directors considered that it was appropriate to do so, having reviewed any uncertainties that may affect the Company's ability to continue as a going concern for at least the next twelve months from the date these Financial Statements were approved.

Cautionary statement and Directors' liability

This Annual Report 2023 has been prepared for, and only for, the members of the Company, as a body, and no other persons. Neither the Company nor the Directors accept or assume any liability to any person to whom this Annual Report is shown or into whose hands it may come except to the extent that such liability arises and may not be excluded under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with Section 90A of the Financial Services and Markets Act 2000.

This Annual Report contains certain forward-looking statements with respect to the Group's financial condition, results, strategy, plans and objectives. These statements are not forecasts or guarantees of future performance and involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future.

There are a number of factors that could cause actual results or developments to differ materially from those expressed, implied or forecast by these forward-looking statements. All forward-looking statements in this Annual Report are based on information known to the Group as at the date of this Annual Report and the Group has no obligation publicly to update or revise any forward-looking statements, whether as a result of new information or future events. Nothing in this Annual Report should be construed as a profit forecast.

Annual General Meeting

The Notice convening the Annual General Meeting to be held at the offices of Walker Morris, 33 Wellington Street, Leeds, West Yorkshire LS1 4DL, together with explanatory notes on the Resolutions to be proposed, is contained in a circular to be sent to shareholders with this Annual Report.

By Order of the Board:

Shiv Sibal
Group Company Secretary
18 March 2024

Report on the audit of the Financial Statements

1. Opinion

In our opinion:

- the Financial Statements of Marshalls plc (the "Parent Company") and its subsidiaries (the "Group") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB");

The Parent Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "*Reduced Disclosure Framework*" and the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Parent Company Balance Sheets;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the Consolidated Cash Flow Statement;
- the material accounting policy information; and
- the related Notes 1 to 46.

The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the Parent Company Financial Statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "*Reduced Disclosure Framework*".

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) "(ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Financial Statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Parent Company for the year are disclosed in Note 3 to the Financial Statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • Impairment of Marley CGU goodwill • Within this report, key audit matters are identified as follows: Newly identified
Materiality	The materiality that we used for the Group Financial Statements was £2.5 million (2022: £4.3 million) which was determined on the basis of 5 per cent of adjusted profit before tax.
Scoping	Full scope audits were performed on all UK components. This accounts for 98 per cent of Group revenue, 100 per cent of Group net assets and 100 per cent of profit before tax.
Significant changes in our approach	We have identified a key audit matter for the current year relating to the impairment of goodwill, specifically the Roofing Products Cash Generating Unit ("CGU"), given the recency of the acquisition and the sensitivity in the assumptions. The key audit matter, in relation to the impairment of Marley goodwill, has been pinpointed to the revenue growth in the solar market, being the most subjective element of the growth assumptions in management's value in use ("VIU") model. We no longer have a key audit matter in relation to the acquisition accounting for Marley Group Ltd, given there are no material adjustments recognised to the fair value accounting in the current period. There have been no other significant changes to our approach since the prior year.

4. Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- evaluating the availability of adequate funding through assessment of repayment terms and recalculation of year end covenants;
- assessing the historical accuracy of forecasts prepared by management and key assumptions underpinning the forecasts;
- checking the mathematical accuracy of the model used to prepare the forecasts;
- challenging the assumptions used in the forecasts, including performing sensitivity analyses in relation to assumptions for future market growth;
- evaluating the amount of headroom over liquidity, through review of cash flows, and covenants through recalculation of covenant ratios;
- assessing whether the Directors have considered and reflected the Group's principal risks, including the impact of climate risks and opportunities and the downturn in the construction industry, in the Group's going concern assessment; and
- evaluating the appropriateness of the going concern disclosures in the Financial Statements.

Report on the audit of the Financial Statements continued

4. Conclusions relating to going concern continued

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Impairment of Marley CGU Goodwill

Key audit matter description	In the prior year the group acquired the Marley group for an enterprise value of £535m, resulting in £245.9m of goodwill. We note since the acquisition there has been a general downturn in the construction industry, making assessment of future cash flows inherently more uncertain. Under the requirement of IAS 36 Impairment of Assets ("IAS 36"), management have determined the Marley business to be a separate CGU for Roofing Products and have performed their annual impairment assessment based on these CGUs. The recoverable amount of the group's goodwill and intangible assets were assessed by reference to value in use calculations which require estimates, including significant assumptions regarding future cash flows and discount rates. The cash flow forecasts are derived from the group's business plan which considers variables such as margins, supply volumes and inflation. The key audit matter has been pinpointed to the revenue growth within the cashflows associated with growth in the UK solar market. The cashflows include judgement made by management on assessment of the future growth in the market, driven by legislation prioritising efficiency in new build housing. As described in Note 12 to the financial statements, the goodwill associated with the Roofing Products CGU is £245.9m (2022: £244.1m), which supports headroom of £39m based on the value in use of the component. This matter is discussed in the Report of the Audit Committee on page 85.
How the scope of our audit responded to the key audit matter	To address the risk of impairment within the Marley CGU goodwill our procedures were as follows: We obtained an understanding of relevant controls related to the impairment review of goodwill. We assessed the mathematical accuracy of the impairment models and whether the impairment methodology including the duration of the cash flows applied by management was acceptable under IAS 36. We evaluated the key assumptions including sales volumes, solar adoption rates and new housing growth, and assessed retrospectively whether prior year assumptions were appropriate. We have compared management's assumptions to externally available industry metrics including new house building forecasts and impact assessments of new building regulations. With the assistance of our valuation specialists, we evaluated the methodology applied and considered the implied valuation multiple to peer companies. We evaluated all changes to key assumptions between the prior year forecasts and the current year's forecasts, and challenged whether market conditions in the current year had been appropriately considered in the assumptions. We assessed the accuracy of management's cash flow forecasts by comparing historical forecasts with actual cash flows, external industry benchmarks and the impact of any climate change risks. We checked whether projected cash flows were consistent with Board approved forecasts. We also assessed whether management's impairment forecasts are consistent with other forecasts used by management, including the going concern model. Furthermore, we performed sensitivity analyses, including considerations of climate change, as part of our overall evaluation of the forecasts. We also assessed the completeness and accuracy of the financial statements' disclosures and compliance with the requirements of IAS36, in relation to the impairment assessments performed.
Key observations	Based on our procedures we concur that the judgements made by management in performing their impairment review are reasonable and the associated disclosures are appropriate.

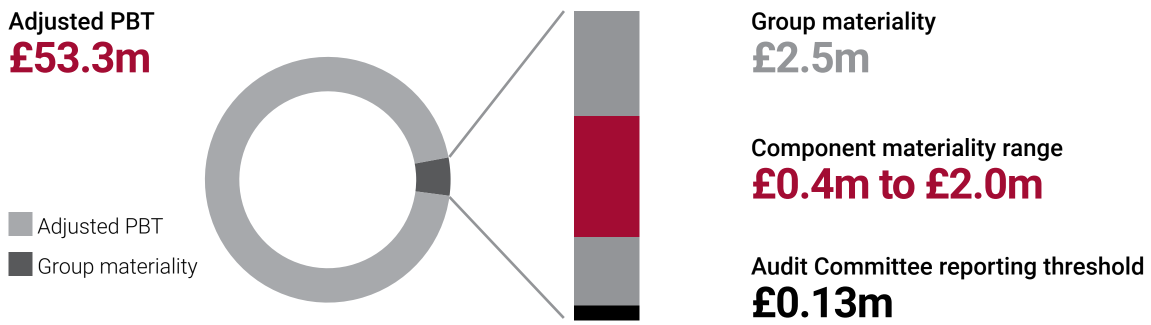
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

	Group Financial Statements	Parent Company Financial Statements
Materiality	£2.5 million (2022: £4.3 million).	£1.3 million (2022: £2.2 million).
Basis for determining materiality	5 per cent of adjusted pre-tax profit (2022: 5 per cent of adjusted pre-tax profit). The reconciliation of adjusted pre-tax profit has been presented within Note 4.	Parent Company materiality has been capped at 50 per cent of the Group materiality. This represents 0.2 per cent of net assets (2022: 0.3 per cent of net assets).
Rationale for the benchmark applied	In our professional judgement, adjusted profit before tax is the principal benchmark within the Financial Statements that is relevant to the users of the Financial Statements when assessing the performance of the Group.	As a holding company, net assets are considered to be the primary benchmark.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the Financial Statements as a whole.

	Group Financial Statements	Parent Company Financial Statements
Performance materiality	70 per cent (2022: 70 per cent) of Group materiality.	70 per cent (2022: 70 per cent) of Parent Company materiality.
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: a. our risk assessment, including our assessment of the quality of the control environment and that we were able to rely on controls in Marshalls UK over the general IT environment, rebates and revenue; b. the impact of the current macro-economic environment and climate change on the business and its operating environment; and c. the history of there being no quantitatively or qualitatively significant corrected or uncorrected misstatements in prior periods.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £125,000 (2022: £215,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

Report on the audit of the Financial Statements continued

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and it's its environment, including Group-wide controls, and assessing the risks of material misstatement both at the Group and component level.

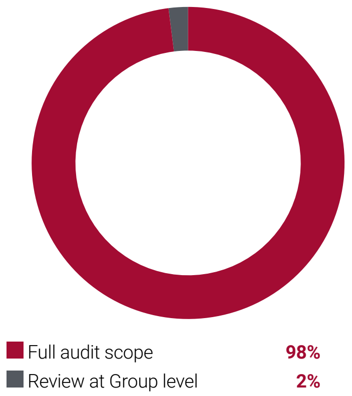
Full scope audits were performed on all UK components, including the Marley Group. This accounts for 98 per cent (2022: 97 per cent) of Group revenue, 100 per cent (2022: 100 per cent) of Group net assets and 100 per cent (2022: 100 per cent) of profit before tax generated by profit making entities.

This results in two full scope components that are both tested by the Group engagement team: "Marshalls UK", which compromises the Landscape Products and Building Supplies business, and "Marley Group", which reflects the Roofing division. The Group audit team performed the audit of the full scope components of the Group.

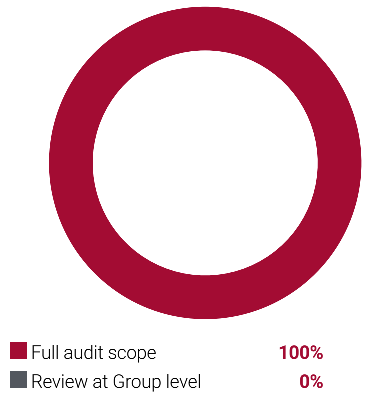
At the Group level we also tested the consolidation process.

The Group audit team carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit.

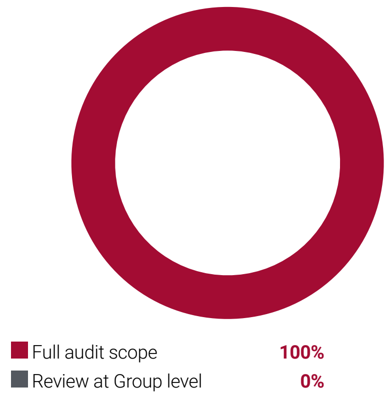
Revenue



Profit before tax



Net assets



7.2. Our consideration of the control environment

To support the audit testing performed we have involved our IT specialists to consider the relevant IT systems used by the Group to generate information which supports the amounts recognised in the Financial Statements. In order to evaluate the IT environment of the Group we have obtained an understanding of relevant IT systems and the automated controls within these systems.

In evaluating the Marshalls UK component IT environment, we have:

- understood the IT system within the finance IT environment, Microsoft AX. This system is used for the entity's financial reporting process and covers all finance, payroll and HR modules;
- tested the Data Warehouse system which houses the inventory database;
- tested the following General IT Controls for Microsoft AX and Data Warehouse: Access Security (Joiners, Movers, Leavers ("JML"), Passwords, Privileged Access and User Access Reviews ("UARs")), Change Management (Change Process and Segregation of Duties) and Batch Jobs (Access to Amend, and Monitoring of Batch Jobs);
- performed sample testing, where applicable, in order to determine operating effectiveness of key automated controls (JML, UARs, Change Management and Batch Job Monitoring); and
- taken reliance on relevant IT controls associated with these systems.

In evaluating the Marley Group IT environment, we have:

- understood the key IT systems within the finance IT environment, being SAP, Sage and Microsoft D365. These systems are used for the component's financial reporting process for monitoring their individual entities and reporting to Marshalls plc Group and evaluated the key general IT controls.

Controls reliance

During our audit we obtained an understanding and tested the relevant controls within the key business cycles for the group. We performed testing over the operating effectiveness over the revenue and customer rebates business cycles within Marshalls UK, as these are key accounts that impact the group's profits.

We did not plan to rely on the controls over the Marley Group component.

7. An overview of the scope of our audit continued

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Group's business and its Financial Statements.

The Group is focused on responding to the threats and opportunities presented by climate change with a developed strategy in how this is to be achieved. The Directors have considered transition and physical risks when factoring in climate change as part of their risk assessment process when considering the principal risks and uncertainties facing the Company. This is set out in the Strategic Report on pages 1 to 63, the principal risks set out on pages 52 to 61. The Directors have concluded that the key risk of climate change for the business is the reduced business from customers choosing lower carbon products. Furthermore, they have acknowledged the increasing risk of climate change and as such have put more focus into climate risk assessment and developing appropriate strategies to respond to those risks, both on a short-term basis and on consideration of the longer-term outlook.

We performed our own qualitative risk assessment of the potential impact of climate change on the Group's account balances and classes of transaction and did not identify any reasonably possible risks of material misstatement. Our procedures were performed with the involvement of climate change and sustainability specialists and included:

- assessing and challenging management's assessment of the key Financial Statement line items and estimates which are more likely to be materially impacted by climate change risks given the more notable impacts of climate change on the business are expected to arise in the medium to long term;
- challenging how the Directors considered climate change in their assessment of going concern and viability based on our understanding of the business environment and by benchmarking relevant assumptions with market data;
- involving our Environmental Social and Governance (ESG) specialist in challenging the group's climate considerations. The ESG specialists were also involved in reviewing the Group's ESG and climate-related financial disclosures on pages 44 to 47 against the recommendations of the TCFD framework and considered if any of the information disclosed was inconsistent with the information we obtained through our audit;
- assessing whether climate risk assumptions underpinning specific account balances were appropriately disclosed; and
- reading the climate risk disclosures included in the Strategic Report section of the Annual Report for consistency with the Financial Statements and our knowledge of the business environment.

8. Other information

The other information comprises the information included in the Annual Report, other than the Financial Statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the Annual Report.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Report on the audit of the Financial Statements continued

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- any matters we identified having obtained and reviewed the Group's documentation of its policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether it was aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether it has knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, pensions and IT, regarding how and where fraud might occur in the Financial Statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: impairment of goodwill, in Roofing Products CGU, and the key assumptions within the VIU model, in particular the revenue growth within the cash flows associated with growth in the UK solar market.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the Financial Statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the Financial Statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's environmental regulations and health and safety regulations.

11.2. Audit response to risks identified

As a result of performing the above, we identified impairment of goodwill as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the Financial Statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the Financial Statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006
In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

13. Corporate Governance Statement
The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements and our knowledge obtained during the audit:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 106;
- the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 106;
- the Directors' statement on fair, balanced and understandable set out on page 85;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 55;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 86; and
- the section describing the work of the Audit Committee set out on pages 84-87.

14. Matters on which we are required to report by exception
14.1. Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Report on other legal and regulatory requirements continued

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the shareholders on 20 May 2015 to audit the Financial Statements for the year ended 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is nine years, covering the years ended 31 December 2015 to 31 December 2023.

15.2. Consistency of the Audit Report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.15R – DTR 4.1.18R, these Financial Statements form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This Auditor's Report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

Bashir Bahaj BSc FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
18 March 2024

Consolidated Income Statement
for the year ended 31 December 2023

	Notes	2023 £'m	2022 £'m
Revenue	2	**671.2**	719.4
Net operating costs	3	**(630.2)**	(671.5)
Operating profit	2	**41.0**	47.9
Net financial expenses	6	**(18.8)**	(10.7)
Profit before tax	2	**22.2**	37.2
Income tax expense	7	**(3.8)**	(10.7)
Profit for the financial year		**18.4**	26.5
Profit for the year			
Attributable to:			
Equity shareholders of the Parent		**18.6**	26.8
Non-controlling interests		**(0.2)**	(0.3)
Profit for the financial year		**18.4**	26.5
Earnings per share			
Basic	8	**7.4p**	11.4p
Diluted	8	**7.3p**	11.3p
Dividend			
Pence per share	9	**8.3p**	15.6p
Dividends declared in the period	9	**21.0**	39.4

All results relate to continuing operations.

	Notes	2023 £'m	2022 £'m
Adjusted profit measures			
Operating profit		**41.0**	47.9
Adjusting items	4	**29.7**	53.2
Adjusted operating profit		**70.7**	101.1
Profit before tax		**22.2**	37.2
Adjusting items	4	**31.1**	53.2
Adjusted profit before tax		**53.3**	90.4
Profit for the financial year		**18.4**	26.5
Adjusting items (net of tax)	4	**23.7**	46.8
Adjusted profit after tax		**42.1**	73.3
Adjusted earnings per share			
Basic	8	**16.7p**	31.3p
Diluted	8	**16.7p**	31.1p

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2023

	Notes	2023 £'m	2022 £'m
Profit for the financial year		**18.4**	26.5
Other comprehensive (expense)/income			
Items that will not be reclassified to the Income Statement:			
Remeasurements of the net defined benefit surplus	21	**(9.8)**	(3.1)
Deferred tax arising	23	**2.4**	0.8
Total items that will not be reclassified to the Income Statement		**(7.4)**	(2.3)
Items that are or may in the future be reclassified to the Income Statement:			
Effective portion of changes in fair value of cash flow hedges		**(0.6)**	5.7
Fair value of cash flow hedges transferred to the Income Statement		**(1.1)**	(2.8)
Deferred tax arising	23	**0.8**	(0.7)
Reclassification of Sale of Subsidiary		**(0.6)**	—
Exchange difference on retranslation of foreign currency net investment		**0.1**	0.6
Exchange movements associated with borrowings designated as a hedge against net investment		**(0.2)**	(0.2)
Total items that are or may be reclassified to the Income Statement		**(1.6)**	2.6
Other comprehensive (expense)/income for the year, net of income tax		**(9.0)**	0.3
Total comprehensive income for the year		**9.4**	26.8
Attributable to:			
Equity shareholders of the Parent		**10.2**	27.0
Non-controlling interests	25	**(0.8)**	(0.2)
		9.4	26.8

Consolidated Balance Sheet

at 31 December 2023

	Notes	2023 £'m	2022 £'m
Assets			
Non-current assets			
Property, plant and equipment	10	**249.4**	266.5
Right-of-use assets	11	**41.7**	37.0
Goodwill	12	**324.4**	322.6
Intangible assets	13	**227.5**	237.1
Employee benefits	21	**11.0**	22.4
Deferred taxation assets	23	**1.1**	1.3
		855.1	886.9
Current assets			
Inventories	14	**125.1**	138.8
Trade and other receivables	15	**93.4**	123.3
Cash and cash equivalents	16	**34.5**	56.3
Assets classified as held for sale	10	**2.4**	—
Derivative financial instruments	20	**1.9**	3.6
Corporate tax		**1.7**	—
		259.0	322.0
Total assets		**1,114.1**	1,208.9
Liabilities			
Current liabilities			
Trade and other payables	17	**127.5**	152.4
Corporation tax		**—**	2.1
Lease liabilities	19	**8.0**	9.8
Provisions	22	**3.0**	3.0
		138.5	167.3
Non-current liabilities			
Lease liabilities	19	**36.7**	36.1
Interest-bearing loans and borrowings	18	**207.4**	247.0
Provisions	22	**5.0**	6.7
Deferred taxation liabilities	23	**85.2**	90.7
		334.3	380.5
Total liabilities		**472.8**	547.8
Net assets		**641.3**	661.1
Equity			
Capital and reserves attributable to equity shareholders of the Parent			
Called-up share capital	24	**63.2**	63.2
Share premium account	24	**200.0**	200.0
Merger reserve	24	**141.6**	141.6
Own shares		**(1.5)**	(1.3)
Capital redemption reserve		**75.4**	75.4
Consolidation reserve		**(213.1)**	(213.1)
Hedging reserve		**2.1**	3.0
Foreign exchange reserve		**0.5**	0.3
Retained earnings		**373.1**	391.2
Equity attributable to equity shareholders of the Parent		**641.3**	660.3
Non-controlling interests	25	**—**	0.8
Total equity		**641.3**	661.1

Approved at a Directors' meeting on 18 March 2024.

On behalf of the Board:

Matt Pullen
Chief Executive

Justin Lockwood
Chief Financial Officer

The Notes on pages 121 to 152 form part of these Consolidated Financial Statements.

Consolidated Cash Flow Statement
for the year ended 31 December 2023

	Notes	2023 £'m	2022 £'m
Profit for the financial year		**18.4**	26.5
Income tax expense	7	**3.8**	10.7
Profit before tax		**22.2**	37.2
Adjustments for:			
Depreciation of property, plant and equipment	10	**21.4**	21.8
Asset impairments		**7.3**	14.0
Depreciation of right-of-use assets	11	**9.8**	11.3
Amortisation		**12.1**	9.1
Gain on disposal of subsidiaries		**(0.6)**	–
Gain on sale of property, plant and equipment		**(1.4)**	(1.2)
Equity settled share-based payments		**2.8**	1.2
Financial income and expenses (net)	6	**18.8**	10.7
Operating cash flow before changes in working capital		**92.4**	104.1
Decrease in trade and other receivables		**25.8**	22.9
Decrease/(increase) in inventories		**10.1**	(4.1)
Decrease in trade and other payables		**(23.7)**	(16.1)
Cash generated from operations		**104.6**	106.8
Financial expenses paid		**(16.5)**	(9.9)
Income tax paid		**(10.4)**	(11.6)
Net cash flow from operating activities		**77.7**	85.3
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**6.9**	1.4
Financial income received		**0.1**	–
Acquisition of subsidiary undertaking		**(3.0)**	(86.2)
Acquisition of property, plant and equipment		**(18.3)**	(27.8)
Acquisition of intangible assets		**(2.5)**	(2.3)
Cash outflow on disposal of subsidiaries		**(1.4)**	–
Net cash flow from investing activities		**(18.2)**	(114.9)
Cash flows from financing activities			
Proceeds from issue of share capital		**–**	182.7
Payments to acquire own shares		**(0.3)**	(1.1)
Payment in respect of share-based payment award		**–**	(1.2)
Repayment of borrowings		**(84.4)**	(389.7)
Drawdown of borrowings		**44.8**	303.5
Cash payment for the principal portion of lease liabilities		**(9.6)**	(11.1)
Equity dividends paid		**(31.6)**	(38.7)
Net cash flow from financing activities		**(81.1)**	44.4
Net (decrease)/increase in cash and cash equivalents		**(21.6)**	14.8
Cash and cash equivalents at the beginning of the year		**56.3**	41.2
Effect of exchange rate fluctuations		**(0.2)**	0.3
Cash and cash equivalents at the end of the year		**34.5**	56.3

Consolidated Statement of Changes in Equity

for the year ended 31 December 2023

	Attributable to equity holders of the Company											
	Share capital £'m	Share premium account £'m	Merger reserve £'m	Own shares £'m	Capital redemption reserve £'m	Consolidation reserve £'m	Hedging reserve £'m	Foreign exchange reserve £'m	Retained earnings £'m	Total £'m	Non-controlling interests £'m	Total equity £'m
Current year												
At 1 January 2023	**63.2**	**200.0**	**141.6**	**(1.3)**	**75.4**	**(213.1)**	**3.0**	**0.3**	**391.2**	**660.3**	**0.8**	**661.1**
Total comprehensive income/(expense) for the year												
Profit for the financial year	–	–	–	–	–	–	–	–	18.6	18.6	(0.2)	18.4
Other comprehensive (expense)/income												
Foreign currency translation differences	–	–	–	–	–	–	–	(0.1)	–	(0.1)	–	(0.1)
Reclassification on Sale of Subsidiary	–	–	–	–	–	–	–	0.3	(0.3)	–	(0.6)	(0.6)
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	–	–	(0.6)	–	–	(0.6)	–	(0.6)
Net change in fair value of cash flow hedges transferred to the Income Statement	–	–	–	–	–	–	(1.1)	–	–	(1.1)	–	(1.1)
Deferred tax arising	–	–	–	–	–	–	0.8	–	–	0.8	–	0.8
Defined benefit plan actuarial loss	–	–	–	–	–	–	–	–	(9.8)	(9.8)	–	(9.8)
Deferred tax arising	–	–	–	–	–	–	–	–	2.4	2.4	–	2.4
Total other comprehensive (expense)/income	–	–	–	–	–	–	(0.9)	0.2	(7.7)	(8.4)	(0.6)	(9.0)
Total comprehensive (expense)/income for the year	–	–	–	–	–	–	(0.9)	0.2	10.9	10.2	(0.8)	9.4
Share-based payments	–	–	–	–	–	–	–	–	2.8	2.8	–	2.8
Deferred tax on share-based payments	–	–	–	–	–	–	–	–	(0.1)	(0.1)	–	(0.1)
Corporation tax on share-based payments	–	–	–	–	–	–	–	–	–	–	–	–
Dividends to equity shareholders	–	–	–	–	–	–	–	–	(31.6)	(31.6)	–	(31.6)
Purchase of own shares	–	–	–	(0.3)	–	–	–	–	–	(0.3)	–	(0.3)
Own shares issued under share scheme	–	–	–	0.1	–	–	–	–	(0.1)	–	–	–
Total contributions by and distributions to owners	–	–	–	(0.2)	–	–	–	–	(29.0)	(29.2)	–	(29.2)
Total transactions with owners of the Company	–	–	–	(0.2)	–	–	(0.9)	0.2	(18.1)	(19.0)	(0.8)	(19.8)
At 31 December 2023	**63.2**	**200.0**	**141.6**	**(1.5)**	**75.4**	**(213.1)**	**2.1**	**0.5**	**373.1**	**641.3**	**–**	**641.3**

Consolidated Statement of Changes in Equity continued

for the year ended 31 December 2022

	Attributable to equity holders of the Company											
	Share capital £'m	Share premium account £'m	Merger reserve £'m	Own shares £'m	Capital redemption reserve £'m	Consolidation reserve £'m	Hedging reserve £'m	Foreign exchange reserve £'m	Retained earnings £'m	Total £'m	Non-controlling interests £'m	Total equity £'m
Current year												
At 1 January 2022	50.0	24.5	–	(0.6)	75.4	(213.1)	0.8	–	406.3	343.3	1.0	344.3
Total comprehensive income/(expense) for the year												
Profit for the financial year	–	–	–	–	–	–	–	–	26.8	26.8	(0.3)	26.5
Other comprehensive income/(expense)												
Foreign currency translation differences	–	–	–	–	–	–	–	0.3	–	0.3	0.1	0.4
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	–	–	5.7	–	–	5.7	–	5.7
Net change in fair value of cash flow hedges transferred to the Income Statement	–	–	–	–	–	–	(2.8)	–	–	(2.8)	–	(2.8)
Deferred tax arising	–	–	–	–	–	–	(0.7)	–	–	(0.7)	–	(0.7)
Defined benefit plan actuarial loss	–	–	–	–	–	–	–	–	(3.1)	(3.1)	–	(3.1)
Deferred tax arising	–	–	–	–	–	–	–	–	0.8	0.8	–	0.8
Total other comprehensive income/(expense)	–	–	–	–	–	–	2.2	0.3	(2.3)	0.2	0.1	0.3
Total comprehensive income/(expense) for the year	–	–	–	–	–	–	2.2	0.3	24.5	27.0	(0.2)	26.8
Shares issued	13.2	180.2	141.6	–	–	–	–	–	–	335.0	–	335.0
Share issue costs	–	(4.7)	–	–	–	–	–	–	–	(4.7)	–	(4.7)
Share-based payments	–	–	–	–	–	–	–	–	–	–	–	–
Deferred tax on share-based payments	–	–	–	–	–	–	–	–	(0.6)	(0.6)	–	(0.6)
Corporation tax on share-based payments	–	–	–	–	–	–	–	–	0.1	0.1	–	0.1
Dividends to equity shareholders	–	–	–	–	–	–	–	–	(38.7)	(38.7)	–	(38.7)
Purchase of own shares	–	–	–	(1.1)	–	–	–	–	–	(1.1)	–	(1.1)
Own shares issued under share scheme	–	–	–	0.4	–	–	–	–	(0.4)	–	–	–
Total contributions by and distributions to owners	13.2	175.5	141.6	(0.7)	–	–	–	–	(39.6)	290.0	–	290.0
Total transactions with owners of the Company	13.2	175.5	141.6	(0.7)	–	–	2.2	0.3	(15.1)	317.0	(0.2)	316.8
At 31 December 2022	63.2	200.0	141.6	(1.3)	75.4	(213.1)	3.0	0.3	391.2	660.3	0.8	661.1

1 Accounting policies

Significant accounting policies

General Information

Marshalls plc (the "Company") is a public company limited by shares, incorporated in the United Kingdom under the Companies Act 2006, and is registered in England and Wales. The Consolidated Financial Statements of the Company for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the "Group").

The Consolidated Financial Statements were authorised for issue by the Directors on 18 March 2024.

The Company's registered address is Landscape House, Premier Way, Lowfields Business Park, Elland HX5 9HT.

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 1 to 63. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also set out in the Strategic Report. In addition, Note 20 includes the Group's policies and procedures for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

Basis of preparation

The Group Consolidated Financial Statements have been prepared and approved by the Directors in accordance with International Accounting Standards and International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB")". The Parent Company has elected to prepare its Financial Statements in accordance with FRS 101 *"Reduced Disclosure Framework"* and these are presented on pages 153 to 164.

The Consolidated Financial Statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: employee benefits, derivative financial instruments and liabilities for cash settled share-based payments. The Consolidated Financial Statements are presented in Sterling, rounded to the nearest million. Sterling is the currency of the primary economic environment in which the Group operates. The material accounting policies, which have been applied consistently, are set out later in the section.

In assessing the appropriateness of adopting the going concern basis in the preparation of the Annual Report, the Board has considered the Group's financial forecasts and its principal risks for a period of at least twelve months from the date of this report. The forecasts included projected profit and loss, balance sheet, cash flows, headroom against debt facilities and covenant compliance. The financial forecasts have been stress tested in downside scenarios to assess the impact on future profitability, cash flows, funding requirements and covenant compliance. The scenarios comprise a more severe economic downturn (which represents the Group's most significant risk) than that included in the base case forecast, and a reverse stress test on our financial forecasts to assess the extent to which an economic downturn would need to impact on revenues in order to breach a covenant. This showed that revenue would need to deteriorate by 20 per cent from the financial forecast and the Directors have a reasonable expectation that it is unlikely to deteriorate to this extent.

Details of the Group's funding position are set out in Note 20. At 31 December 2023, £160 million of the facility was undrawn. There are two financial covenants in the bank facility that are tested on a semi-annual basis and the Group maintains good cover against these with pre-IFRS 16 net debt to EBITDA of 1.9 times (covenant maximum of three times) and interest cover of 5.1 times (covenant minimum of three times).

Taking these factors into account, the Board has the reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future and for this reason, the Board has adopted the going concern basis in preparing this Annual Report.

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosure or on the amounts reported in these Consolidated Financial Statements.

- Amendments to IAS 1 *"Presentation of Financial Statements"* and IFRS Practice Statement 2 "*Making Materiality Judgements – Disclosure of Accounting Policies"*
- Amendments to IAS 12 *"Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction"*
- Amendments to IAS 12 *"Income Taxes – International Tax Reform – Pillar Two Model Rules"*
- Amendments to IAS 8 *"Accounting Polices, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates"*

At the date of authorisation of these Consolidated Financial Statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- Amendments to IFRS 10 and IAS 28 *"Sale or Contribution of Assets between an investor and its Associates or Joint Venture"*
- Amendments to IAS 1 *"Clarification of Liabilities as Current or Non-current"*
- Amendments to IAS 1 *"Non-current Liabilities with Covenants"*
- Amendments to IAS 7 and IFRS 7 *"Supplier Finance Arrangements"*
- Amendment to IFRS 16 *"Lease Liability in a Sale and Leaseback"*

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the Consolidated Financial Statements of the Group in future periods.

Alternative performance measures and adjusting items

The Group uses alternative performance measures ("APMs") which are not defined or specified under IFRS. The Group believes that these APMs, which are not considered to be a substitute for IFRS measures, provide additional helpful information. APMs are consistent with how business performance is planned, reported and assessed internally by management and the Board and provide additional comparative information. A glossary setting out the APMs that the Board use, how they are used, an explanation of how they are calculated, and a reconciliation of the APMs to the statutory results, where relevant, is set out at Note 33.

Adjusting items are items that are unusual because of their size, nature or incidence and which the Directors consider should be disclosed separately to enable a full understanding of the Group's results and to demonstrate the Group's capacity to deliver dividends to shareholders. Details of the adjusting items are disclosed in Note 4 and Note 33.

1 Accounting policies continued

Critical accounting judgements and key sources of estimation uncertainty

The preparation of Consolidated Financial Statements requires the Group to make estimates and judgements that affect the application of policies and reported accounts. Critical judgements represent key decisions made by the Board in the application of the Group accounting policies. Where a significant risk of materially different outcomes exists due to the Board's assumptions or sources of estimation uncertainty, this will represent a critical accounting estimate. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and judgements which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Critical accounting judgements

The following critical accounting judgements has been made in the preparation of the Consolidated Financial Statements:

- As noted, adjusting items have been highlighted separately due to their size, nature or incidence to provide a full understanding of the Group's results and to demonstrate the Group's capacity to deliver dividends to shareholders. The determination of whether items merit treatment as an adjusting item is a matter of judgement. Note 4 sets out details of the adjusting items.

Sources of estimation uncertainty

The Directors consider the following to be key sources of estimation uncertainty:

- In arriving at the accounting value of the Group's defined benefit pension scheme, key assumptions have to be made in respect of factors including discount rates and inflation rates. These are determined on the basis of advice received from a qualified actuary. These estimates may be different to the actual outcomes. See further information in Note 21.
- The carrying value of goodwill is reviewed on an annual basis in accordance with IAS 36. This review requires the use of cash flow projections based on a financial forecast that are discounted at an appropriate market-based discount rate. The assumption on the market-based discount rate is determined based on the advice of a third-party adviser. The actual cash flows generated by the business may be different to the estimates included in the forecasts. See further information in Note 12.

Material accounting policy information

Basis of consolidation

The Consolidated Financial Statements incorporate the Financial Statements of the Company and the entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between Group companies are eliminated on consolidation. The accounting policies of the subsidiaries are consistent with the accounting policies of the Group.

Revenue

Revenue from the sale of goods is recognised in the Consolidated Income Statement when the performance obligations to customers have been satisfied. Revenue represents the invoiced value of sales to customers less returns, allowances, rebates and value added tax.

Revenue is recorded typically on despatch of the Group's products, when performance obligations to customers are satisfied. Products are usually delivered on the same day. Amounts due from customers are payable by customers on standard credit terms and there is no significant financing component or variable consideration within amounts due from customers. There are no significant obligations arising in relation to returns, refunds, warranties or similar obligations. Revenue earned from any contractually distinct installation process is recognised when the Group has fulfilled all its obligations under the installation contract.

Segmental reporting

IFRS 8 *"Operating Segments"* requires operating segments to be identified on the basis of discrete financial information about components of the Group that are regularly reviewed by the Group's Chief Operating Decision Maker ("CODM") to allocate resources to the segments and to assess their trading performance. As far as Marshalls is concerned, the CODM is regarded as being the Board. The Group has three reporting segments: Landscape Products; Building Products; and Roofing Products.

Share-based payments

The Group enters into equity settled share-based payment transactions with its employees. In particular, annual awards are made to employees under the Company's Management Incentive Plan ("MIP").

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. Where appropriate, the fair value of the options granted is measured using the Black-Scholes option valuation model, considering the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

Current tax relief is available as shares vest based on the value at the date of vesting. A deferred tax asset is recognised at grant date based on the number of shares expected to be issued, at the value at which they are expected to be issued, proportioned in line with the vesting period.

Financial expenses

Net financial expenses comprise interest on obligations under the defined benefit pension scheme, the expected return on scheme assets under the defined benefit pension scheme, interest payable on borrowings calculated using the effective interest rate method, interest expense arising on leases in accordance with IFRS 16, interest receivable on funds invested, foreign exchange gains and losses and gains and losses on hedging instruments that are recognised in the Consolidated Income Statement.

1 Accounting policies continued

Material accounting policy information continued

Foreign currency translation
Transactions in foreign currencies are translated to Sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Consolidated Income Statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and are not retranslated.

For the purposes of presenting Consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

Income tax
Income tax on the profit or loss for the year comprises current and deferred taxation. Income tax is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised directly in other comprehensive income or in equity, in which case it is recognised accordingly. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxation is provided using the balance sheet liability method, providing for 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: the initial recognition of goodwill, 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 taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply when the temporary difference reverses, based on rates that have been enacted or substantively enacted at the balance sheet date. A deferred taxation 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. Deferred taxation assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended (including appropriate elements of internal costs). Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the Consolidated Income Statement as an expense as incurred.

Depreciation is charged to the Consolidated Income Statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment as follows:

Freehold buildings	20 to 40 years;
Fixed plant and equipment	4 to 30 years;
Mobile plant and equipment	3 to 7 years; and

Quarries are based on the rate of extraction.

Freehold land is not depreciated. The residual values, useful economic lives and depreciation methods are reassessed annually. Estimated costs associated with the restoration of quarries are charged in accordance with IAS 37 when costs can be measured with an appropriate degree of precision.

Right-of-use assets and leases
IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. A right-of-use asset and a corresponding liability are recognised for all leases except for short-term leases and leases of low-value assets. The right-of-use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated on a straight line basis over the duration of the lease, which excluding property leases, is typically between 4 to 8 years. The Group's leases principally comprise commercial vehicles and trailers, forklift trucks, motor vehicles, certain property assets and fixed plant.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as for the impact of lease modifications, amongst others. Lease liabilities are discounted at an incremental borrowing rate calculated as the rate of interest which the Group would have been able to borrow for a similar term with a similar security of funds necessary to obtain a similar asset in a similar market.

Short-term leases, with a duration of less than twelve months, are accounted for in accordance with the recognition exemption in IFRS 16 and hence related payments are expensed as incurred. The Group also utilises the option to apply the recognition exemption for low-value assets (with a value of less than the equivalent of £5,000), which means that related payments have been expensed as incurred.

1 Accounting policies continued

Material accounting policy information continued

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill is recognised initially as an asset at cost, allocated to cash generating units and is measured subsequently at cost less impairment losses.

Goodwill is not amortised but is tested for impairment at least annually and whenever there is an indication that the asset may be impaired. Impairment is tested by comparing the recoverable amount of the CGU with the carrying value of certain net assets of the CGUs with any impairment charge being allocated initially to goodwill. The recoverable amount of assets of CGUs is the greater of their fair value less costs to sell and value in use. 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. Any impairment arising is recognised immediately in the Income Statement and subsequent reversals of impairment losses for goodwill are not recognised. Details of the December 2023 impairment review are set out at Note 12.

Intangible assets
Intangible assets acquired separately are initially measured at cost. Intangible assets arising on business combinations are initially measured at fair value. Following initial recognition, intangible assets are carried at cost or fair value less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding software development and capitalised development costs, are not capitalised and expenditure is reflected in the Income Statement in the year in which the expenditure is incurred.

All current intangible assets have finite lives and are amortised on a straight line basis over their expected useful life and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation of intangible assets is provided over the following expected useful economic lives: Brand names 20 to 25 years; Customer and supplier relationships 5 to 20 years; Patents, trademarks and know-how 2 to 20 years; Development costs 10 to 20 years; and Software 5 to 10 years.

Post-retirement benefits
Any net obligation in respect of the Group's defined benefit pension scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of any scheme assets is deducted. The discount rate is the yield at the balance sheet date on AA credit-rated corporate bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset.

If the calculation results in a surplus, the resulting asset is measured at the present value of any economic benefits available in the form of refunds from the plan, or reductions in future contributions to the plan. The present value of these economic benefits is discounted by reference to market yields at the balance sheet date on high-quality corporate bonds. When the benefits of the scheme are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the Income Statement in the period of the scheme amendment. Actuarial gains and losses that arise in calculating the Group's obligation in respect of a plan are recognised immediately within the Consolidated Statement of Comprehensive Income.

Obligations for contributions to defined contribution schemes are recognised as an expense in the Income Statement as incurred.

Inventories
Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and of selling expenses. The cost of inventories 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 based on normal operating capacity, which were incurred in bringing the inventories to their present location and condition.

Trade and other receivables
Trade and other receivables are stated at initial recognition, at their transaction price (as defined in IFRS 15) if the trade receivables do not contain a significant financial component in accordance with IFRS 15 (or when the entity applies the practical expedient in accordance with paragraph 63 of IFRS 15). Subsequent to initial recognition they are accounted for at amortised cost. Trade receivables are stated gross of a provision for expected credit losses. This provision has been determined using a lifetime expected credit loss calculation.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Consolidated Cash Flow Statement. For the purposes of the statement of cash flows, cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the statement of financial position to the extent the Group does not have the right and intention to settle net.

Assets classified as held for sale
Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and expected to be completed within one year from the date of classification, and the asset is available for immediate sale in its present condition.

Trade and other payables
Trade and other payables are stated at initial recognition, at their fair value and subsequently at amortised cost.

Interest-bearing loans and borrowings
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest rate method.

1 Accounting policies continued

Material accounting policy information continued

Provisions

A provision is recognised in the Consolidated Balance Sheet when the Group has a present legal or constructive obligation as a result of a past event, it can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate, foreign exchange and fuel pricing risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for speculative purposes. Derivative financial instruments are recognised at fair value and transaction costs are recognised in the Income Statement when incurred. The gain or loss on remeasurement to fair value is recognised immediately in the Consolidated Income Statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Classification and measurement

The classification of financial assets is based both on the business model within which the asset is held and the contractual cash flow characteristics of the asset. There are three principal classification categories for financial assets that are debt instruments: (i) amortised cost; (ii) fair value through other comprehensive income ("FVTOCI"); and (iii) fair value through profit or loss ("FVTPL"). Under IFRS 9, derivatives embedded in financial assets are not bifurcated but instead the whole hybrid contract is assessed for classification.

Impairment

Credit losses and expected credit losses are recognised in accordance with IFRS 9. The amount of expected credit losses is updated at each reporting date. The IFRS 9 impairment model has been applied to the Group's financial assets that are debt instruments measured at amortised cost or FVTOCI. The Group has applied the simplified approach to recognise lifetime expected credit losses for its trade receivables, as required or permitted by IFRS 9.

Hedging

The Group has elected to apply the IFRS 9 hedge accounting requirements because they align more closely with the Group's risk management policies. Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the Consolidated Statement of Comprehensive Income. When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset. For cash flow hedges, other than those covered by the preceding policy statement, the associated cumulative gain or loss is removed from equity and recognised in the Consolidated Income Statement in the same period or periods during which the hedged forecast transaction affects the income or expense. The ineffective part of any gain or loss is recognised immediately in the Consolidated Income Statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, it no longer meets the criteria for hedge accounting. The cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the Consolidated Income Statement and cash flow hedge accounting is discontinued prospectively.

Share capital

Marshalls plc has only Ordinary Share capital. These shares, with a nominal value of 25 pence per share, are classified as equity. Transactions of the Group-sponsored Employee Benefit Trust are included in the Group Financial Statements. The Trust's purchases of shares in the Company are debited directly to equity and disclosed separately in the balance sheet as "own shares".

The following paragraphs summarise the significant accounting policies of the Group, which have been applied in dealing with items which are considered material in relation to the Group's Consolidated Financial Statements.

The Group has applied all accounting standards and interpretations issued by the IASB and International Financial Reporting Committee relevant to its operations and which are effective in respect of these Financial Statements.

Impairment

The carrying amounts of the Group's assets, other than inventories and goodwill, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Any 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.

2 Segmental analysis

Segment revenues and operating profit

	2023 £'m	2022 £'m
Revenue		
Landscape Products	**321.5**	394.1
Building Products	**170.1**	193.1
Roofing Products	**179.6**	132.2
Revenue	**671.2**	719.4
Operating profit		
Landscape Products	**21.3**	45.3
Building Products	**12.2**	26.8
Roofing Products	**44.9**	34.4
Central costs	**(7.7)**	(5.4)
Adjusted operating profit	**70.7**	101.1
Adjusting items (see Note 4)	**(29.7)**	(53.2)
Reported operating profit	**41.0**	47.9
Net finance charges (Note 6)	**(18.8)**	(10.7)
Profit before tax	**22.2**	37.2
Taxation (Note 7)	**(3.8)**	(10.7)
Profit after tax	**18.4**	26.5

The Group has two customers which each contributed more than 10 per cent of total revenue in the current and prior year.

The accounting policies of the three operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned without allocation of certain central administration costs that are not capable of allocation. Centrally administered overhead costs that relate directly to the reportable segment are included within the segment's results.

Geographical destination of revenue

The geographical destination of revenue is the United Kingdom £662.8 million (2022: £687.9 million) and Rest of the World £8.4 million (2022: £31.5 million).

Segment assets

	2023 £'m	2022 £'m
Property, plant and equipment, right-of-use assets, intangible assets and inventory:		
Landscape Products	**240.8**	260.5
Building Products	**142.0**	148.4
Roofing Products	**587.7**	593.1
Total segment property, plant and equipment, right-of-use assets, intangible assets and inventory	**970.5**	1,002.0
Unallocated assets	**143.6**	206.9
Consolidated total assets	**1,114.1**	1,208.9

For the purpose of monitoring segment performance and allocating resources between segments, the Group's CODM monitors the property, plant and equipment, right-of-use assets, intangible assets and inventory. Assets used jointly by reportable segments are not allocated to individual reportable segments.

Other segment information

	Depreciation and amortisation		Property, plant and equipment, right-of-use asset and intangible asset additions	
	2023 £'m	2022 £'m	2023 £'m	2022 £'m
Landscape Products	**19.5**	22.3	**23.1**	37.0
Building Products	**8.0**	8.8	**4.9**	4.6
Roofing Products	**5.4**	3.8	**5.9**	2.0
	32.9	34.9	**33.9**	43.6
Included in adjusting items (Note 4)	**10.4**	7.3	**–**	–
	43.3	42.2	**33.9**	43.6

Depreciation and amortisation includes £10.4 million (2022: £7.3 million) of amortisation of intangible assets arising from the purchase price allocation exercises comprising £0.1 million (2022: £0.1 million) in Landscape Products, £1.1 million (2022: £1.1 million) in Building Products and £9.2 million (2022: £6.1 million) in Roofing Products. The amortisation has been treated as an adjusting item (Note 4).

Impairments of £7.3 million (2022: £9.9 million) within property, plant and equipment comprise £1.8 million (2022: £8.2 million) in Landscape Products, £4.3 million (2022: £1.7 million) in Building Products and £1.2 million (2022: £nil) in Roofing Products.

3 Net operating costs

	2023 £'m	2022 £'m
Raw materials and consumables	**235.4**	267.3
Changes in inventories of finished goods and work in progress	**12.9**	6.6
Personnel costs (Note 5)	**151.6**	155.5
Depreciation of property, plant and equipment	**21.4**	21.8
Depreciation of right-of-use assets	**9.8**	11.3
Amortisation of intangible assets	**12.1**	9.1
Asset impairments	**7.3**	14.0
Own work capitalised	**(2.5)**	(3.1)
Other operating costs	**177.5**	189.3
Redundancy and other costs	**9.3**	2.9
Operating costs	**634.8**	674.7
Other operating income	**(2.6)**	(2.0)
Net gain on asset and property disposals	**(1.4)**	(1.2)
Net gain on disposal of subsidiary	**(0.6)**	–
Net operating costs	**630.2**	671.5
Adjusting items (Note 4)	**(29.7)**	(53.2)
Adjusted net operating costs	**600.5**	618.3

	2023 £'m	2022 £'m
Net operating costs include:		
Auditor's remuneration (see below)	**0.8**	0.9
Short-term and low-value lease costs	**7.1**	7.0
Research and development costs	**3.6**	3.5

In respect of the year under review, Deloitte LLP carried out work in relation to:

	2023 £'m	2022 £'m
Audit of Financial Statements of Marshalls plc	**0.1**	0.1
Audit of Financial Statements of subsidiaries of the Company	**0.7**	0.8
	0.8	0.9

These fees include a cost of £40 thousand associated with Deloitte LLP's review of the Group's Half Year Report (2022: £35 thousand).

4 Adjusting items

	2023 £'m	2022 £'m
Amortisation of intangible assets arising on acquisition (i)	10.4	7.3
Redundancy and similar costs (ii)	11.3	4.2
Impairment of property, plant and equipment (ii)	7.0	8.8
Contingent consideration (iii)	1.6	3.9
Disposal of/impairment of assets in the Belgian subsidiary (iv)	(0.6)	10.2
Transaction related costs (v)	–	14.9
Fair Value adjustment to inventory (vi)	–	3.9
Adjusting items within operating profit (Note 3)	29.7	53.2
Adjusting items within financial expenses (vii) (Note 6)	1.4	–
Adjusting items before taxation	31.1	53.2
Current tax on adjusting items (Note 7)	(2.7)	(1.6)
Deferred tax on adjusting items (Note 7)	(4.7)	(4.8)
Adjusting items after taxation	23.7	46.8

Notes:

(i) Amortisation of intangible assets arising on acquisitions is principally in respect of values recognised for the Marley brand and its customer relationships.

(ii) Impairment charges, restructuring and similar costs arose during major restructuring exercises conducted in 2023 and the second half of 2022 when the Group took steps to reduce manufacturing capacity and the cost base in response to a reduction in market demand.

(iii) The additional contingent consideration relates to the reassessment of the amounts that will become payable to vendors arising in relation to Marley's acquisition of Viridian Solar Limited in 2021.

(iv) On 14 April 2023, the Group's interest in the former Belgian subsidiary was sold for a nominal consideration. This consideration was higher than the net carrying value on this date which resulted in a non-recurring profit of £0.6 million. In 2022 following a downturn in the business' performance, the assets were impaired to fair value which was lower than the value in use. This was based on the Directors' assessment and consideration of observable market information. The impairment charge comprised property, plant and equipment (£1.1 million), intangible assets (£0.7 million), right-of-use assets (£3.4 million) and inventory (£5.0 million).

(v) In 2022, transaction related costs relating to the acquisition of Marley Group plc. These comprise the fees charged by professional advisers.

(vi) In 2022, the unwind of the inventory fair value adjustment relates to the fair value uplift of the inventory as part of the Marley acquisition that has subsequently been sold. This item has been shown as an adjusting item to align with the internal reporting and to present a margin consistent with that which would have been reported in the absence of a recent acquisition transaction.

(vii) The adjusting item in interest expense of £1.4 million is a non-cash technical accounting charge arising from the resolution of certain historical benefit issues. An allowance of £6.5 million was included in the net pension scheme asset at December 2022 and following the resolution of the benefit issues, this has been reduced to £5.5 million. This net reduction of £1.0 million comprised a profit and loss account charge of £1.4 million arising from the decision by the Board to not reduce pensions to payment to certain pensioners who were receiving payments that are too high and £2.4 million credit to the condensed statement of comprehensive income relating to adjustments to estimates. Further information on the accounting for the retirement benefit asset is set out at Note 21.

5 Personnel costs

	2023 £'m	2022 £'m
Personnel costs (including amounts charged in the year in relation to Directors):		
Wages and salaries	**122.7**	126.2
Social security costs	**13.5**	15.1
Share-based payments	**2.8**	1.2
Contributions to defined contribution pension scheme	**12.6**	13.0
Included in net operating costs (Note 3)	**151.6**	155.5
Personnel costs relating to redundancy and other costs (Note 3)	**9.3**	2.9
Total personnel costs	**160.9**	158.4

	2023 £'m	2022 £'m
Remuneration of Directors:		
Salary	**1.5**	1.3
Other benefits	**0.1**	0.1
MIP Element A bonus	**0.3**	0.1
MIP Element B bonus	**0.1**	0.2
Amounts receivable under MIP A and MIP B that are no longer subject to forfeiture risk	**–**	0.1
Amounts receivable under the MIP at the end of cycle 3	**0.7**	–
Salary supplement in lieu of pension	**0.1**	0.1
Non-Executive Directors' fees and fixed allowances	**0.5**	0.5
	3.3	2.4

The aggregate of emoluments and amounts receivable under the Management Investment Plan ("MIP") of the highest paid Director was £0.1 million (2022: £1.0 million), including a salary supplement in lieu of pension of £nil million (2022: £0.1 million).

There are no Directors to whom retirement benefits are accruing in respect of qualifying services. As set out in the Annual Remuneration Report on page 92, the Executive Directors receive a salary supplement in lieu of pension equal to their contractual entitlements.

Further details of Directors' remuneration, share options, Long-term Incentive Plans ("LTIPs") and Directors' pension entitlements are disclosed in the Remuneration Committee Report on pages 88 to 102.

The average monthly number of persons employed by the Group during the year was:

	2023 Number	2022 Number
Continuing operations	**2,934**	3,293

6 Financial expenses and income

	2023 £'m	2022 £'m
(a) Financial expenses		
Interest expense on bank loans	**14.7**	8.2
Interest expense on lease liabilities	**2.5**	2.4
Net interest expense on defined benefit pension scheme	**0.2**	0.1
(b) Adjusting items	**17.4**	10.7
Adjusting interest expense on defined benefit pension scheme (Note 4)	**1.4**	–
(c) Financial income		
Interest receivable and similar income	**(0.1)**	–
Net financial expenses	**18.8**	10.7

Net interest expense on the defined benefit pension scheme is disclosed net of Company recharges for scheme administration (Note 21).

7 Income tax expense

	2023 £'m	2022 £'m
Current tax expense		
Current year	**8.8**	11.6
Adjustments for prior years	**(1.4)**	(0.6)
	7.4	11.0
Deferred taxation expense		
Origination and reversal of temporary differences:		
Current year	**(3.0)**	0.8
Adjustments for prior years	**(0.6)**	(1.1)
Total tax expense	**3.8**	10.7
Current tax on adjusting items (Note 4)	**2.7**	1.6
Deferred tax on adjusting items (Note 4)	**4.7**	4.8
Total adjusted tax expense	**11.2**	17.1

	2023 %	2023 £'m	2022 %	2022 £'m
Reconciliation of effective tax rate				
Profit before tax	**100.0**	**22.2**	100.0	37.2
Tax using domestic corporation tax rate	**23.5**	**5.2**	19.0	7.1
Impact of capital allowances in excess of depreciation	**10.4**	**2.3**	(13.9)	(5.1)
Short-term timing differences	**2.7**	**0.6**	2.5	0.9
Adjustment to tax charge in prior year	**(6.3)**	**(1.4)**	(1.5)	(0.6)
Expenses not deductible for tax purposes	**3.1**	**0.7**	23.5	8.7
Corporation tax charge for the year	**33.4**	**7.4**	29.6	11.0
Impact of capital allowances in excess of depreciation	**(10.4)**	**(2.3)**	13.7	5.1
Short-term timing differences	**(0.5)**	**(0.1)**	–	–
Pension scheme movements	**(1.8)**	**(0.4)**	(0.1)	–
Transaction related costs	**–**	**–**	(12.9)	(4.8)
Other items	**–**	**–**	0.4	0.2
Adjustment to tax charge in prior year	**(2.7)**	**(0.6)**	(2.9)	(1.1)
Impact of the change in the rate of corporation tax on deferred taxation	**(0.9)**	**(0.2)**	0.9	0.3
Total tax charge for the year	**17.1**	**3.8**	28.7	10.7

The net amount of deferred taxation debited to the Consolidated Statement of Comprehensive Income in the year was £3.2 million (2022: debited £0.1 million).

The Group operates in the United Kingdom which has enacted new legislation to implement the global minimum top-up tax. The Group does not expect to be subject to the top-up tax in relation to its operations in these jurisdictions as both the statutory tax rates and adjusted effective tax rates are expected to continue to be above 15 per cent. The newly enacted legislation is only effective from 1 January 2024 so there is no current tax impact for the year ended 31 December 2023.

The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and will account for it as current tax when it is incurred. If top-up tax had been applied in 2023 the Group would not expect that any top-up tax would have arisen.

The majority of the Group's profits are earned in the UK with an average rate of corporation tax being 23.5 per cent for the year to 31 December 2023. The UK corporate tax rate increased to 25 per cent from April 2023 and the deferred taxation liability at 31 December 2023 has been calculated at 25 per cent, which is the rate at which the deferred tax is expected to unwind in the future.

Capital allowances are tax reliefs provided in law for the expenditure the Group makes on fixed assets. The rates are determined by Parliament annually, and spread the tax relief due over a number of years. This contrasts with the accounting treatment for such spending, where the expenditure on fixed assets is treated as an investment with the cost then being spread over the anticipated useful life of the asset, and/or impaired if the value of such assets is considered to have reduced materially.

The different accounting treatment of fixed assets for tax and accounting purposes is one reason why the taxable income of the Group is not the same as its accounting profit.

Some expenses incurred may be entirely appropriate charges for inclusion in the Financial Statements but are not allowed as a deduction against taxable income when calculating the Group's tax liability for the same accounting period. Examples of such disallowable expenditure include business entertainment costs and some legal expenses.

The Group's overseas operations comprise a manufacturing operation in Belgium up until its disposal on 13 April 2023 and sales and administration offices in the USA and China. The sales of these units, in total, were under 5 per cent of the Group's turnover in the year ended 31 December 2023. In total, the trading profits were not material and a minimal amount of tax is due to be paid overseas.

8 Earnings per share

Basic earnings per share from total operations of 7.4 pence (2022: 11.4 pence) per share is calculated by dividing the profit attributable to Ordinary Shareholders for the financial year, after adjusting for non-controlling interests, of £18.6 million (2022: £26.8 million) by the weighted average number of shares in issue during the period of 252,824,077 (2022: 235,388,001).

Basic earnings per share after adding back adjusting items of 16.7 pence (2022: 31.3 pence) per share is calculated by dividing the adjusted profit attributable to Ordinary Shareholders for the financial year, after adjusting for non-controlling interests, of £42.3 million (2022: £73.6 million) by the weighted average number of shares in issue during the period of 252,824,077 (2022: 235,388,001).

Profit attributable to Ordinary Shareholders

	2023 £'m	2022 £'m
Profit before adding back adjusting items	**42.1**	73.3
Adjusting items	**(23.7)**	(46.8)
Profit for the financial year	**18.4**	26.5
Profit attributable to non-controlling interests	**0.2**	0.3
Profit attributable to Ordinary Shareholders	**18.6**	26.8

Weighted average number of Ordinary Shares

	2023 Number	2022 Number
Number of issued Ordinary Shares	**252,968,728**	252,968,728
Effect of shares issued during the period	**—**	(17,299,649)
Effect of shares transferred into Employee Benefit Trust	**(144,651)**	(281,078)
Weighted average number of Ordinary Shares at the end of the year	**252,824,077**	235,388,001

Diluted earnings per share from total operations of 7.3 pence (2022: 11.3 pence) per share is calculated by dividing the profit for the financial year, after adjusting for non-controlling interests, of £18.6 million (2022: £26.8 million) by the weighted average number of shares in issue during the period of 252,824,077 (2022: 235,388,001) plus potentially dilutive shares of 1,026,468 (2022: 1,213,042), which totals 253,850,545 (2022: 236,601,043).

Diluted earnings per share after adding back adjusting items of 16.7 pence (2022: 31.1 pence) per share is calculated by dividing the adjusted profit for the financial year, after adjusting for non-controlling interests, of £42.3 million (2022: £73.6 million) by the weighted average number of shares in issue during the period of 252,824,077 (2022: 235,388,001) plus potentially dilutive shares of 1,026,468 (2022: 1,213,042), which totals 253,850,545 (2022: 236,601,043).

Weighted average number of Ordinary Shares (diluted)

	2023 Number	2022 Number
Weighted average number of Ordinary Shares	**252,824,077**	235,388,001
Potentially dilutive shares	**1,026,468**	1,213,042
Weighted average number of Ordinary Shares (diluted)	**253,850,545**	236,601,043

9 Dividends

After the balance sheet date, a final dividend of 5.7 pence was proposed by the Directors. This dividend has not been provided for and there are no income tax consequences.

	Pence per qualifying share	2023 £'m	2022 £'m
2023 final	**5.7**	**14.4**	
2023 interim	**2.6**	**6.6**	
	8.3	**21.0**	
2022 final	**9.9**		25.0
2022 interim	**5.7**		14.4
	15.6		39.4

The following dividends were approved by the shareholders and recognised in the Financial Statements:

	Pence per qualifying share	2023 £'m	2022 £'m
2023 interim	**2.6**	**6.6**	
2022 final	**9.9**	**25.0**	
	12.5	**31.6**	
2022 interim	**5.7**		14.4
2021 final	**9.6**		24.3
	15.3		38.7

The Board recommends a dividend for 2023 of 5.7 pence per qualifying Ordinary Share amounting to £14.4 million, to be paid on 1 July 2024 to shareholders registered at the close of business on 7 June 2024. The shares will be marked ex-dividend on 6 June 2024.

10 Property, plant and equipment

	Land and buildings £'m	Quarries £'m	Plant, machinery and vehicles £'m	Total £'m
Cost				
At 1 January 2022	91.4	27.1	387.5	506.0
Exchange differences	–	–	0.4	0.4
Additions	1.3	–	27.1	28.4
Acquisition of subsidiary	66.3	–	29.9	96.2
Reclassifications	(0.4)	0.4	–	–
Disposals	–	(1.3)	(3.6)	(4.9)
At 31 December 2022	158.6	26.2	441.3	626.1
At 1 January 2023	**158.6**	**26.2**	**441.3**	**626.1**
Additions	**0.4**	**–**	**16.1**	**16.5**
Reclassified as held for sale	**(3.7)**	**(0.7)**	**(9.0)**	**(13.4)**
Disposals	**(1.9)**	**(0.7)**	**(7.5)**	**(10.1)**
At 31 December 2023	**153.4**	**24.8**	**440.9**	**619.1**
Depreciation and impairment losses				
At 1 January 2022	43.9	9.6	278.6	332.1
Depreciation charge for the year	2.0	0.5	19.3	21.8
Exchange differences	–	–	0.3	0.3
Impairments	0.4	1.4	8.1	9.9
Disposals	–	(1.2)	(3.3)	(4.5)
At 31 December 2022	46.3	10.3	303.0	359.6
At 1 January 2023	**46.3**	**10.3**	**303.0**	**359.6**
Depreciation charge for the year	**3.0**	**0.4**	**18.0**	**21.4**
Reclassified as held for sale	**(1.8)**	**(0.2)**	**(9.0)**	**(11.0)**
Impairments	**–**	**2.3**	**5.0**	**7.3**
Disposals	**(0.2)**	**–**	**(7.4)**	**(7.6)**
At 31 December 2023	**47.3**	**12.8**	**309.6**	**369.7**
Net book value				
At 31 December 2022	112.3	15.9	138.3	266.5
At 31 December 2023	**106.1**	**12.0**	**131.3**	**249.4**

Mineral reserves and associated land have been separately disclosed under the heading of "Quarries".

The impairments in 2023, totalling £7.3 million, represent the assets being written down to recoverable value by £7.0 million in relation to major restructuring exercises when the Group took steps to reduce manufacturing capacity and the cost base in response to a reduction in market demand. Along with £0.3 million of other impairments to land and buildings to as part of a review prior to sale.

Impairments in 2022 totalled £9.9 million, of which £8.8 million related to assets being written down to fair value less costs to sell due to a restructuring exercise, along with £1.1 million associated with the write down of assets in the Belgian subsidiary.

During the year ended 31 December 2023 Property, Plant and Equipment with a book value of £2.4 million (2022: £nil) have been reclassified as held for sale in accordance with IFRS 5 ("*non-current assets held for sale and discontinued operations*").

Group cost of land and buildings and plant and machinery includes £1.0 million (2022: £0.7 million) and £32.3 million (2022: £22.1 million) respectively for assets in the course of construction.

Capital commitments

	2023 £'m	2022 £'m
Capital expenditure that has been contracted for but for which no provision has been made in the Consolidated Financial Statements	**1.3**	4.7

Depreciation charge

The depreciation charge is recognised in the following line items in the Consolidated Income Statement:

	2023 £'m	2022 £'m
Net operating costs (Note 3)	**21.4**	21.8

11 Right-of-use assets

	Land and buildings £'m	Plant and equipment £'m	Total £'m
Cost			
At 1 January 2022	21.5	40.7	62.2
Additions	1.8	11.2	13.0
Acquisition of subsidiary	0.4	1.0	1.4
Disposals	(4.0)	(8.4)	(12.4)
Modifications	0.2	0.7	0.9
At 31 December 2022	19.9	45.2	65.1
At 1 January 2023	**19.9**	**45.2**	**65.1**
Additions	**3.7**	**11.2**	**14.9**
Disposals	**(4.1)**	**(4.0)**	**(8.1)**
Modifications	**(0.3)**	**—**	**(0.3)**
At 31 December 2023	**19.2**	**52.4**	**71.6**
Depreciation and impairment losses			
At 1 January 2022	3.6	22.2	25.8
Depreciation charge for the year	2.5	8.8	11.3
Impairments	3.2	0.2	3.4
Disposals	(4.0)	(8.4)	(12.4)
At 31 December 2022	5.3	22.8	28.1
At 1 January 2023	**5.3**	**22.8**	**28.1**
Depreciation charge for the year	**2.0**	**7.8**	**9.8**
Disposals	**(4.1)**	**(3.9)**	**(8.0)**
At 31 December 2023	**3.2**	**26.7**	**29.9**
Net book value			
At 31 December 2022	14.6	22.4	37.0
At 31 December 2023	**16.0**	**25.7**	**41.7**

The impairment of £3.4 million in 2022 represents the assets being written down to fair value less cost to sell in relation to the Group's Belgium subsidiary (Note 4).

Depreciation charge

The depreciation charge is recognised in the following line items in the Consolidated Income Statement:

	2023 £'m	2022 £'m
Net operating costs (Note 3)	**9.8**	11.3

Lease commitments

	2023 £'m	2022 £'m
Lease commitments that have been contracted for but have not yet commenced	**6.6**	22.9

12 Goodwill

	Goodwill £'m
Cost	
At 1 January 2022	87.4
Recognised on acquisition of subsidiary	244.1
At 31 December 2022	331.5
At 1 January 2023	**331.5**
Recognised on acquisition of subsidiary	**1.8**
At 31 December 2023	**333.3**
Amortisation and impairment losses	
At 1 January and 31 December 2022	8.9
At 1 January and 31 December 2023	**8.9**
Carrying amounts	
At 1 January 2022	78.5
At 31 December 2022	322.6
At 31 December 2023	**324.4**

All goodwill has arisen from business combinations. The carrying amount of goodwill is allocated across cash generating units ("CGUs") which represent the lowest level within the Group at which the associated goodwill is monitored for management purposes and is consistent with the operating segments set out in Note 2. The Group has three material CGUs, Landscape Products, Building Products and Roofing Products. The carrying amount of goodwill has been allocated to CGUs as follows:

	2023 £'m	2022 £'m
Landscape Products	**34.8**	34.8
Building Products	**43.7**	43.7
Roofing Products	**245.9**	244.1
	324.4	322.6

Building Products and Landscape Products

The recoverable amounts of the Building Products and Landscaping Products segments as CGUs are determined based on value in use calculations which use cash flow projections based on financial budgets approved by the Directors covering a five-year period and a post-tax discount rate of 10.4 per cent per annum (2022: 8.9 per cent per annum). Cash flows beyond that five-year period have been extrapolated using a 2.4 per cent (2022: 2.4 per cent) per annum growth rate. This growth rate reflects the long-term average growth rate for the UK economy.

Roofing Products

The recoverable amount of the Roofing Products segment as a CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Directors covering a five-year period and a post-tax discount rate of 10.4 per cent per annum (2022: 8.9 per cent per annum). Cash flows beyond that five-year period have been extrapolated using a 2.4 per cent (2022: 2.4 per cent) per annum growth rate. This growth rate reflects the long-term average growth rate for the UK economy.

The compound annual growth rate ("CAGR") assumed within the Roofing Products CGU five-year forecast is 10.9 per cent which reflects industry consensus with respect to the future recovery in the construction materials market together with management's expectations of future growth in residential solar PV as a consequence of amendments made to building regulations in England and Wales.

Sensitivity analysis

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the group of CGUs to which goodwill is allocated. The Directors believe that any reasonably possible change in the key assumptions on which the recoverable amounts of Landscape Products and Building Products are based would not cause the aggregate carrying amounts to exceed the aggregate recoverable amounts of those CGUs.

12 Goodwill continued

Sensitivity analysis continued

At the end of the financial year, the recoverable amount of the Roofing Products CGU exceeds the carrying amount by £39 million, which is significantly lower than the other CGUs given the recency of the acquisition, and consequently the impairment review is more sensitive to changes in assumptions. The CAGR in the Roofing Products CGU is particularly sensitive to future political and regulatory decisions and the industry's interpretation of the most effective solution to building regulation requirements regarding the use of roof-integrated solar in new homes. These factors could affect growth rates within the residential solar PV market, and may have a corresponding impact on profit margins. Changes in regulations regarding both the UK's ambitions for the energy efficiency of residential properties and the specificity on how they should be achieved represent reasonably possible downside risks that could give rise to a future impairment charge. A CAGR of 9 per cent would reduce the headroom in the Roofing Products CGU to nil.

The impairment review is also sensitive to changes in discount rate with an increase of 60 basis points in the post-tax rate required to reduce headroom in the Roofing Products CGU to nil, giving a breakeven point for the post-tax rate of 11.0 per cent.

13 Intangible assets

	Brand £'m	Customer relationships £'m	Supplier relationships £'m	Patents, trademarks and know-how £'m	Development costs £'m	Software £'m	Total £'m
Cost							
At 1 January 2022	—	12.8	1.6	1.7	0.7	23.7	40.5
Additions	—	—	—	—	—	2.2	2.2
Recognised on acquisition of subsidiary	82.8	145.4	—	—	—	—	228.2
At 31 December 2022	82.8	158.2	1.6	1.7	0.7	25.9	270.9
At 1 January 2023	**82.8**	**158.2**	**1.6**	**1.7**	**0.7**	**25.9**	**270.9**
Additions	**—**	**—**	**—**	**—**	**—**	**2.5**	**2.5**
At 31 December 2023	**82.8**	**158.2**	**1.6**	**1.7**	**0.7**	**28.4**	**273.4**
Amortisation and impairment losses							
At 1 January 2022	—	6.2	1.3	1.6	0.4	14.5	24.0
Amortisation for the year	2.4	4.8	0.1	—	0.1	1.7	9.1
Impairments	—	—	—	—	—	0.7	0.7
At 31 December 2022	2.4	11.0	1.4	1.6	0.5	16.9	33.8
At 1 January 2023	**2.4**	**11.0**	**1.4**	**1.6**	**0.5**	**16.9**	**33.8**
Amortisation for the year	**2.4**	**7.9**	**0.1**	**—**	**0.1**	**1.6**	**12.1**
At 31 December 2023	**4.8**	**18.9**	**1.5**	**1.6**	**0.6**	**18.5**	**45.9**
Carrying amounts							
At 1 January 2022	—	6.6	0.3	0.1	0.3	9.2	16.5
At 31 December 2022	80.4	147.2	0.2	0.1	0.2	9.0	237.1
At 31 December 2023	**78.0**	**139.3**	**0.1**	**0.1**	**0.1**	**9.9**	**227.5**

The impairment in 2022 represents the assets being written down to the recoverable value of £0.7 million in relation to the Belgian subsidiary (Note 4).

Included in software additions is £1.6 million (2022: £1.5 million) of own work capitalised.

Group cost of software includes £4.0 million (2022: £2.3 million) in respect of assets in the course of construction.

There is no capital expenditure that has been contracted for, but for which no provision has been made in the Consolidated Financial Statements.

Amortisation charge

The amortisation charge is recognised in the following line items in the Consolidated Income Statement:

	2023 £'m	2022 £'m
Net operating costs (Note 3)	**12.1**	9.1

14 Inventories

	2023 £'m	2022 £'m
Raw materials and consumables	**29.4**	30.1
Finished goods and goods for resale	**95.7**	108.7
	125.1	138.8

Inventories stated at a net realisable value less than cost at 31 December 2023 amounted to £13.4 million (2022: £6.6 million). The write down of inventories made during the year amounted to £4.2 million (2022: £9.4 million). There were £1.4 million of reversals of inventory write downs made in previous years in 2023 (2022: £1.4 million).

15 Trade and other receivables

	2023 £'m	2022 £'m
Trade receivables	**83.6**	103.7
Other receivables	**3.9**	9.8
Prepayments and accrued income	**5.9**	9.8
	93.4	123.3

Ageing of trade receivables

	2023 £'m	2022 £'m
Not past due	**56.7**	57.1
Overdue by less than 30 days	**24.7**	41.0
Overdue by between 30 and 60 days	**2.1**	1.6
Overdue by more than 60 days	**1.1**	5.3
	84.6	105.0

There were no net receivables due after more than one year (2022: £nil). All amounts disclosed above are considered recoverable and are disclosed gross of a provision for expected credit losses of £1.0 million (2022: £1.3 million). This provision has been determined using a lifetime expected credit loss calculation. Assumptions made regarding the recoverability of balances have been determined with reference to past default experiences in line with our policies and understanding. Balances are only written off if deemed irrecoverable after all credit control procedures have been exhausted.

16 Cash and cash equivalents

	2023 £'m	2022 £'m
Cash and cash equivalents	**34.5**	56.3

17 Trade and other payables

	2023 £'m	2022 £'m
Current liabilities		
Trade payables	**59.3**	82.6
Taxation and social security	**10.6**	16.2
Other payables	**20.7**	21.2
Accruals	**36.9**	32.4
	127.5	152.4

All trade payables are due in six months or less.

Included within Accruals is £1.9 million (2022: £1.4 million) in relation to outstanding insurance claim liabilities, and £4.1 million (2022: £0.1 million) in relation to an accrual for redundancy costs.

18 Interest-bearing loans and borrowings

	2023 £'m	2022 £'m
Analysed as:		
Current liabilities	–	–
Non-current liabilities	207.4	247.0
	207.4	247.0

Bank loans

The bank loans are subject to intra-Group guarantees by certain subsidiary undertakings.

19 Lease liabilities

	2023 £'m	2022 £'m
Analysed as:		
Amounts due for settlement within twelve months (shown under current liabilities)	8.0	9.8
Amounts due for settlement after twelve months	36.7	36.1
	44.7	45.9

	2023			2022		
	Minimum lease payments £'m	Interest £'m	Principal £'m	Minimum lease payments £'m	Interest £'m	Principal £'m
Less than 1 year	10.1	2.1	8.0	11.0	1.2	9.8
1 to 2 years	8.4	1.8	6.6	8.2	1.1	7.1
2 to 5 years	16.2	4.1	12.1	14.6	2.4	12.2
In more than 5 years	25.0	7.0	18.0	22.2	5.4	16.8
	59.7	15.0	44.7	56.0	10.1	45.9

As at 31 December 2023, the total minimum lease payments (above) comprised property of £23.1 million (2022: £30.7 million) and plant, machinery and vehicles of £36.6 million (2022: £25.3 million).

Certain leased properties have been sublet by the Group. Sublease payments of £0.1 million (2022: £0.2 million) are expected to be received during the following financial year. An amount of £0.2 million (2022: £0.2 million) was recognised as income in the Consolidated Income Statement within net operating costs in respect of subleases.

The Group does not face a significant liquidity risk with regard to its lease liabilities. For the year ended 31 December 2023, the interest expense on lease liabilities amounted to £2.5 million (2022: £2.4 million). Lease liabilities are calculated at the present value of the lease payments that are not paid at the commencement date.

For the year ended 31 December 2023, the average effective borrowing rate was 4.2 per cent. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The vast majority of lease obligations are denominated in Sterling.

For the year ended 31 December 2023, the total cash outflow in relation to leases amounts to £11.6 million (2022: £13.5 million). The total cash outflow in relation to short-term and low-value leases was £7.1 million (2022: £7.0 million).

20 Financial instruments

The Group holds and uses financial instruments to finance its operations and to manage its interest rate, liquidity and currency risks. The Group primarily finances its operations using share capital, retained profits and borrowings. The Group's bank loans are non-equity funding instruments, further details of which are set out on page 140.

As directed by the Board, the Group does not engage in speculative activities using derivative financial instruments. Group cash reserves are held centrally to take advantage of the most rewarding short-term investment opportunities. Forward foreign currency contracts are used in the management of currency risk.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and pricing risk. The Board reviews and agrees the policies for managing each of these risks and they have remained unchanged since 2022.

Capital management

The Group defines the capital that it manages as its total equity and net debt balances. The Group manages its capital structure in light of current economic conditions and its strategic objectives to ensure that it is able to continue as a going concern whilst maximising the return to stakeholders through the optimisation of debt and equity balances.

The Group manages its medium-term bank debt to ensure continuity of funding and the policy is to arrange funding ahead of requirements and to maintain sufficient undrawn committed facilities. A key objective is to ensure compliance with the covenants set out in the Group's bank facility agreements.

From time to time the Group purchases its own shares on the market; the timing of these purchases depends on market prices. Primarily the shares are intended to be used for issuing shares under the Group's incentive schemes. Buy and sell decisions are made on a specific transaction basis by the Board.

There has been no change in the objectives, policies or processes with regard to capital management during the years ended 31 December 2023 and 31 December 2022.

Financial risks

The Group has exposure to a number of financial risks through the conduct of its operations. Risk management is governed by the Group's operational policies, guidelines and authorisation procedures, which are outlined in the Strategic Report on pages 52 to 61. The key financial risks resulting from financial instruments are liquidity risk, interest rate risk, credit risk, foreign currency risk and pricing risk.

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings. For instance, a weakening of Pound Sterling on the foreign currency market would increase the cost of certain raw materials, whereas a strengthening would have the opposite effect.

(a) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board is responsible for ensuring that the Group has sufficient liquidity to meet its financial liabilities as they fall due and does so by monitoring cash flow forecasts and budgets. Cash resources are largely and normally generated through operations and short-term flexibility is achieved by bank facilities. Bank debt is raised centrally and the Group aims to maintain a balance between flexibility and continuity of funding by having a range of maturities on its borrowings. Details of the Group borrowing facility are provided on page 140.

(b) Interest rate risk

The Group has a single syndicated debt facility comprising a term loan of £210 million (reduced to £180 million in January 2024) and revolving credit facility of £160 million. The Group borrows at floating rates of interest and, where appropriate, uses interest rate swaps and interest rate caps to generate the desired interest rate profile, thereby managing the Group's exposure to interest rate fluctuations.

Approximately two thirds of the reduced £180 million term loan is covered by interest rate swaps and caps of varying maturities up until 2026, which reflects the maturity date of the related loans and medium-term requirements, in accordance with Group policy. The Group classifies its interest rate swaps as cash flow hedges and states them at fair value. The fair value of interest rate swaps is £1.8 million asset (2022: £3.5 million asset) and is recognised within the hedge reserve where effective on an ongoing basis. The period that the swaps cover is matched against the debt maturity in order to fix the impact on the Income Statement. During the year £0.7 million (2022: £3.3 million) has been recognised in Other Comprehensive Income for the year with £0.9 million (2022: £0.3 million) being reclassified from equity to the Income Statement. The interest rate swaps have been fully effective in the period.

Sensitivity analysis

A change of 100 basis points in interest rates at the balance sheet date would have decreased equity and profit by the amounts shown below. The sensitivity analysis has been undertaken before the effect of tax. The sensitivity analysis of the Group's exposure to interest rate risk has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instruments at fair value through profit or loss or available for sale with fixed interest rates and the fixed rate element of interest rate swaps. The analysis was performed on the same basis for 2022.

	2023 £'m	2022 £'m
Increase of 100 basis points	**(0.9)**	(1.1)
Decrease of 100 basis points	**0.9**	1.1

20 Financial instruments continued

Financial risks continued

(c) Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount and, where appropriate, credit insurance cover is obtained. This provides excellent intelligence to minimise the number and value of bad debts and ultimately provides compensation if bad debts are incurred. An ageing of trade receivables is shown in Note 15 on page 136.

Cash and cash equivalents of £34.5 million (2022: £56.3 million) are held with financial institutions that have an A+ credit rating.

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with counterparties with which the Group has a signed netting agreement as well as sound credit ratings. Derivative financial instruments of £1.9 million (2022: £3.6 million) are all held with financial institutions that have an A+ credit rating. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

(d) Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than Sterling. The currencies giving rise to this risk are primarily Euros and US Dollars.

The Group's policy is to cover all significant foreign currency commitments in respect of trade receivables and trade payables by using forward foreign currency contracts. All the forward exchange contracts have maturities of less than one year after the balance sheet date. Where necessary, the forward exchange contracts are rolled over at maturity.

The Group classifies its forward exchange contracts as cash flow hedges and states them at fair value. The fair value of forward exchange contracts is a £nil asset (2022: £0.2 million liability) and is adjusted against the hedging reserve on an ongoing basis. During the year £0.1 million (2022: £0.4 million) has been recognised in other comprehensive income for the year with £nil (2022: £nil) being reclassified from equity to the Income Statement. At 31 December 2023 all outstanding forward exchange contracts had a maturity date within twelve months.

The foreign currency profile of monetary items was:

	2023					2022				
	Sterling £'m	Euro £'m	US Dollar £'m	AED £'m	Total £'m	Sterling £'m	Euro £'m	US Dollar £'m	AED £'m	Total £'m
Cash and cash equivalents	30.2	0.9	3.4	–	34.5	51.2	2.8	2.3	–	56.3
Trade receivables	83.6	–	–	–	83.6	103.0	1.0	(0.2)	(0.1)	103.7
Secured bank loans	(207.4)	–	–	–	(207.4)	(240.1)	(6.9)	–	–	(247.0)
Lease liabilities	(44.7)	–	–	–	(44.7)	(40.4)	(5.5)	–	–	(45.9)
Trade payables	(56.6)	(2.1)	(0.6)	–	(59.3)	(74.6)	(6.8)	(1.2)	–	(82.6)
Derivative financial instruments	1.8	–	0.1	–	1.9	3.8	(0.1)	(0.1)	–	3.6
Balance sheet exposure	(193.1)	(1.2)	2.9	–	(191.4)	(197.1)	(15.5)	0.8	(0.1)	(211.9)

A 10 per cent strengthening and weakening of the following currencies against the Pound Sterling at 31 December 2023 would have increased/(decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis was performed on the same basis for 2022:

	2023 £'m	2022 £'m
10% strengthening of £ against €	0.1	1.4
10% weakening of £ against €	(0.1)	(1.1)
10% strengthening of £ against $	(0.3)	(0.1)
10% weakening of £ against $	0.2	0.1

(e) Pricing risks

Where appropriate the Group uses hedging instruments to mitigate the risks of significant forward price rises of fuel in relation to expected consumption. The current hedges held are in place until 31 August 2024. The Group classifies its fuel hedges as cash flow hedges and states them at fair value. The fair value of the fuel hedges is a £0.1 million asset (2022: £0.3 million asset) and is adjusted against the hedging reserve on an ongoing basis. The period that the fuel hedges cover is matched against future expected purchases in order to fix the impact on the Income Statement. During the year £nil (2022: £2.8 million) has been recognised in other comprehensive income, with £0.2 million (2022: £3.1 million) being reclassified from equity to the Income Statement. The fuel hedges have been fully effective in the period.

When combining interest rate swaps, fuel hedges and forward contracts, this gives a total of £0.6 million debit (2022: £5.7 million credit) recognised in other comprehensive income for the year with £1.1 million debit (2022: £2.8 million debit) being reclassified from equity to the Income Statement.

20 Financial instruments continued

Financial risks continued

(f) Other risks

Further information about the Group's strategic and financial risks is contained in the Strategic Report on pages 52 to 61.

Effective interest rates and maturity of liabilities

At 31 December 2023 there were £44.7 million (2022: £45.9 million) of Group borrowings on a fixed rate. The interest rate profile of the financial liabilities is set out below. The tables also disclose cash and cash equivalents in order to reconcile to net debt (Note 28).

	Fixed or variable rate	Effective interest rate %	Total £'m	6 months or less £'m	6–12 months £'m	1–2 years £'m	2–5 years £'m	More than 5 years £'m
31 December 2023								
Cash and cash equivalents (Note 16)	**Variable**	**6.7**	**(34.5)**	**(34.5)**	**–**	**–**	**–**	**–**
Interest-bearing loans and borrowings (Note 18)	**Variable**	**6.7**	**207.4**	**–**	**–**	**–**	**207.4**	**–**
Lease liabilities (Note 19)	**Fixed**	**4.2**	**44.7**	**3.8**	**4.2**	**6.6**	**12.1**	**18.0**
			217.6	**(30.7)**	**4.2**	**6.6**	**219.5**	**18.0**

	Fixed or variable rate	Effective interest rate %	Total £'m	6 months or less £'m	6–12 months £'m	1–2 years £'m	2–5 years £'m	More than 5 years £'m
31 December 2022								
Cash and cash equivalents (Note 16)	Variable	3.8	(56.3)	(56.3)	–	–	–	–
Interest-bearing loans and borrowings (Note 18)	Variable	3.8	247.0	–	–	–	247.0	–
Lease liabilities (Note 19)	Fixed	3.4	45.9	5.8	4.0	7.1	12.2	16.8
			236.6	(50.5)	4.0	7.1	259.2	16.8

At 31 December the undiscounted outstanding contractual payments (including interest) of financial liabilities were as follows:

	Fixed or variable rate	Carrying value £'m	Total £'m	6 months or less £'m	6–12 months £'m	1–2 years £'m	2–5 years £'m	More than 5 years £'m
31 December 2023								
Interest-bearing loans and borrowings	**Variable**	**207.4**	**254.3**	**7.3**	**7.2**	**14.5**	**225.3**	**–**
Trade and other payables	**Variable**	**116.8**	**116.8**	**116.8**	**–**	**–**	**–**	**–**
Lease liabilities	**Fixed**	**44.7**	**59.7**	**4.9**	**5.2**	**8.4**	**16.2**	**25.0**
Derivative financial assets	**Fixed**	**(1.9)**	**(1.9)**	**0.2**	**(0.1)**	**–**	**(2.0)**	**–**
		367.0	**428.9**	**129.2**	**12.3**	**22.9**	**239.5**	**25.0**

	Fixed or variable rate	Carrying value £'m	Total £'m	6 months or less £'m	6–12 months £'m	1–2 years £'m	2–5 years £'m	More than 5 years £'m
31 December 2022								
Interest-bearing loans and borrowings	Variable	247.0	288.4	6.2	6.2	12.4	263.6	–
Trade and other payables	Variable	136.5	136.5	136.5	–	–	–	–
Lease liabilities	Fixed	45.9	56.0	6.5	4.5	8.2	14.6	22.2
Derivative financial assets	Fixed	(3.6)	(3.6)	–	(0.2)	–	(3.4)	–
		425.8	477.3	149.2	10.5	20.6	274.8	22.2

Borrowing facilities

The total bank borrowing facility at 31 December 2023 amounted to £370.0 million (2022: £370.0 million), of which £160.0 million (2022: £120.1 million) remained unutilised. The undrawn facility available at 31 December 2023, in respect of which all conditions precedent had been met, was as follows:

	2023 £'m	2022 £'m
Committed:		
Expiring in more than 5 years	**–**	–
Expiring in more than 2 years but not more than 5 years	**160.0**	120.1
Expiring in 1 year or less	**–**	–
Uncommitted:	**–**	
Expiring in 1 year or less	**–**	–
	160.0	120.1

£18.4 million of the reduced facility of £340 million matures in April 2026 and the remaining £321.6 million matures one year later in April 2027. The Group's committed bank facilities are charged at variable rates based on SONIA plus a margin. The Group's bank facility continues to be aligned with the current strategy to ensure that headroom against the available facility remains at appropriate levels and are structured to provide committed medium-term debt.

20 Financial instruments continued

Borrowing facilities continued

Marshalls is party to a reverse factoring finance arrangement between a third-party UK bank and one of the Group's key customers. The principal relationship is between the customer and its partner bank. The agreement enables Marshalls to benefit from additional credit against approved invoices and, in practice, this provides a facility of up to £15.0 million which the Group utilises periodically in order to help manage its short-term funding requirements. The credit risk is retained by the customer and Marshalls pays a finance charge upon utilisation. There was no impact on the 2023 Financial Statements as a consequence of these arrangements.

Fair values of financial assets and financial liabilities

A comparison by category of the book values and fair values of the financial assets and liabilities of the Group at 31 December 2023 is shown below:

	2023		2022	
	Book amount £'m	**Fair value £'m**	Book amount £'m	Fair value £'m
Trade and other receivables	**87.5**	**87.5**	113.5	113.5
Cash and cash equivalents	**34.5**	**34.5**	56.3	56.3
Bank loans	**(207.4)**	**(202.2)**	(247.0)	(259.1)
Trade payables, other payables and provisions	**(116.8)**	**(116.8)**	(136.5)	(136.5)
Interest rate swaps, forward contracts and fuel hedges	**1.9**	**1.9**	3.6	3.6
Contingent consideration	**(8.0)**	**(8.0)**	(8.9)	(8.9)
Financial instrument assets and liabilities – net	**(208.3)**		(219.0)	
Non-financial instrument assets and liabilities – net	**849.6**		880.1	
	641.3		661.1	

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table. Other than contingent consideration, which uses a level 3 basis, all use level 2 valuation techniques.

(a) Derivatives

Derivative contracts are either marked to market using listed market prices or by discounting the contractual forward price at the relevant rate and deducting the current spot rate. For interest rate swaps, broker quotes are used.

(b) Interest-bearing loans and borrowings

Fair value is calculated based on the expected future principal and interest cash flows discounted at the market rate of interest at the balance sheet date.

(c) Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.

(d) Contingent consideration

The basis of calculating contingent consideration is set out in Note 22 on page 146.

(e) Fair value hierarchy

The table below analyses financial instruments, measured at fair value, into a fair value hierarchy based on the valuation techniques used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 £'m	Level 2 £'m	Level 3 £'m	Total £'m
31 December 2023				
Derivative financial assets	**–**	**1.9**	**–**	**1.9**
Contingent consideration (Note 22)	**–**	**–**	**(8.0)**	**(8.0)**
	–	**1.9**	**(8.0)**	**(6.1)**
31 December 2022				
Derivative financial assets	–	3.6	–	3.6
Contingent consideration (Note 22)	–	–	(8.8)	(8.8)
	–	3.6	(8.8)	(5.2)

21 Employee benefits

The Company sponsors a funded defined benefit pension scheme in the UK (the "Scheme"). The Scheme is administered within a trust which is legally separate from the Company. The Trustee Board is appointed by both the Company and the Scheme's membership and acts in the interest of the Scheme and all relevant stakeholders, including the members and the Company. The Trustee is also responsible for the investment of the Scheme's assets.

The defined benefit section of the Scheme provides pension and lump sums to members on retirement and to dependants on death. The defined benefit section closed to future accrual of benefits on 30 June 2006 with the active members becoming entitled to a deferred pension. Members no longer pay contributions to the defined benefit section. Company contributions to the defined benefit section after this date are used to fund any deficit in the Scheme and the expenses associated with administering the Scheme, as determined by regular actuarial valuations.

The Trustee is required to use prudent assumptions to value the liabilities and costs of the Scheme whereas the accounting assumptions must be best estimates.

The defined benefit section of the Scheme poses a number of risks to the Company, for example longevity risk, investment risk, interest rate risk, inflation risk and salary risk. The Trustee is aware of these risks and uses various techniques to control them. The Trustee has a number of internal control policies, including a Risk Register, which are in place to manage and monitor the various risks it faces. The Trustee's investment strategy incorporates the use of liability-driven investments ("LDIs") to minimise sensitivity of the actuarial funding position to movements in interest rates and inflation rates.

The defined benefit section of the Scheme is subject to regular actuarial valuations, which are usually carried out every three years. The next actuarial valuation is being carried out with an effective date of 5 April 2024. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins for prudence. This contrasts with these accounting disclosures which are determined using best estimate assumptions. A formal actuarial valuation was carried out as at 5 April 2021. The results of that valuation have been projected to 31 December 2023 by a qualified independent actuary. The figures in the following disclosure were measured using the projected unit method.

The amounts recognised in the Consolidated Balance Sheet were as follows:

	2023 £'m	2022 £'m	2021 £'m
Present value of Scheme liabilities	**(239.4)**	(232.5)	(366.3)
Fair value of Scheme assets	**250.4**	254.9	392.1
Net amount recognised at the year end (before any adjustments for deferred tax)	**11.0**	22.4	25.8

The current and past service costs, settlements and curtailments, together with the net interest expense for the year, are included in the employee benefits expense in the Consolidated Statement of Comprehensive Income. Remeasurements of the net defined benefit surplus are included in other comprehensive income.

	2023 £'m	2022 £'m
Net interest expense before adjusting items	**0.2**	0.2
Adjusting interest expense (Note 4)	**1.4**	—
Net interest expense recognised in the Consolidated Income Statement	**1.6**	0.2
Remeasurements of the net liability:		
Return on Scheme assets (excluding amount included in interest expense)	**1.4**	130.1
Gain arising from changes in financial assumptions	**10.8**	(134.5)
Gain arising from changes in demographic assumptions	**(3.6)**	(0.9)
Experience loss	**1.2**	8.4
Debit recorded in other comprehensive income	**9.8**	3.1
Total defined benefit debit/(credit)	**11.4**	3.3

21 Employee benefits continued

The principal actuarial assumptions used were:

	2023	2022
Liability discount rate	**4.6%**	4.9%
Inflation assumption – RPI	**3.1%**	3.2%
Inflation assumption – CPI	**2.6%**	2.6%
Rate of increase in salaries	**n/a**	n/a
Revaluation of deferred pensions	**2.6%**	2.6%
Increases for pensions in payment:		
CPI pension increases (maximum 5% p.a.)	**2.55%**	2.55%
CPI pension increases (maximum 5% p.a., minimum 3% p.a.)	**3.5%**	3.6%
CPI pension increases (maximum 3% p.a.)	**2.05%**	1.95%
Proportion of employees opting for early retirement	**0%**	0%
Proportion of employees commuting pension for cash	**80%**	80%
Mortality assumption – before retirement	**Same as post-retirement**	Same as post-retirement
Mortality assumption – after retirement (males)	**S2PXA tables**	S2PXA tables
Loading	**110%**	110%
Projection basis	**Year of birth CMI_2022 1.0%**	Year of birth CMI_2021 1.0%
Mortality assumption – after retirement (females)	**S2PXA tables**	S2PXA tables
Loading	**110%**	110%
Projection basis	**Year of birth CMI_2022 1.0%**	Year of birth CMI_2021 1.0%
Future expected lifetime of current pensioner at age 65:		
Male aged 65 at year end	**84.9**	85.3
Female aged 65 at year end	**87.1**	87.5
Future expected lifetime of future pensioner at age 65:		
Male aged 45 at year end	**85.8**	86.3
Female aged 45 at year end	**88.2**	88.7

Changes in the present value of assets over the year

	2023 £'m	2022 £'m
Fair value of assets at the start of the year	**254.9**	392.1
Interest income	**12.4**	7.3
Return on assets (excluding amount included in net interest expense)	**(1.4)**	(130.1)
Benefits paid	**(14.1)**	(13.8)
Administration expenses	**(1.4)**	(0.6)
Fair value of assets at the end of the year	**250.4**	254.9
Actual return on assets over the year	**11.0**	(122.8)

Changes in the present value of liabilities over the year

	2023 £'m	2022 £'m
Liabilities at the start of the year	**232.5**	366.4
Past service cost	**1.4**	—
Interest cost	**11.2**	6.8
Remeasurement:		
Actuarial gains arising from changes in financial assumptions	**10.8**	(134.4)
Actuarial gains arising from changes in demographic assumptions	**(3.6)**	(0.9)
Experience loss	**1.2**	8.4
Benefits paid	**(14.1)**	(13.8)
Liabilities at the end of the year	**239.4**	232.5

21 Employee benefits continued

The split of the Scheme's liabilities by category of membership is as follows:

	2023 £'m	2022 £'m
Deferred pensioners	**105.6**	96.1
Pensioners in payment	**133.8**	136.4
	239.4	232.5
Average duration of the Scheme's liabilities at the end of the year (in years)	**14**	14

The major categories of Scheme assets are as follows:

	2023 £'m	2022 £'m
Return-seeking assets		
UK equities	**0.8**	0.9
Overseas equities	**24.1**	22.5
Other equity type investments	**26.7**	31.1
Total return-seeking assets	**51.6**	54.5
Other		
Insured pensioners	**0.4**	0.4
Cash	**5.7**	3.1
Property	**28.9**	32.8
Liability-driven investments and bonds	**163.8**	164.1
Total matching assets	**198.8**	200.4
Total market value of assets	**250.4**	254.9

The return-seeking assets and LDI assets have quoted prices in active markets. The valuation of the insured pensions has been taken as the value of the corresponding liabilities assessed using the assumptions set out above.

The Scheme has no investments in the Company or in property occupied by the Company.

The Company expects to pay no contributions to the defined benefit section of the Scheme during the year ended 31 December 2024.

Sensitivity of the liability value to changes in the principal assumptions

If the discount rate were 0.5 per cent higher/(lower), the defined benefit section Scheme liabilities would decrease by approximately £15.0 million (increase by £15.0 million) if all the other assumptions remained unchanged.

If the inflation assumption were 0.5 per cent higher/(lower), the Scheme liabilities would increase by £5.7 million (decrease by £5.7 million). In this calculation all assumptions related to the inflation assumption have been appropriately adjusted, that is salary, the deferred pension and pension in payment increases. The other assumptions remain unchanged.

If life expectancies were to increase/(decrease) by one year, the Scheme liabilities would increase by £8.6 million (decrease by £8.6 million) if all the other assumptions remained unchanged.

21 Employee benefits continued

Sensitivity of the liability value to changes in the principal assumptions continued

Management Incentive Plan ("MIP")

Share-based payment awards have been made during the year in accordance with the rules of the MIP. Full details of the performance criteria and the basis of operation of the MIP are set out in the Remuneration Committee Report on pages 88 to 102.

Equity settled awards are settled by physical delivery of shares. The following equity settled awards have been granted:

	Number of instruments	£'m	Plan year
Equity settled awards granted to other employees	21,928	0.2	2019
Equity settled awards granted to Directors of Marshalls plc	135,816	0.9	2021
Equity settled awards granted to other employees	113,691	0.8	2021
Equity settled awards granted to Directors of Marshalls plc	152,493	0.4	2022
Equity settled awards granted to other employees	129,842	0.4	2022
Equity settled awards granted to Directors of Marshalls plc	191,018	0.3	2023
Equity settle awards granted to other employees	221,369	0.8	2023
	966,157	3.8	

Plan years 2019 to 2022 vest at the end of Cycle 3 which is March 2024. Plan year 2023 vests March 2027.

Analysis of closing balance (deferred into shares):

	2023		2022	
	£'m	**Shares**	£'m	Shares
Equity settled awards granted to Directors of Marshalls plc	**2.6**	**479,327**	2.3	508,969
Equity settled awards granted to other employees	**1.2**	**486,830**	3.0	630,260
	3.8	**966,157**	5.3	1,139,229

	2023		2022	
	Value £'m	**Number of options**	Value £'m	Number of options
Outstanding at 1 January	**5.3**	**1,139,229**	6.4	997,919
Granted	**1.1**	**412,387**	1.9	694,397
Change in value of notional shares	**(0.3)**	**(47,345)**	(0.5)	—
Lapsed	**—**	**—**	(0.3)	(42,585)
Element released	**(2.3)**	**(538,114)**	(2.2)	(510,502)
Outstanding at 31 December	**3.8**	**966,157**	5.3	1,139,229

The total expenses recognised for the period arising from share-based payments were as follows:

	2023 £'m	2022 £'m
Awards granted and total expense recognised as employee costs	**2.9**	2.0

Further details in relation to the Directors are set out in the Remuneration Committee Report on pages 88 to 102. Included in the total expense of £2.9 million (2022: £2.0 million) is an amount of £0.6 million (2022: £1.3 million) settled as interim cash payments under the terms of the Scheme and which has been included within wages and salaries in Note 5.

Employee Bonus Share Plan

A Bonus Share Plan was approved by shareholders in May 2015 under which a number of senior management employees were granted performance related bonuses with an element of this bonus being in the form of shares. The bonus performance criteria are the same as those applicable to the MIP awards. The bonus shares take the form of nil-cost options to acquire shares at the end of a three-year vesting period from the date of grant, and vesting is conditional on continued employment at the end of the vesting period. Awards are made to participants following publication of the Group's year-end results. In addition, certain discretionary Share Awards have been granted to certain employees in the form of nil-cost options to acquire Ordinary Shares in Marshalls plc at the end of a three-year period. The total awards outstanding at 31 December 2023 were over 210,832 shares (31 December 2022: 279,431). The total expenses recognised for the year arising from share-based payments were £0.5 million (2022: £0.3 million).

Employee profit sharing scheme

At 31 December 2023 the scheme held 42,245 (2022: 42,287) Ordinary Shares in the Company.

22 Provisions

	Contingent consideration £'m	Other £'m	Total £'m
At 1 January 2022	—	0.9	0.9
On acquisition of subsidiary undertakings	4.9	—	4.9
Increase in the provision in the period (Note 4)	3.9	—	3.9
At 31 December 2022	8.8	0.9	9.7
At 1 January 2023	**8.8**	**0.9**	**9.7**
Payments made	**(3.0)**	**—**	**(3.0)**
Increase in the provision in the period (Note 4)	**1.6**	**—**	**1.6**
Recognised on acquisition of subsidiary	**0.6**	**—**	**0.6**
Release/utilisation of provisions made in the period	**—**	**(0.9)**	**(0.9)**
At 31 December 2023	**8.0**	**—**	**8.0**

	2023 £'m	2022 £'m
Analysed as:		
Current liabilities	**3.0**	3.0
Non-current liabilities	**5.0**	6.7
	8.0	9.7

As part of the acquisition of Marley, there is an obligation to pay the vendors of Viridian Solar Limited deferred consideration which is contingent on the achievement of certain performance targets in the period post-acquisition. These performance periods are annually up to and including 31 December 2024 and will be settled in cash on their payment date on achieving the relevant targets. The range of additional consideration is estimated to be between £nil and £12.0 million. The Group has included £8.0 million (2022: £8.8 million) as a contingent consideration which represents £5.5 million for the fair value at acquisition date and a further charge in the period of £1.6 million (2022: £3.9 million), which has been included in adjusting items (Note 4). Payments of £3.0 million were paid to the Vendors during 2023. Contingent consideration has been calculated based on the Group's expectation of what it will pay in relation to the post-acquisition performance of the acquired entities.

Other provisions comprised of the estimated cost of settlement of certain legal and regulatory matters which have now been released or utilised.

23 Deferred taxation

Recognised deferred taxation assets and liabilities

	Assets		Liabilities	
	2023 £'m	2022 £'m	**2023 £'m**	2022 £'m
Property, plant and equipment	**—**	—	**(23.3)**	(24.6)
Intangible assets	**—**	—	**(56.1)**	(57.5)
Inventories	**—**	0.5	**(0.5)**	—
Employee benefits	**—**	—	**(2.7)**	(5.6)
Equity settled share-based payments	**0.5**	0.4	**—**	—
Other items	**0.6**	0.4	**(2.6)**	(2.9)
Tax assets/(liabilities)	**1.1**	1.3	**(85.2)**	(90.7)

The deferred taxation liability at 31 December 2023 has been calculated at 25 per cent based on the rate at which the deferred tax is expected to unwind in the future using rates enacted at the balance sheet date.

The deferred taxation liability of £2.7 million (2022: £5.6 million) in relation to employee benefits is in respect of the net surplus for the defined benefit obligations of £11.0 million (2022: £22.4 million) (Note 21) calculated at 25 per cent (2022: 25 per cent).

Deferred taxation liabilities represent sums that might become payable as tax in future years as a result of transactions that have occurred in the current year. The explanation as to why such liabilities may arise is included in the notes to the tax reconciliation (Note 7).

The deferred tax liabilities disclosed in the year ended 31 December 2023 include the deferred tax relating to the Group's pension scheme assets. Deferred tax assets on capital losses and overseas trading losses have not been recognised due to uncertainty around the future use of the losses.

23 Deferred taxation continued

Movement in temporary differences

Year ended 31 December 2023

	1 January 2023 £'m	Recognised in income £'m	Prior year adjustment £'m	Recognised in other comprehensive income £'m	Recognised in statement of changes in equity £'m	On acquisition of subsidiary undertaking £'m	**31 December 2023 £'m**
Property, plant and equipment	(24.6)	(0.2)	1.5	–	–	–	**(23.3)**
Intangible assets	(56.8)	2.6	(0.8)	–	–	(1.1)	**(56.1)**
Inventories	(0.2)	–	(0.3)	–	–	–	**(0.5)**
Employee benefits	(5.6)	0.5	–	2.4	–	–	**(2.7)**
Equity settled share-based payments	0.4	0.4	(0.2)	–	(0.1)	–	**0.5**
Other items	(2.6)	(0.6)	0.4	0.8	–	–	**(2.0)**
	(89.4)	2.7	0.6	3.2	(0.1)	(1.1)	**(84.1)**

Year ended 31 December 2022

	1 January 2022 £'m	Recognised in income £'m	Prior year adjustment £'m	Recognised in other comprehensive income £'m	Recognised in statement of changes in equity £'m	On acquisition of subsidiary undertaking £'m	31 December 2022 £'m
Property, plant and equipment	(17.1)	(2.1)	–	–	–	(5.4)	(24.6)
Intangible assets	(1.5)	1.6	–	–	–	(56.9)	(56.8)
Inventories	(0.5)	0.8	–	–	–	(0.5)	(0.2)
Employee benefits	(6.4)	–	–	0.8	–	–	(5.6)
Equity settled share-based payments	1.2	(0.2)	–	–	(0.6)	–	0.4
Other items	(2.2)	0.2	–	(0.7)	–	0.1	(2.6)
	(26.5)	0.3	–	0.1	(0.6)	(62.7)	(89.4)

The deferred tax balances on short-term timing differences are expected to reverse within one to three years.

Based on the current investment programme of the Group and assuming that current rates of capital allowances on fixed asset expenditure continue into the future, there is little prospect of any significant part of the deferred taxation liability of the Company becoming payable over the next three years. It is not realistic to make any projection after a three-year period.

24 Called-up share capital

The authorised, issued and fully paid up Ordinary Share capital was as follows:

	Authorised		Issued and paid up	
Ordinary Shares (25 pence nominal)	**Number**	**Value £'m**	**Number**	**Value £'m**
At 1 January and 31 December 2023	**300,000,000**	**75.0**	**252,968,728**	**63.2**

Share premium account and merger reserve

	Share premium account		Merger reserve	
	2023 £'m	2022 £'m	**2023 £'m**	2022 £'m
At 1 January	**200.0**	24.5	**141.6**	–
Shares issued in relation to the placing and open offer	**–**	180.2	**–**	–
Consideration shares issued	**–**	–	**–**	141.6
Costs associated with the share issue	**–**	(4.7)	**–**	–
At 31 December	**200.0**	200.0	**141.6**	141.6

During the year ended 31 December 2022, 28,824,114 new Ordinary Shares were issued at £6.50 per share in relation to a placing and a placing and open offer. An amount of £180.2 million was credited to the share premium account in relation to the issue of these shares. A further 24,092,457 new Ordinary Shares were issued at £6.80 per share as consideration for the acquisition of Marley Group Limited. An amount of £141.6 million has been credited to a merger reserve in relation to the issue of these shares and reflects the fair value of the shares at the date of the acquisition.

Own shares reserve

Transactions of the Group-sponsored Employee Benefit Trust are included in the Group Financial Statements. The Trust's purchases of shares in the Company are debited directly to equity and disclosed separately in the balance sheet as "own shares". Further details are included on page 104.

Capital redemption reserve

The capital redemption reserve records the nominal value of shares repurchased by the Company.

24 Called-up share capital continued

Consolidation reserve

On 8 July 2004 Marshalls plc was introduced as the new holding company of the Group by way of a court-approved Scheme of Arrangement under Section 425 of the Companies Act 1985. The restructuring was accounted for as a capital reorganisation and accounting principles were applied as if the Company had always been the holding company of the Group. The difference between the aggregate nominal value of the new shares issued by the Company and the called-up share capital, capital redemption reserve and share premium account of Marshalls Group plc (the previous holding company) was transferred to a consolidation reserve.

Hedging reserve

This represents the gains and losses arising on derivatives used for cash flow hedging, principally from the Group's interest rate swaps, energy price contracts and forward exchange contracts.

Dividends

After the balance sheet date, the following dividends were proposed by the Directors. The dividends have not been provided for and there were no income tax consequences.

	2023 £'m	2022 £'m
5.7 pence final dividend (2022: 9.9 pence) per Ordinary Share	**14.4**	25.0

25 Non-controlling interests

	2023 £'m	2022 £'m
At 1 January	**0.8**	1.0
Share of loss for the year	**(0.2)**	(0.3)
Foreign currency transaction differences	**–**	0.1
Sale of subsidiary	**(0.6)**	–
At 31 December	**–**	0.8

26 Acquisition of subsidiary

On 29 April 2022 Marshalls Group Limited acquired 100 per cent of the issued share capital of Marley Group plc, a leader in the manufacture and supply of pitched roofing systems to the UK construction market. Marley Group plc operates within the UK and is registered in England and Wales.

The Group concluded its review of the fair value of assets and liabilities acquired, and final adjustments were made to the provision assessment that was disclosed in the 2022 Annual Report in Note 25 on page 182. These increased the provisions for deferred tax and contingent consideration together with an increase in goodwill of £1.8 million.

27 Disposal of subsidiary

On 13 April 2023, the Group sold its interest in Marshalls NV, its former Belgian subsidiary, for a nominal sum. The sale resulted in a profit on disposal of £0.6 million, which has been accounted for as an adjusting item (Note 4). This business contributed revenue of £21.3 million and a loss before taxation of £1.1 million in 2022. In the period until the disposal on 13 April 2023, the business generated revenue of £5.0 million and a loss before taxation of £0.6 million.

28 Analysis of net debt

	1 January 2022 £'m	Cash flow £'m	Movement in leases £'m	On disposal of subsidiary £'m	Other changes(i) £'m	31 December 2023 £'m
Cash at bank and in hand	56.3	(20.3)	–	(1.4)	(0.1)	**34.5**
Debt due after 1 year	(247.0)	39.8	–	–	(0.2)	**(207.4)**
Lease liabilities	(45.9)	9.6	(13.7)	5.3	–	**(44.7)**
	(236.6)	29.1	(13.7)	3.9	(0.3)	**(217.6)**

(i) Other changes include foreign currency movements on cash and loan balances.

Movement in the net debt is shown net of bank arrangement fees. The amounts above exclude an impact of derivative instruments.

Reconciliation of net cash flow to movement in net debt

	2023 £'m	2022 £'m
Net decrease in cash equivalents	**(20.3)**	(19.3)
Cash outflow from decrease in bank borrowings	**39.8**	86.2
On acquisition of subsidiary undertakings	**–**	(259.5)
On disposal of subsidiary undertakings	**(1.4)**	–
Cash outflow from principle lease repayments	**9.6**	11.1
New leases entered into	**(13.7)**	(14.0)
Lease liability terminated on disposal of subsidiary undertaking	**5.3**	–
Effect of exchange rate fluctuations	**(0.3)**	–
Movement in net debt in the year	**19.0**	(195.5)
Net debt at 1 January	**(236.6)**	(41.1)
Net debt at 31 December	**(217.6)**	(236.6)

29 Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's Consolidated Cash Flow Statement as cash flows from financing activities.

			Non-cash changes		
	1 January 2023 £'m	Financing cash flows* £'m	Disposal of Subsidiary (Note 27) £'m	Other changes** £'m	**31 December 2023 £'m**
Interest-bearing loans and borrowings (Note 18)	(247.0)	39.8	—	(0.2)	**(207.4)**
Lease liabilities (Note 19)	(45.9)	9.6	5.3	(13.7)	**(44.7)**
Total liabilities from financing activities	(292.9)	49.4	5.3	(13.9)	**(252.1)**

			Non-cash changes		
	1 January 2022 £'m	Financing cash flows * £'m	Acquisition of Subsidiary (Note 26) £'m	Other changes ** £'m	31 December 2022 £'m
Interest-bearing loans and borrowings (Note 18)	(41.0)	86.2	(291.9)	(0.3)	(247.0)
Lease liabilities (Note 19)	(41.4)	11.1	(1.6)	(14.0)	(45.9)
Total liabilities from financing activities	(82.4)	97.3	(293.5)	(14.3)	(292.9)

* The cash flows from bank loans, overdrafts and other borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the Consolidated Cash Flow Statement.

** New leases and foreign currency movements.

30 Contingent liabilities

National Westminster Bank plc has issued, on behalf of Marshalls plc, the following irrevocable letters of credit relating to the Group's cap on self-insurance for employer's liability and vehicle insurance:

Beneficiary	Amount	Period	Purpose
M S Amlin Limited	£0.7 million	23 Dec 2011 to 30 Oct 2024	Employer's liability
HDI Global SE — UK	£0.5 million	8 Dec 2020 to 30 Oct 2024	Employer's liability
AIOI Nissay Dowa Insurance UK Limited	£0.6 million	8 Dec 2020 to 30 Oct 2024	Vehicle insurance
Aviva Insurance Limited	£0.4 million	19 Mar 2014 to 30 Oct 2024	Vehicle insurance
M S Amlin Limited	£0.8 million	30 Oct 2016 to 9 Feb 2025	Vehicle insurance

Marshalls plc has provided a statutory Parent Company guarantee to those subsidiaries listed below in order that they are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of S479A of the Act.

	Registered number
Marley Group Limited	13596495
Monty Bidco Limited	12144582
Monty Midco 1 Limited	12144469
Monty Midco 2 Limited	12144529
Monty Topco Limited	12144396
Marshalls Building Products Limited	00113882
Marshalls Properties Limited	04349470
Marshalls EBT Limited	05472428
CPM Group Limited	01005164
PD Edenhall Limited	03635485
Edenhall Holdings Limited	10367730
Edenhall Limited	03326387
Edenhall Concrete Limited	00698870
Edenhall Concrete Products Limited	03495356
Edenhall Building Products Limited	02638967
PD Edenhall Holdings Limited	08911209

31 Related parties

Identity of related parties

The Group has a related party relationship with its Directors.

Transactions with key management personnel

Other than the Directors, there are no senior managers in the Group who are relevant for establishing that Marshalls plc has the appropriate expertise and experience for the management of its business.

The Directors of the Company and their immediate relatives control 0.2489 per cent (2022: 0.2182 per cent) of the voting shares of the Company.

In addition to their salaries and pension allowances, the Group also provides non-cash benefits to Directors. Further details in relation to Directors are disclosed in the Remuneration Committee Report on pages 88 to 102.

32 Post-balance Sheet event

During January 2024 the Group announced a new partnership with Wincanton plc to manage and run some of the Logistics Services across the Marshalls Group. This will result in the entire in-house fleet moving to Wincanton, and up to 300 colleagues transferring under TUPE regulations.

33 Alternative performance measures

The APMs set out by the group are made-up of earnings-based measures and ratio measures with a selection of these measures being stated after adjusting items.

APM	Definition and/or purpose
Adjusted operating profit, adjusted profit before tax, adjusted profit after tax, adjusted earnings per share, adjusted EBITA, adjusted EBITDA and adjusted operating cash flow	The Directors assess the performance of the Group using these measures including when considering dividend payments.
Adjusted return on capital employed	Adjusted return on capital employed is calculated as adjusted EBITA (on annualised basis) divided by shareholders' funds plus net debt at the period end. It is designed to give further information about the returns being generated by the Group as a proportion of capital employed.
Adjusted operating cash flow conversion	Operating cash flow conversion is calculated by dividing adjusted operating cash flow by adjusted EBITDA (both on an annualised basis). Adjusted operating cash flow is calculated by adding back adjusting items paid, net financial expenses paid, and taxation paid. It illustrates the rate of conversion of profitability into cash flow.

Pre-IFRS 16 measures

The Group's banking covenants are assessed on a pre-IFRS 16 basis. In order to provide transparency and clarity regarding how the Group's compliance with banking covenants, the following performance measures and their calculations have been presented:

APM	Definition and purpose
Pre-IFRS16 adjusted EBITDA	Pre-IFRS16 adjusted EBITDA is adjusted EBITDA excluding right-of-use asset depreciation and profit or losses on the sale of property, plant and equipment.
Pre-IFRS16 net debt	Pre-IFRS 16 net debt comprises cash at bank and in hand and bank loans but excludes lease liabilities. It shows the overall net indebtedness of the Group on a pre-IFRS 16 basis.
Pre-IFRS16 net debt leverage	This is calculated by dividing pre-IFRS16 net debt by adjusted pre-IFRS16 EBITDA (on an annualised basis) to provide a measure of leverage.

Like-for-like

A number of the APMs are stated on a like-for-like basis in 2022 to include the relevant information for Marley for the period between 1 January 2022 and 28 April 2022 in order to show the measure as if the business had been owned by the Group for the whole of 2022.

APM	Definition and purpose
Like-for-like revenue growth	Like-for-like revenue growth is revenue growth generated by the Group that includes revenue for acquired businesses and excludes revenue for businesses that have been sold for the corresponding periods in the prior year. This provides users of the financial statements with an understanding about revenue growth that is not impacted by acquisitions or disposals.

Other definitions

APM	Definition and purpose
EBITDA	EBITDA is earnings before interest, taxation, depreciation, and amortisation and provides users with further information about the profitability of the business before financing costs, taxation, and non-cash charges.
EBITA	EBITA is earnings before interest, taxation and amortisation and provides users with further information about the profitability of the business before financing costs, taxation, and amortisation.

33 Alternative performance measures continued

Reconciliations of IFRS reported income statement measures to income statement APMs is set out in the following three tables.
A reconciliation of operating profit to like-for-like pre-IFRS16 adjusted EBITDA is set out below:

	2023 £'m	2022 £'m
Operating profit	41.0	47.9
Adjusting items (Note 4)	29.7	53.2
Adjusted operating profit	70.7	101.1
Amortisation (excluding amortisation of intangible assets arising on acquisitions)	1.7	1.8
Adjusted EBITA	72.4	102.9
Depreciation	31.2	33.1
Adjusted EBITDA	103.6	136.0
Marley pre-acquisition EBITDA	—	18.1
Profit on sale of property, plant and equipment	(1.4)	(1.2)
Right-of-use asset principle payments	(9.6)	(11.1)
Like-for-like pre-IFRS16 adjusted EBITDA	92.6	141.8

	2023 £'m	2022 £'m
Adjusted EBITA	72.4	102.9
Marley pre-acquisition EBITA	—	16.4
Adjusted like-for-like EBITA	72.4	119.3

Disclosures required under IFRS are referred to as on a reported basis. Disclosures referred after adding back adjusting items basis are restated and are used to provide additional information and a more detailed understanding of the Group's results. Certain measures are reported on an annualised basis to show the preceding 12-month period where seasonality can impact on the measure.

Like-for-like revenue growth

	2023 £'m	2022 £'m	Change %
Landscape Products	321.5	381.9	(16)
Building Products	170.1	193.1	(12)
Roofing Products	179.6	196.5	(9)
Like-for-like revenue	671.2	771.5	(13)

The Group sold its Belgian subsidiary on 13 April 2023 and therefore Landscape Products 2022 revenue has been restated to exclude £12.2 million of revenue generated by that subsidiary between 14 April and 31 December 2022. Marley revenue in 2022 has been restated to include £64.3 million of revenue for the pre-acquisition period from 1 January 2022 to 28 April 2022. No adjustments have been to Building Products revenue.

Pre-IFRS 16 net debt and pre-IFRS16 net debt leverage

Net debt comprises cash at bank and in hand, bank loans and leasing liabilities. An analysis of net debt is provided in Note 28. Net debt on a pre-IFRS 16 basis has been disclosed to provide additional information and to align with reporting required for the Group's banking covenants. Pre-IFRS16 net debt leverage is defined as pre-IFRS16 net debt divided by like-for-like adjusted pre-IFRS16 EBITDA. Net debt as reported in Note 28 is reconciled to pre-IFRS 16 net debt and pre-IFRS 16 net debt leverage below:

	2023 £'m	2022 £'m
Net debt	217.6	236.6
IFRS 16 leases	(44.7)	(45.9)
Net debt on a pre-IFRS 16 basis	172.9	190.7
Like-for-like adjusted pre-IFRS16 EBITDA	92.6	141.8
Pre-IFRS16 net debt leverage	1.9	1.4

33 Alternative performance measures continued

Return on capital employed ("ROCE")

ROCE is defined as adjusted EBITA divided by shareholders' funds plus net debt.

	2023 £'m	2022 £'m
Like-for-like adjusted EBITA	**72.4**	119.3
Shareholders' funds	**641.3**	661.1
Net debt	**217.6**	236.6
Capital employed	**858.9**	897.7
ROCE	**8.4%**	13.3%

Adjusted operating cash flow conversion

Adjusted operating cash flow conversion is the ratio of adjusted operating cash flow to adjusted EBITDA (on an annualised basis) and is calculated as set out below:

	2023 £'m	2022 £'m
Net cash flow from operating activities	**77.7**	85.3
Adjusting items paid	**5.5**	17.4
Net financial expenses paid	**16.5**	9.9
Taxation paid	**10.4**	11.6
Adjusted operating cash flow	**110.1**	124.2
Adjusted EBITDA	**103.6**	136.0
Operating cash flow conversion	**106%**	91%

Company Balance Sheet
at 31 December 2023

	Notes	2023 £'m	2022 £'m
Non-current assets			
Investments	37	**355.0**	353.7
Deferred taxation assets	38	**0.2**	0.2
Loans to Group undertakings	39	**395.7**	407.5
		750.9	761.4
Net current assets		**–**	–
Total assets		**750.9**	761.4
Current liabilities			
Trade and other payables	40	**(4.8)**	(0.5)
Net current liabilities		**(4.8)**	(0.5)
Net assets		**746.1**	760.9
Capital and reserves			
Called-up share capital	41	**63.2**	63.2
Share premium account	41	**200.0**	200.0
Merger reserve	41	**141.6**	141.6
Own shares		**(1.5)**	(1.3)
Capital redemption reserve		**75.4**	75.4
Equity reserve		**16.4**	15.1
Retained earnings		**251.0**	266.9
Equity shareholders' funds		**746.1**	760.9

The Company reported a profit for the financial year ended 31 December 2023 of £14.3 million (2022: profit of £137.8 million).

The Financial Statements of Marshalls plc (registered number 05100353) were approved by the Board of Directors and authorised for issue on 18 March 2024. They were signed on its behalf by:

Matt Pullen
Chief Executive

Justin Lockwood
Chief Financial Officer

The Notes on pages 155 to 160 form part of these Company Financial Statements.

Company Statement of Changes in Equity
for the year ended 31 December 2023

	Share capital £'m	Share premium account £'m	Merger reserve £'m	Own shares £'m	Capital redemption reserve £'m	Equity reserve £'m	Retained earnings £'m	Total equity £'m
Current year								
At 1 January 2023	**63.2**	**200.0**	**141.6**	**(1.3)**	**75.4**	**15.1**	**266.9**	**760.9**
Total comprehensive income for the year								
Profit for the financial year	**–**	**–**	**–**	**–**	**–**	**–**	**14.3**	**14.3**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**14.3**	**14.3**
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Share-based payments	**–**	**–**	**–**	**–**	**–**	**1.3**	**1.5**	**2.8**
Deferred tax on share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Dividends to equity shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**(31.6)**	**(31.6)**
Purchase of own shares	**–**	**–**	**–**	**(0.3)**	**–**	**–**	**–**	**(0.3)**
Own shares issued under share schemes	**–**	**–**	**–**	**0.1**	**–**	**–**	**(0.1)**	**–**
Total contributions by and distributions to owners	**–**	**–**	**–**	**(0.2)**	**–**	**1.3**	**(30.2)**	**(29.1)**
Total transactions with owners of the Company	**–**	**–**	**–**	**(0.2)**	**–**	**1.3**	**(15.9)**	**(14.8)**
At 31 December 2023	**63.2**	**200.0**	**141.6**	**(1.5)**	**75.4**	**16.4**	**251.0**	**746.1**

There were no items of other comprehensive income in the year other than the profit for the financial year recorded above.

	Share capital £'m	Share premium account £'m	Merger reserve £'m	Own shares £'m	Capital redemption reserve £'m	Equity reserve £'m	Retained earnings £'m	Total equity £'m
Current year								
At 1 January 2022	50.0	24.5	–	(0.6)	75.4	14.6	167.6	331.5
Total comprehensive income for the year								
Profit for the financial year	–	–	–	–	–	–	137.8	137.8
Total comprehensive income for the year	–	–	–	–	–	–	137.8	137.8
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Shares issued	13.2	180.2	141.6	–	–	–	–	335.0
Share issue costs	–	(4.7)	–	–	–	–	–	(4.7)
Share-based payments	–	–	–	–	–	0.7	0.6	1.3
Deferred tax on share-based payments	–	–	–	–	–	(0.2)	–	(0.2)
Dividends to equity shareholders	–	–	–	–	–	–	(38.7)	(38.7)
Purchase of own shares	–	–	–	(1.1)	–	–	–	(1.1)
Own shares issued under share schemes	–	–	–	0.4	–	–	(0.4)	–
Total contributions by and distributions to owners	13.2	175.5	141.6	(0.7)	–	0.5	(38.5)	291.6
Total transactions with owners of the Company	13.2	175.5	141.6	(0.7)	–	0.5	99.3	429.4
At 31 December 2022	63.2	200.0	141.6	(1.3)	75.4	15.1	266.9	760.9

There were no items of other comprehensive expense in the year other than the loss for the financial year recorded above.

34 Accounting policies

The following paragraphs summarise the main accounting policies of the Company, which have been applied consistently in dealing with items which are considered material in relation to the Company's Financial Statements.

Authorisation of Financial Statements and Statement of Compliance with FRS 101

The Parent Company Financial Statements of Marshalls plc for the year ended 31 December 2023 were authorised for issue by the Board of Directors on 18 March 2024. Marshalls plc is a public limited company that is incorporated and domiciled and has its registered office in England and Wales. The Company's Ordinary Shares are publicly traded on the London Stock Exchange and the Company is not under the control of any single shareholder.

These Financial Statements were prepared in accordance with the historical cost basis of accounting and Financial Reporting Standard 101 *"Reduced Disclosure Framework"* ("FRS 101").

No profit and loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006.

Basis of preparation

The Company has adopted FRS 101 from the UK Generally Accepted Accounting Practice for all periods presented.

The accounting policies which follow set out those policies which apply in preparing the Financial Statements for the year ended 31 December 2023.

The Company meets the definition of a qualifying entity under FRS 100, application of financial reporting requirements issued by the FRC.

In these Financial Statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- the requirements of paragraphs 45(b) and 46 – 52 of IFRS 2 *"Share-based Payments"*;
- the requirements of IFRS 7 *"Financial Instruments: Disclosures"*;
- the requirements of paragraphs 91 – 99 of IFRS 13 *"Fair Value Measurement"*;
- the requirement in paragraph 38 of IAS 1 *"Presentation of Financial Statements"* to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 39(c), 40A, 40B, 40C, 40D, 111 and 134 – 136 of IAS 1 *"Presentation of Financial Statements"*;
- the requirements of IAS 7 *"Statement of Cash Flows"*;
- the requirements of paragraphs 30 and 31 of IAS 8 *"Accounting Policies, Changes in Accounting Estimates and Errors"*;
- the requirements of paragraph 17 of IAS 24 *"Related Party Disclosures"*;
- the requirements in IAS 24 *"Related Party Disclosures"* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d) – 134(f) and 135(c) – 135(e) of IAS 36 *"Impairment of Assets"*.

The Company also intends to take advantage of these exemptions in the Financial Statements to be issued in the following year. Objections may be served on the Company by shareholders holding in aggregate 5 per cent or more of the total allocated shares in the Company. Where required, additional disclosures are given in the Consolidated Financial Statements.

Investments

Fixed asset investments in subsidiaries and associates are shown at cost less provision for impairment. The Directors consider annually whether a provision against the value of investments on an individual basis is required.

Share capital

(i) Share capital

Share capital is classified as equity if it is non-redeemable and any dividends are discretionary, or if it is redeemable but only at the Company's option. Dividends on share capital classified as equity are recognised as distributions within equity. Non-equity share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary. Dividends thereon are recognised in the profit and loss account as a financial expense.

(ii) Dividends

Dividends on non-equity shares are recognised as a liability and accounted for on an accruals basis. Equity dividends are recognised as a liability in the period in which they are declared (appropriately authorised and no longer at the discretion of the Company).

Pension schemes

(i) Defined benefit scheme

The Company participates in a Group-wide pension scheme providing benefits based on final pensionable pay. The defined benefit section of the Scheme was closed to future service accrual in July 2006.

The assets of the Scheme are held separately from those of the Company. The defined benefit cost and contributions payable are borne by Marshalls Group Limited and, therefore, the defined benefit surplus or deficit is recorded in Marshalls Group Limited. Full details are provided in Note 21 on pages 142 to 144.

(ii) Defined contribution scheme

Obligations for contributions to defined contribution schemes are recognised as an expense as incurred.

34 Accounting policies continued

Share-based payment transactions

The Company enters into equity settled share-based payment transactions with its employees. In particular, annual awards are made to employees under the Company's MIP and the Employee Bonus Share Plan ("BSP").

Recognition/policy is in line with the Group policy which is set out on page 122 of the consolidated accounts.

Own shares held by the Employee Benefit Trust

Transactions of the Company-sponsored Employee Benefit Trust are included in the Group Financial Statements. In particular, the Trust's purchases of shares in the Company are debited directly to equity and disclosed separately in the balance sheet as "own shares".

Trade and other payables

Trade and other payables are stated at nominal amount (discounted if material).

Income tax

Income tax on the profit or loss for the year, current tax, deferred taxation, deferred taxation assets and additional income taxes are recognised is in line with the Group policy which is set out on page 123 of the consolidated accounts.

Accounting estimates and judgements

The preparation of the Financial Statements requires management to make judgements, estimates and assumptions. Although these judgements and estimates are based on management's best knowledge, actual results ultimately may differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying value of assets and liabilities within the next financial year are disclosed below.

The carrying value of investments is reviewed on an annual basis. This review requires the use of cash flow projections based on a financial forecast that is discounted at an appropriate market based discount rate. The assumption on the market based discount rate is determined based on the advice of a third party adviser.

35 Operating costs

The audit fee for the Company was £0.1 million (2022: £0.1 million). This is in respect of the audit of the Financial Statements. Fees paid to the Company's auditor for services other than the statutory audit of the Company are not disclosed in the Notes to the Company Financial Statements since the consolidated accounts of the Group are required to disclose non-audit fees on a consolidated basis.

Details of Directors' remuneration, share options, LTIPs and Directors' pension entitlements are disclosed on pages 88 to 102 of the Remuneration Committee Report.

The average monthly number of employees of Marshalls plc (including Executive Directors) in the year ended 31 December 2023 was 200 (2022: 203). The personnel costs for the majority of these employees are borne by Marshalls Group Limited. The personnel costs charged to Marshalls plc in the year were £4.5 million (2022: £3.9 million) in relation to 21 employees (2022: 21), including the Directors.

36 Ordinary dividends: equity shares

	2023		2022	
	Pence per share	£'m	Pence per share	£'m
2023 interim: paid 1 December 2023	**2.6**	**6.6**	5.7	14.4
2022 final: paid 1 July 2023	**9.9**	**25.0**	9.6	24.3
	12.5	**31.6**	15.3	38.7

After the balance sheet date the following dividends were proposed by the Directors. The dividends have not been provided and there were no income tax consequences.

	2023 £'m	2022 £'m
2023 final: 5.7 pence (2022: 9.9 pence) per Ordinary Share	**14.4**	25.0

37 Investments

	£'m
At 1 January 2023	353.7
Additions	1.3
At 31 December 2023	**355.0**

Investments comprise shares in the subsidiary undertaking, Marshalls Group Limited. The Directors have considered the carrying value of the Company's investments and are satisfied that no provision is required.

The increase in the year of £1.3 million represents adjustments to the number of shares expected to vest in respect of share-based payment awards granted to employees of Marshalls Group Limited.

Pursuant to Sections 409 and 410(2) of the Companies Act 2006, the subsidiary undertakings of Marshalls plc at 31 December 2023 are set out below.

Subsidiaries	Principal activities	Class of share	% ownership
Acraman (418) Limited	Non-trading	Ordinary/ preference	100
Alton Glasshouses Limited	Non-trading	Ordinary	100
Bollards Direct Limited	Non-trading	Ordinary	100
Capability Brown Garden Centres Limited	Non-trading	Ordinary	100
Capability Brown Landscaping Limited	Non-trading	Ordinary	100
Classical Flagstones Limited	Non-trading	Ordinary	100
CPM Group Limited** (01005164)	Non-trading	Ordinary	100
Dalestone Concrete Products Limited	Non-trading	Ordinary	100
Edenhall Limited** (03326387)	Non-trading	Ordinary	100
Edenhall Building Products Limited** (02638967)	Non-trading	Ordinary	100
Edenhall Concrete Limited** (00698870)	Non-trading	Ordinary	100
Edenhall Concrete Products Limited** (03495356)	Non-trading	Ordinary	100
Edenhall Holdings Limited** (10367730)	Non-trading	Ordinary/ preference	100
Edenhall Technologies Limited	Non-trading	Ordinary	100
Locharbriggs Sandstone Limited	Non-trading	Ordinary	100
Lloyds Quarries Limited	Non-trading	Ordinary	100
Marley Limited	Manufacturer of roofing products and solutions	Ordinary	100
Marley Group Limited** (13596495)	Non-trading	Ordinary	100
Marshalls Building Materials Limited	Non-trading	Ordinary	100
Marshalls Building Products Limited** (00113882)	Property management	Ordinary	100
Marshalls Concrete Products Limited	Non-trading	Ordinary	100
Marshalls Directors Limited	Non-trading	Ordinary	100
Marshalls Dormant No. 30 Limited	Non-trading	Ordinary	100
Marshalls Dormant No. 31 Limited	Non-trading	Ordinary	100
Marshalls Dormant No. 32 Limited	Non-trading	Ordinary	100
Marshalls EBT Limited*/** (05472428)	Non-trading	Ordinary	100
Marshalls Estates Limited	Non-trading	Ordinary	100
Marshalls Group Limited*	Intermediate holding company	Ordinary	100
Marshalls Landscape Products Limited	Non-trading	Ordinary	100
Marshalls Landscape Products (North America) Inc.	Landscape Products supplier	Ordinary	100
Marshalls Mono Limited	Landscape Products manufacturer and supplier and quarry owner supplying a wide variety of paving, street furniture and natural stone products	Ordinary	100
Marshalls Natural Stone Limited	Non-trading	Ordinary	100
Marshalls Profit Sharing Scheme Limited	Non-trading	Ordinary	100
Marshalls Properties Limited** (04349470)	Property management	Ordinary	100
Marshalls Register Limited	Non-trading	Ordinary	100
Marshalls Stone Products Limited	Non-trading	Ordinary	100
Marshalls Street Furniture Limited	Non-trading	Ordinary	100
Monty Bidco Limited** (12144582)	Non-trading	Ordinary	100
Monty Midco 1 Limited** (12144469)	Non-trading	Ordinary	100
Monty Midco 2 Limited** (12144529)	Non-trading	Ordinary	100
Monty Topco Limited** (12144396)	Non-trading	Ordinary	100
Ollerton Limited	Non-trading	Ordinary	100
Panablok (UK) Limited	Non-trading	Ordinary	100
Paver Systems (Carluke) Limited	Non-trading	Ordinary	100
Paver Systems Limited	Non-trading	Ordinary	100

37 Investments continued

Subsidiaries	Principal activities	Class of share	% ownership
PD Edenhall Limited** (03635485)	Non-trading	Ordinary	100
PD Edenhall Holdings Limited** (08911209)	Non-trading	Ordinary	100
Premier Mortars Limited	Non-trading	Ordinary	100
Quarryfill Limited	Non-trading	Ordinary	100
Rhino Protec Limited	Non-trading	Ordinary	100
Robinson Associates Stone Consultants Limited	Non-trading	Ordinary	100
Robinsons Greenhouses Limited	Non-trading	Ordinary	100
Rockrite Limited	Non-trading	Ordinary	100
S Marshall & Sons Limited	Non-trading	Ordinary	100
Scenic Blue Limited	Non-trading	Ordinary	100
Scenic Blue Landscape Franchise Limited	Non-trading	Ordinary	100
Scenic Blue (UK) Limited	Non-trading	Ordinary	100
Stancliffe Stone Company Limited	Non-trading	Ordinary	100
Stone Shippers Limited	Non-trading	Ordinary	100
Stonemarket (Concrete) Limited	Non-trading	Ordinary	100
Stonemarket Limited	Non-trading	Ordinary	100
The Great British Bollard Company Limited	Non-trading	Ordinary	100
The Stancliffe Group Limited	Non-trading	Ordinary	100
The Yorkshire Brick Co. Limited	Non-trading	Ordinary	100
Town & Country Paving Limited	Non-trading	Ordinary	100
Urban Engineering Limited	Non-trading	Ordinary	100
Viridian Solar Limited	Manufacturer of roof integrated solar products	Ordinary	100
Viridian Solar BV	Manufacturer of roof integrated solar products	Ordinary	100
Woodhouse Group Limited	Non-trading	Ordinary	100
Woodhouse UK Limited	Non-trading	Ordinary	100
Xiamen Marshalls Import Export Company Limited	Sourcing and distribution of natural stone products	Ordinary	100

* Held by Marshalls plc. All others held by subsidiary undertakings.

** These subsidiaries are exempt from the requirement of the Companies Act 2006 relating to the audit of individual accounts by virtue of S479A of the Act. Marshalls plc has provided a statutory Parent Company guarantee in relation to these subsidiaries. In each case the registered number is disclosed.

All the other companies excluding the ones below operate within the United Kingdom and are registered in England and Wales at the following address: Landscape House, Premier Way, Lowfields Business Park, Elland HX5 9HT. Viridian Solar BV is registered in the Netherlands, Xiamen Marshalls Import Export Company Limited is registered in China and Marshalls Landscape Products (North America) Inc. is registered in the USA. Paver Systems Limited, Paver Systems (Carluke) Limited and Locharbriggs Sandstone Limited are registered in Scotland. The respective registered offices are:

Paver Systems Limited and Paver Systems (Carluke) Limited
Roadmeetings, Carluke, Lanarkshire ML8 4QG

Locharbriggs Sandstone Limited
Locharbriggs, Dumfries, Dumfriesshire DG1 1QS

Marshalls Landscape Products (North America) Inc.
1209 Orange Street, Wilmington, County of New Castle, Delaware 19801, USA

Viridian Solar BV
Van Bylandtachterstraat 24, unit 6 5046 MB Tilburg, The Netherlands

Xiamen Marshalls Import Export Company Limited
12 A4, Xiangyu Building, No. 22, 4th Xiangxing Road,
Xiangyu Free Trade Zone, Xiamen, China

38 Deferred taxation

Recognised deferred taxation assets and liabilities

	Assets		Liabilities	
	2023 £'m	2022 £'m	**2023 £'m**	2022 £'m
Equity settled share-based payments	**0.2**	0.2	**–**	–

Movement in temporary differences

	1 January 2023 £'m	Recognised in income £'m	Recognised in statement of changes in equity £'m	**31 December 2023 £'m**
Equity settled share-based payments	**0.2**	**–**	**–**	**0.2**

	1 January 2022 £'m	Recognised in income £'m	Recognised in statement of changes equity £'m	31 December 2022 £'m
Equity settled share-based payments	0.7	(0.3)	(0.2)	0.2

39 Loans to Group undertakings

	2023 £'m	2022 £'m
Amounts owed from subsidiary undertakings	**395.7**	407.5

An on-demand facility is in place between Marshalls plc and Marshalls Group Limited. The loan is unsecured and, together with accrued interest and any other amounts accrued, is repayable in full on demand. Interest is accrued on a daily basis on the outstanding balance at a rate equivalent to SONIA plus 1.65 per cent. The loan, however, is expected to be recovered after more than one year and has been reported as a non-current asset. There are no expected credit losses associated with these amounts.

40 Creditors

	2023 £'m	2022 £'m
Corporation tax	**4.8**	0.5

No creditors were due after more than one year.

41 Capital and reserves

Called-up share capital

The authorised, issued and fully paid up Ordinary Share capital was as follows:

	Authorised		Issued and paid up	
Ordinary Shares (25 pence nominal)	**Number**	Value £'m	**Number**	Value £'m
At 1 January and 31 December 2023	**300,000,000**	75.0	**252,968,728**	63.2

Share premium account and merger reserve

	Share premium account		Merger reserve	
	2023 £'m	2022 £'m	**2023 £'m**	2022 £'m
At 1 January	**200.0**	24.5	**141.6**	–
Shares issued in relation to the placing and open offer	**–**	180.2	**–**	–
Consideration shares issued	**–**	–	**–**	141.6
Costs associated with the share issue	**–**	(4.7)	**–**	–
At 31 December	**200.0**	200.0	**141.6**	141.6

During the year ended 31 December 2022, 28,824,114 new Ordinary Shares were issued at £6.50 per share. An amount of £180.2 million has been credited to the share premium account in relation to the issue of these shares. A further 24,092,457 new Ordinary Shares were issued at £6.80 per share as consideration for the acquisition of Marley Group Limited. An amount of £141.6 million has been credited to a merger reserve in relation to the issue of these shares and reflects the fair value of the shares at the date of the acquisition.

41 Capital and reserves continued

Own shares reserve

Transactions of the Group-sponsored Employee Benefit Trust are included in the Group Financial Statements. The Trust's purchases of shares in the Company are debited directly to equity and disclosed separately in the balance sheet as "own shares". Further details are included on page 104.

Capital redemption reserve

The capital redemption reserve records the nominal value of shares repurchased by the Company.

Distributable reserves

The Company's distributable reserves amount to £251.0 million (2022: £266.9 million) at the end of the period.

Equity reserve

The equity reserve represents the number of shares expected to vest in respect of share-based payment awards granted to employees of the Company.

Retained earnings

The retained earnings were £251 million at the end of the period.

42 Capital and leasing commitments

The Company had no capital or leasing commitments at 31 December 2023 or 31 December 2022.

43 Bank facilities

The Group's banking arrangements are in respect of Marshalls plc, Marshalls Group Limited, Marshalls Mono Limited, Marley Limited and Viridian Solar Limited with each company being nominated borrowers. The operational banking activities of the Group are undertaken by Marshalls Group Limited and the Group's bank debt is largely included in Marshalls Group Limited's balance sheet.

44 Contingent liabilities

National Westminster Bank plc has issued, on behalf of Marshalls plc, the following irrevocable letters of credit relating to the Group's cap on self-insurance for employer's liability and vehicle insurance:

Beneficiary	Amount	Period	Purpose
M S Amlin Limited	£0.7 million	23 Dec 2012 to 30 Oct 2024	Employer's liability
HDI Global SE — UK	£0.5 million	8 Dec 2021 to 30 Oct 2024	Employer's liability
AIOI Nissay Dowa Insurance UK Limited	£0.6 million	8 Dec 2021 to 30 Oct 2024	Vehicle insurance
Aviva Insurance Limited	£0.4 million	19 Mar 2015 to 30 Oct 2024	Vehicle insurance
M S Amlin Limited	£0.8 million	30 Oct 2017 to 9 Feb 2025	Vehicle insurance

45 Pension scheme

The Company is the sponsoring employer of the Marshalls plc pension scheme (the "Scheme") which is primarily a closed defined benefit scheme with a small defined contribution element (mainly AVCs). The assets of the Scheme are held in separately managed funds which are independent of the Group's finances.

Full details of the Scheme are provided in Note 21. The Company is unable to identify its share of the Scheme assets and liabilities on a consistent and reasonable basis.

The latest funding valuation of the defined benefit section of the Scheme was carried out as at 5 April 2021 and was updated for the purposes of the 31 December 2023 Financial Statements by a qualified independent actuary.

46 Related parties

Related party relationships exist with other members of the Group. All operating costs are borne by Marshalls Group Limited and are recharged to Marshalls plc in respect of specifically attributable costs. All related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

	Year ended 31 December 2019 £'m	Year ended 31 December 2020 £'m	Year ended 31 December 2021 £'m	Year ended 31 December 2022 £'m	**Year ended 31 December 2023 £'m**
Consolidated Income Statement					
Revenue	541.8	469.5	589.3	719.4	**671.2**
Net operating costs (after adding back adjusting items)	(466.9)	(441.1)	(511.9)	(618.3)	**(600.5)**
Adjusted operating profit	74.9	28.4	77.4	101.1	**70.7**
Adjusting items	(1.2)	(19.0)	(1.2)	(53.2)	**(29.7)**
Operating profit	73.7	9.4	76.2	47.9	**41.0**
Financial income and expenses (net)	(3.8)	(4.7)	(6.9)	(10.7)	**(18.8)**
Adjusted profit before tax	71.1	23.7	73.3	90.4	**53.3**
Profit before tax	69.8	4.7	69.3	37.2	**22.2**
Income tax expense	(11.9)	(2.1)	(14.4)	(10.7)	**(3.8)**
Profit for the financial year	57.9	2.6	54.9	26.5	**18.4**
Profit for the year attributable to:					
Equity shareholders of the Parent	58.2	2.4	54.8	26.8	**18.6**
Non-controlling interests	(0.3)	0.2	0.1	(0.3)	**(0.2)**
	57.9	2.6	54.9	26.5	**18.4**
EBITA*	76.1	12.1	79.4	57.1	**53.1**
Adjusted EBITA**	76.1	29.9	79.3	102.9	**72.4**
EBITDA*	103.9	45.3	107.1	90.2	**84.3**
Adjusted EBITDA**	103.9	57.6	107.1	136.0	**103.6**
Basic earnings per share (pence)	29.4	1.2	27.5	11.4	**7.4**
Adjusted basic earnings per share**	30.0	9.2	29.2	31.3	**16.7**
Dividends per share (pence)	4.7	4.3	14.3	15.6	**8.3**
Year-end share price (pence)	860.0	748.5	699.5	273.2	**279.4**
Tax rate (%)	17.1	45.0	20.8	28.7	**17.1**

	2019 £'m	2020 £'m	2021 £'m	2022 £'m	**2023 £'m**
Consolidated Balance Sheet					
Non-current assets	350.0	324.4	332.7	886.9	**855.1**
Current assets	212.5	290.0	263.2	322.0	**259.0**
Total assets	562.5	614.4	595.9	1,208.9	**1,114.1**
Current liabilities	(162.3)	(157.2)	(150.6)	(167.3)	**(138.5)**
Non-current liabilities	(104.4)	(169.4)	(101.0)	(380.5)	**(334.3)**
Net assets	295.8	287.8	344.3	661.1	**641.3**
Net borrowings	(60.0)	(75.6)	(41.1)	(236.6)	**(217.6)**
Net borrowings (pre-IFRS 16)	(10.0)	(26.9)	—	(190.7)	**(172.9)**
Gearing ratio	20.3%	26.3%	11.9%	35.8%	**33.9%**

* EBITA is defined as earnings before interest, tax and amortisation of intangibles. EBITDA is defined as earnings before interest, tax, amortisation of intangibles and depreciation.

** After adding back adjusting items.

ABI
Barbour ABI – a provider of construction intelligence data

APM
Adjusted performance measure

BEIS
Business, Energy & Industry Strategy

BES 6001
BRE accreditation for responsible sourcing

BRE
Independent organisation offering expertise in the built environment sector

CCO
Corporate Criminal Offence – legislation which can hold companies accountable for tax fraud

CDP
Carbon Disclosure Project

Circular economy
Production model recycling and reusing as much as possible

CO_2, CO_2e and greenhouse gas emissions
Carbon dioxide emissions. Carbon dioxide (CO_2) is the primary greenhouse gas emitted through human activities.

While CO_2 emissions come from a variety of natural sources, human related emissions are responsible for the increase that has occurred in the atmosphere since the Industrial Revolution.

"Carbon dioxide equivalent" or "CO_2e" is a term for describing different greenhouse gases in a common unit. For any quantity and type of greenhouse gas, CO_2e signifies the amount of CO_2 which would have the equivalent global warming impact.

Carbon sequestration
Carbon sequestration is the long-term removal, capture or sequestration of CO_2 from the atmosphere to slow or reverse atmospheric CO_2 pollution and to mitigate or reverse climate change. Carbon dioxide is captured from the atmosphere through biological, chemical and physical processes. Concrete building products naturally absorb CO_2. Calculations show that concrete absorbs roughly 30 per cent of the amount of CO_2 that cement production emits over its life.

CPA
Construction Products Association

D365
Microsoft cloud ERP software system

DERI
Diversity, Equity, Respect and Inclusion

EDI
Electronic Data Interchange

eNPS
Employee Net Promoter Score – how likely employees are to recommend an organisation as a good place to work

EPDs
Environmental Product Declarations

ERP system
Enterprise Resource Planning software system

ESOS
Energy Savings Opportunity Scheme

ETI
Ethical Trading Initiative

EVG
Employee Voice Group

FSC certified
Forest Stewardship Council certified from responsibly managed forests

FTSE4Good
An index of companies scoring highly in corporate social responsibility measures

GDPR
General Data Protection Regulation

GfK
Company providing data and analytics on consumer goods

GHG
Greenhouse gases

ILO
International Labour Organization

ISO
International Organization for Standardization

LDI asset portfolio
Liability Driven Investment asset portfolio – investment needed to fund future liabilities

Marshalls NOW
An internal news, employee benefits and wellbeing platform

MHFAs
Mental Health First Aiders

MIP
Management Incentive Plan

Mitigation vs adaptation
The difference between climate change mitigation strategies and climate change adaptation is that mitigation is aimed at tackling the causes and minimising the possible impacts of climate change. Adaptation looks at how to reduce the negative effects it has and how to take advantage of any opportunities that arise.

Net zero
A net zero company will set and pursue a 1.5°C aligned science-based target for its full value chain emissions. Any remaining hard-to-decarbonise emissions must be compensated using certified greenhouse gas removal.

NGO
Non-Governmental Organisation

NHBC
National House Building Council

OGSM
Objectives, Goals, Strategies and Measures

PAS 2050
PAS 2050 is the first consensus-based and internationally applicable standard on product carbon footprinting that has been used as the basis for the development of other standards internationally. From creation to disposal; throughout the lifecycle. The term is used in a number of business contexts, but most typically in a company's responsibility for dealing with hazardous waste and product performance.

Product carbon footprints
A lifecycle product carbon footprint measures the total greenhouse gas emissions generated by a product, from extraction of raw materials, to end of life. It is measured in carbon dioxide equivalent (CO_2e). Product carbon footprints should be associated with a scope or boundary, the most common being:

Cradle to gate: This measures the total greenhouse gas emissions from the extraction of raw materials through to product manufacture up to the factory gate.

Cradle to grave: This measures the total greenhouse gas emissions from the extraction of raw materials through to the product's manufacture, distribution, use and eventual disposal.

QR technologies
Quick Response technology, a type of barcode

RIDDOR
Reporting of Injuries, Diseases and Dangerous Occurrences Regulations

Risk Register
A document used to table risks and responses to those risks

RM&I
Repair, Maintenance & Improvement

SASB
Sustainability Accounting Standards Board

Science-based targets
Science-based targets are a set of goals developed by a business to provide it with a clear route to reduce greenhouse gas emissions. An emissions reduction target is defined as "science-based" if it is developed in line with the scale of reductions that are required to keep global warming below 1.5°C from pre-industrial levels.

Science Based Targets initiative ("SBTi")
The Science Based Targets initiative ("SBTi") defines and promotes best practice in emissions reductions and net zero targets in line with climate science. It provides technical assistance and expert resources to companies which set science-based targets in line with the latest climate science. The SBTi is a partnership between CDP, the United Nations Global Compact, the World Resources Institute ("WRI") and the World Wide Fund for Nature ("WWF"). The SBTi is considered the gold standard in carbon reduction commitment setting.

Scope 1, 2 and 3 emissions
Scope 1 – all direct emissions
Emissions derived from the activities of an organisation or under their control. This includes fuel combustion on site, from owned vehicles and fugitive emissions. Examples include fleet vehicles, gas emissions from boilers and air-conditioning refrigerant leaks.

Scope 2 – indirect emissions
Emissions derived from electricity purchased and used by the organisation. Emissions will be created during the production of the energy and eventually used by the organisation. This includes electricity from energy suppliers to power computers, heating and cooling.

Scope 3 – all other indirect emissions
Emissions derived from activities of the organisation, but occur from sources that they do not own or control. This is usually the largest share of the carbon footprint, especially for office-based companies, covering emissions associated with business travel, procurement, waste and water. Examples include plane travel, shipping of goods and waste disposal.

SDGs
Sustainable Development Goals

SECR
Streamlined Energy and Carbon Reporting

SIP
Share Investment Plan

SLAM
Stop, Look, Assess, Manage

SuDS
Sustainable Drainage Systems

TCFD
Task Force on Climate-related Financial Disclosures

The Group
All of Marshalls' UK and overseas operations

ULEZ
Ultra Low Emission Zone

UNGC
United Nations Global Compact

Verisk Maplecroft
A company providing risk analytics

WDI
Workforce Disclosure Initiative

WEPs
Women's Empowerment Principles

Shareholder analysis at 31 December 2023

Size of shareholding	Number of shareholders	%	Number of Ordinary Shares	%
1 to 500	1,930	52.62	256,940	0.10
501 to 1,000	402	10.96	298,276	0.12
1,001 to 2,500	459	12.51	789,121	0.31
2,501 to 5,000	250	6.82	887,940	0.35
5,001 to 10,000	191	5.21	1,326,061	0.52
10,001 to 25,000	131	3.57	2,097,180	0.83
25,001 to 100,000	123	3.35	6,605,308	2.61
100,001 to 250,000	59	1.61	9,472,173	3.74
250,001 to 500,000	30	0.82	10,655,876	4.21
500,001 and above	93	2.53	220,579,853	87.21
	3,668	100.00	252,968,728	100.00

Financial calendar

Preliminary announcement of results for the year ended 31 December 2023	Announced	18 March 2024
Final dividend for the year ended 31 December 2023	Payable	1 July 2024
Half yearly results for the year ending 31 December 2024	Announcement	Early August 2024
Half yearly dividend for the year ending 31 December 2024	Payable	2 December 2024
Results for the year ending 31 December 2024	Announcement	Early March 2025

Advisers

Stockbrokers
Numis Securities Limited (trading as Deutsche Numis)
Peel Hunt

Auditor
Deloitte LLP

Legal advisers
Slaughter and May
Walker Morris LLP

Financial adviser
N M Rothschild & Sons Limited

Bankers
National Westminster Bank plc
HSBC Bank plc
Lloyds Bank plc
Santander UK plc
Caixabank SA
Bank of Ireland
Clydesdale Bank plc
Citibank NA
KBC Bank NV
Credit Industriel et Commercial
National Bank of Kuwait

Registrars
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

Shareholders' enquiries should be addressed to the Registrars at the above address (tel: 0870 707 1134)

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Landscape House
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Registered in England and Wales: No. 5100353

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