



SIG



SIG plc
Annual Report and
Accounts 2023

SIG is a leading pan-European supplier of specialist insulation and sustainable building products and solutions.

We connect over 75,000 customers across Europe with thousands of products for better buildings.

c440

Branches
across six
geographies

75k+

Customers

7,000+

Employees

1,200

Delivery
fleet

58%

EU sales

42%

UK sales

Partner of choice for specialist contractors

Across our network of pan-European local branches, we strive to be our customers' first choice for specialist products. With a deep product range, expert knowledge and fabrication services, we help our customers get the products they need to deliver better, more sustainable buildings.

For more details on how we help our customers please see the following case studies:

page 13

Construction accessories for UK national infrastructure projects

page 15

Flooring innovation for decarbonisation in Germany

page 31

Omnichannel for lower carbon products in Poland



Highlights

Revenue

£2,761.2m

2022: £2,744.5m

Like-for-like (“LFL”) sales growth/(decline)*

(2)%

2022: 17%

Underlying operating profit margin*

1.9%

2022: 2.9%

Underlying operating profit*

£53.1m

2022: £80.2m

Statutory (loss)/profit before tax

£(31.9)m

2022: £27.5m

Net debt

£458.0m

2022: £444.0m

Lost time injury frequency rate (‘LTIFR’)*

8.4

2022: 11.1

Greenhouse gas (‘GHG’) per £m of revenue*

17.1 metric tonnes

2022: 17.5 metric tonnes



To find out more please go to sigplc.com

What’s inside

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* Refer to pages 48 to 49 for definitions.

Pan-European specialist

SIG operates across six European geographies. Our portfolio of businesses includes established local-market specialist distribution brands in some of our markets, including France and Germany, whilst we trade under the SIG brand in others.

Across the Group, we hold market leading positions in interiors and exteriors product categories, with a growing position in construction accessories and products.

In each category we offer a deep range of products needed for the construction and renovation of commercial and residential buildings and, increasingly, infrastructure.

2023 Revenue by region

Ireland
£94m



UK
£1,174m

Benelux
£117m



Poland
£238m



Germany
£462m



France
£677m



Key products

Key brands

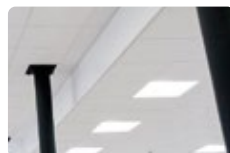
Interiors



Structural insulation



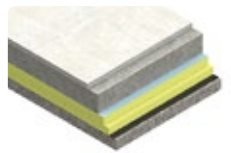
Technical insulation



Ceiling tiles and grids



Partition walls and doorsets



Floor coverings



Drylining



Exteriors



Tiles, slates and membranes



Batten for pitched roofs



Solar and PV products



Flat roofing



Cladding systems



Industrial roofing



Construction products



Construction accessories



Metal fabrication



Sharpening our focus for profitable and sustainable growth

Our vision

To be the best provider of specialist construction and insulation products in Europe.

Our long-term objectives

1



Partner of choice for specialist contractors

- Customer-focused
- Local market business model
- Winning branches, superior service, specialist expertise, on-time delivery

▶ SEE OUR 'PARTNER OF CHOICE IN ACTION' CASE-STUDIES ON PAGES 13, 15 AND 31

2



Improving our operating performance

- Medium-term 5% operating margin target
- Focus in four key areas
- Unlocking meaningful value creation

▶ SEE HOW WE PERFORMED IN 2023 ON PAGES 16, 17, 48 AND 49

3



Growing sustainably as a responsible business

- Five long-term commitments
- Committed to people and planet
- Governance, ethics and fairness

▶ SEE MORE DETAILS IN SUSTAINABILITY REVIEW SECTION ON PAGES 20 TO 47

Our medium-term strategic actions

1

Grow

Deliver above-market growth

- Leading market positions
- Grow market share
- Product mix weighted to structural decarbonisation tailwinds

2

Execute

Strengthen execution and margin across geographies

- Performance management and operational excellence
- Product mix
- Capturing opportunities for margin growth across the portfolio

3

Modernise

Greater productivity through modernisation

- Driving organisational efficiency
- Enhancing customer experience
- Cost efficiency and discipline

4

Specialise

Accelerate in specialist, higher return businesses

- Grow existing business positions within portfolio
- Depth of specialisation and expertise
- Higher margin, above Group average

5%

Group operating margin target

Driving operational performance and business improvement



Our local market business model remains at the centre of our strategy. We are focused on being our customers' partner of choice at each branch in every country in which we operate.

Andrew Allner
Chairman

Dear Shareholder

During the year the Group made good progress against our strategic ambitions, albeit in the face of challenging market headwinds that prevail across the European construction sector.

While volumes were down year-on-year, driven by weaker market demand, SIG continued to trade well relative to the market. This shows the very solid progress we are making in strengthening our underlying business.

Over the last three years, the business has generated stronger levels of engagement amongst employees and delivered higher levels of customer service. These are metrics that typically come under pressure in a more challenging market environment, yet in 2023 we have maintained our progress in both.

Our business model provides a route to market for leading suppliers and manufacturers and their products, across a fragmented local customer base. You can read more about our business model and the value we bring to our suppliers and customers on page 18.

We play a central role in the building and construction supply chain and will continue to do so as the industry and end-users work towards the need to lower the carbon emissions and embodied carbon in buildings.

As one of the leading providers of specialist insulation in our European end-markets, and with around 80% of our revenue derived from insulation and products that support the wider building envelope, SIG is helping bring to market products that address decarbonisation of the built environment.

Strategic progress

In February 2023, the Board welcomed new Group CEO, Gavin Slark, in a smooth transition from outgoing CEO Steve Francis.

Gavin brings great depth of experience in building materials distribution across Europe. He has spent extensive time travelling across the business this year, getting to know our people and operations, meeting, listening, and learning through discussions with colleagues and business partners across all our countries of operation.

At a Capital Markets event in London in November, Gavin and members of the Executive Leadership Team ('ELT') provided an update on the next steps in our journey towards our strategic objective of significantly improving our operating performance, cash generation, and value creation for shareholders.

Our core local market business model remains at the centre of our strategy. This means that we are focused on being the partner of choice for our customers at each branch across every country in which we operate.

Our people remain at the heart of our strategy because it is engaged people who deliver that superior customer service, and who create and run winning branches that cater to local customer needs. This in turn helps us deliver above-market performance.

Good execution on improving our operating performance is critical as we push towards our medium-term operating profit margin target of 5%. We are further sharpening our focus on operational excellence, including initiatives to drive margin improvement through product mix and category initiatives, as well as branch performance management.

At our Capital Markets event we also highlighted the opportunity we have to accelerate in higher-value specialist business, which include our new UK Specialist Markets operating segment, as well as other specialist, higher value segments in which we operate across our geographies.

Finally, the progressive modernisation of our operations also holds an opportunity for the Group to increase overall profitability and efficiency, and to accelerate growth through expanding e-commerce offerings to greater numbers of customers.

Rather than a top-down one-size-fits-all approach to technology roll-out, the Board continues to believe that the right approach is incremental adoption of technologies by country. This allows for those deployed to be the most relevant to the strategic development and geographic need of each country.

You will find further detail on our strategic growth framework, and the key actions we are taking, later in this report.

Sustainability

As a Group, we are committed to growing sustainably, and the Board believes that sustainable growth goes beyond strong financial performance. We recognise our impact and our role in protecting the environment and reducing carbon emissions, and in the positive impact we can have on our employees, customers, suppliers, and communities, while helping to drive profitable economic growth.

In 2023 we continued to make good progress against our ambition to achieve our five long-term ESG commitments, including reaching net zero carbon by 2035 and delivering zero waste to landfill by 2025. Further details can be found on pages 20 to 47.

This year the Board was pleased to see the implementation of our new employee-facing health and safety strategy: 'Everyone Safe, Every Day'. This strategy sits behind our long-term goal of being a leader in health and safety in our sector. As we continue our journey, the Board is pleased to see that the implementation of this strategy is already producing results, and further details can be found on pages 32 to 33.

Group performance

The 2023 like-for-like revenue decline of 2% reflects weaker levels of end-market demand and lower year-on-year price inflation, the latter of which had provided a very meaningful tailwind to reported revenue growth in 2022. Despite the decline in market volumes, good trading momentum in our end markets partially offset some of this.

We reported an underlying operating profit of £53m (2022: £80m), and an underlying profit before tax of £17m (2022: £52m). The Group generated a statutory loss before tax of £31.9m (2022: £27.5m profit).

As a result of the lower revenue and operating profit, the Group delivered modest free cash flow of £4m for the year. Year-end net debt was £458m (2022: £444m) on a post IFRS 16 basis, and £154m (2022: £160m) on a pre-IFRS 16 basis. The increase in post IFRS 16 net debt was largely due to additional lease liabilities following lease renewals, with market driven inflation combined with some investments in new branches.

No dividend is proposed for 2023. We will continue to focus on free cash flow generation and delivering progress toward our leverage target, which has slowed in the current weaker market. The Board remains committed to returning to paying a dividend when we sensibly can, as part of our wider capital allocation policy.

Governance and Board

We believe that good corporate governance comes from an effective Board that provides strong leadership to the Group and engages well with both management and stakeholders.

Following Gavin's appointment, Steve Francis stepped down as Chief Executive Officer and as a Director, as reported in last year's annual report and accounts. The Board thanks Steve for his valuable contribution in turning around the business to focus back on the needs of our local customers and markets.

In September 2023, existing Non-Executive Director Kath Durrant assumed the role of Senior Independent Director ("SID"), succeeding Alan Lovell in this role. We thank Alan for his contributions as SID. He remains a valued Non-Executive Director. I look forward to working closely with Kath in her new capacity as SID. She also remains Chair of the Remuneration Committee.

At the 2023 AGM, our major shareholder CD&R changed one of its Non-Executive Director appointees, with Christian Rochat stepping down from the Board and Diego Straziota joining as a Non-Executive Director. We thank Christian for his valuable contributions to the Board, and welcome Diego to the Board. Diego is well known to the Group, having served as CD&R's observer to the Audit & Risk Committee since July 2020.

The Board firmly believes it is important for Directors to engage directly with employees to gain first-hand insight into their challenges and views. During the year, I am pleased to report that our nominated Board member Simon King continued to deliver our Board Workforce Engagement programme, meeting face-to-face with a broad cross-section of employees. You can read more about this on page 75.

During the year, one of the areas of focus for the Board was on development and succession planning for the ELT and senior management, to ensure that the Group has a diverse pipeline of future leaders.

Our progress on succession planning was demonstrated through several appointments during the year of existing SIG employees to the ELT. Further information on talent and succession planning can be found in the Nominations Committee Report on page 82.

The Board continues to perform effectively. Details of our 2023 internal review of the Board and its Committees' performance and effectiveness can be found in the Corporate Governance Report from page 64.

People and culture

Our people remain our key strength as a business, and their commitment, dedication and hard work has continued to underpin our performance.

The Board remains cognisant of the pressures the current economic climate, and especially the increases in the cost of living, place on our people. As a Group, we will continue to work hard to provide support to our employees through these challenging times.

In 2023, we made good progress with our people strategy and in ensuring that our colleagues feel safe, valued, and proud to work for us. Across the Group, we invested in career development and further learning opportunities, and in building an inclusive and positive culture.

Employee engagement is a core part of building the solid foundations that any business needs to perform well.

Our annual survey allows us to directly engage with employees and gain valuable insights, shaping people-centric strategies and policies at the Board level. The Board was pleased to see continued progress in a number of areas and that we are either close to, at, or higher than benchmark levels on engagement in most areas across the Group. You can read more about our commitment to our People on pages 34 to 35.

Outlook

Over the last three years SIG has become a stronger Group, and more valued by our customers and other key stakeholders, including our employees. This, together with the new strategic focus that Gavin and his team have set out in November 2023, puts SIG in a strong position to take advantage of markets as they recover, and to increase the value that the Group creates over the medium and long-term.

I would like to extend my thanks to all of our employees and other stakeholders for their continued support.

I, along with the rest of the Board, very much look forward to working with Gavin and the leadership team to build on the strong foundations now in place, and to delivering on our expectations for the year ahead.

Andrew Allner
Chairman

4 March 2024

Meaningful value creation opportunity



Diversified by geography and end-markets

- Pan-European presence across six geographies
- Revenue evenly balanced across commercial, residential, RMI and new-build end markets
- Leading market positions with scope for further share growth



Specialist focused

- Market-leading construction product range depth, across a fragmented customer base
- Supporting a range of specialist contractors, with expertise in distribution, manufacturing and fabrication



Product mix weighted to structural growth tailwinds

- 80% of revenue from products supporting energy efficiency of building envelope
- Weighted to long-term decarbonisation tailwinds



Improving operating performance

- 5% operating margin target offers material upside on c£2.8bn revenue base
- Driving meaningful growth in cash generation
- Opens up wider value creation opportunities



Margin-accretive portfolio opportunities

- Accelerate growth in higher-value specialist businesses
- M&A



Successful and experienced leadership team

- Well regarded management with a strong track record
- Track record of value creation, financial discipline and strategic execution

Strengthening performance for value creation



In my first year as CEO, I have been impressed by the opportunities that exist within SIG's portfolio for strengthening our operating performance and accelerating our specialist businesses, and for delivering more profitable growth over the medium-term.

Gavin Slark

Chief Executive Officer

Overview

We delivered a robust set of results in 2023, given the backdrop of challenging market conditions across the European building and construction sector. The results were achieved thanks to the great efforts of all our people, especially their relentless focus on our customers, and the execution of a number of key actions to improve our operational performance and the value we can create for our stakeholders.

In my first year as CEO, I have been impressed by the opportunities that exist within SIG's portfolio for strengthening our operating performance and accelerating our specialist businesses, and for delivering more profitable growth over the medium-term.

2023 Results

Our 2023 results demonstrate the Group's ability to manage the impact of increasingly challenging market conditions across the year, with a resilient trading performance.

Group revenue of £2,761.2m in 2023 (2022: £2,744.5m) reflected a like-for-like ("LFL") revenue decline of 2% (2022: increase of 17%), driven by lower volumes, due to weaker market demand, and lower year-on-year price inflation. This modest decline compares to more significant declines in industry construction output growth rates in many of our markets, and as such we are confident that the Group has performed well relative to the market.

Group underlying operating profit of £53.1m (2022: £80.2m) and underlying operating margin of 1.9% (2022: 2.9%) reflects the impact of the lower revenues through our branch network and assets, in which the majority of costs are fixed. On a statutory basis, the Group generated a statutory loss before tax of £31.9m (2022: £27.5m profit).

During 2023 we took action to reduce operating costs in a number of areas, which I address in more detail below. Alongside these cost actions, our continued focus on effective cash and working capital management led to modest free cash generation of £4m (2022: £11m).

Our customer engagement score in 2023 also reflects further incremental progress in strengthening our customer service, with an NPS score of +50 (2022: +46). Our 2023 results also reflect good progress in making our operations safer and more sustainable, with further details set out later in this report and across our Strategic report.

Market dynamics

During 2023 our LFL revenue growth rates across most geographies reduced in H2, compared to H1, due to the declining impact of input cost inflation. As expected, year-over-year volume declines moderated in H2, reflecting weaker comparators in H2 2022. However, absolute volumes softened through the year due to continued weakening in market demand, reflecting conditions across the European building and construction sector.

Across our end markets, the conditions impacting our sales volumes can be summarised as follows:

- A higher interest rate environment in 2023, and its consequent impacts on construction-sector demand, led to lower demand for building products, with residential construction projects showing the greatest decline.

For example, in our two largest markets, new build residential activity levels declined in the range of mid to high teens, according to Euroconstruct's December 2023 estimates.

- Within residential construction, new build project demand was typically lower than RMI project demand, but demand in both was weaker than the prior year.
- Commercial project demand was also lower year-on-year, although at a lower level of decline to residential.
- Parts of the infrastructure and public sector construction market were less severely impacted than residential and commercial.

Poland varied slightly to other geographies in terms of market conditions. We reported positive sales growth in H2, with economic and construction sector conditions improving slightly in H2 and with the lapping of prior year comparators.

As set out in further detail in the 'Our Market' section of this Strategic report the Group's trading environment includes the impact of near-term economic trends and long-term structural growth drivers. While our results were impacted in 2023 by short-term economic trends, we also

continue to see evidence of the long-term demand drivers for growth in our sector and in SIG's portfolio of businesses, with further detail in the section referenced above.

Operating performance

In the UK Interiors business, the strategic and operational changes made since mid-2020 continue to enable the business to return towards its previous market position, reflected in a robust performance against the market in FY23. In UK Exteriors, the performance was also strong relative to the market, driven by renewed commercial focus and execution under the new structure.

As announced at our Capital Markets event on 23 November 2023, we are now reporting the UK Specialist Markets business as a separate reporting unit, in line with the new management structure in place. The Specialist Markets business experienced continuing good demand for its high specification and innovative building solutions, but revenue was affected by weaker demand in the agricultural and commercial warehousing and residential new build segments, and by lower year-over-year input pricing on steel.

Capital Markets Event November 2023

On 23 November 2023, Gavin Slark and members of the Executive Leadership Team ('ELT') held a capital markets event for SIG's debt and equity investors and analysts in central London.

The management team provided an update on the next steps in the Group's journey towards our strategic objective of significantly improving our operating performance, cash generation, and value creation for shareholders. The event included presentations on some of our smaller, specialist businesses, as well as our larger operating companies.

Marcin Szczygiel, Managing Director SIG Poland, presents at the Capital Markets Event





We are confident in our ability to manage through this current phase of the industry cycle and to ensure that we are more than ready to take advantage of the significant long-term opportunities for the Group as markets recover.

In France, market conditions affected demand, in our specialist roofing Exteriors business (Larivière) in H2 in particular, but both businesses continued to execute very effectively on their strategic plans. Larivière, has successfully expanded product categories in the year including private label slate, its Irondel range and its solar product offering. In LiTT, our Interiors business, we have strengthened our market position in insulation and focused on driving up sales and performance at new and refreshed branch locations.

The German business continued its robust recovery of the last two years, performing well in what was a very challenging market. During 2023 we have expanded our product mix in specialist flooring and technical insulation with a continued focus on branch performance and operational productivity overall, boosted by modernisation initiatives.

Poland's growth rebounded in the second half, with increased volumes as well as the impact of some softer H2 comparators. Benelux has had new management in place since October 2023 to address and improve performance. Ireland's results reflect a tough market environment in 2023 in the sectors in which we operate.

Strategic Review

In November 2023 a number of our Executive Leadership Team and I presented an update on the Group's vision, long-term priorities and strategic growth opportunities at a Capital Markets event in London.

Our vision is to be the best in the market at what we do. To achieve that, we need to have great service, the right products, and excellent logistics, and to be the 'best' in the eyes of our customers. Since 2020 we have been bringing back a focus on our customers to the centre of our strategy, which recognises that excellent customer service and support is key to driving sales growth and market share growth. I am very clear that we have scope to further strengthen this going forward. In November we outlined that being a 'partner of choice' to our customer remains one of our three long-term objectives.

Our second long-term objective is to improve our operating performance. We have outlined four key pillars to drive our operating performance over the medium-term to reach our target 5% operating profit margin, and within this have set medium-term target operating margins for each of our geographies. These targets are a key threshold for unlocking meaningful value creation for shareholders, specifically through higher cash generation.

Our third long-term commitment is to grow sustainably, and further detail on these actions can be found in our Sustainability review on pages 20 to 47.

Our Strategy in action on pages 16 and 17 sets out our strategic progress in more detail. Key areas of strategic progress in 2023 can be summarised as follows:

Grow

Despite the market contraction and lower volumes seen in 2023, we kept our focus on readying our business for the medium-term sales growth opportunities ahead of us, and to gain business with our customers by winning on service.

By way of illustration, the UK Exteriors business delivered strong sales growth in 2023 relative to the market conditions. The business has invested consistently across the last two years in reinvigorating its branches, in-store merchandising and in structured programmes to boost the sales and customer service skills of our teams. This is yielding good results, and there are similar initiatives being executed across the Group, tailored to reflect local market dynamics.

Execute

During the latter part of 2023 we executed a number of restructuring and productivity initiatives that will benefit the business in 2024 and beyond.

These include a streamlining of central costs, and a review of operating company cost structures, most notably in the UK, Germany and Ireland. As well as generating permanent cost reductions of around £10m on an annualised basis, these initiatives will facilitate improved operational agility and execution.

Modernise

The Group made further progress on modernisation of our operations in 2023. We are expanding our customer-facing e-commerce platforms, with development work in Germany and France, where we are leveraging our successful e-commerce experience in Poland.

In Germany we launched a new fast-collection service utilising technology which allows quicker collections for customers at greater efficiency for us,

Supplying construction products to the UK's Hinkley Point energy project

Partner of choice for specialist contractors

In the UK, our Specialist Markets business continues to focus on major national infrastructure projects, where we supply a range of technical products for waterproofing, groundwork engineering, reinforcement & formwork, masonry and site setup and protection.

We are proud to supply the Hinkley Point energy infrastructure project, where we are supplying materials to support the groundworks including waterproofing, membranes, geotextiles and a range of other construction products.



and 90% of branch customer collections are now signed for digitally. In addition, we delivered continued technology-enabled delivery improvements in France and Ireland during the year.

Specialise

As outlined previously, the creation of Specialist Markets as a standalone reporting unit in the UK will allow us to better focus on and accelerate the growth and higher margin opportunities that exist in these specialist businesses that have previously been less of a focus in the Group's strategy.

The UK Specialist Markets team had a successful year in growing our relationships with and sales to some of the UK's largest infrastructure investment projects, such as the HS2 rail line (stage 1) and the Hinkley Point nuclear power station development. In addition, the business has seen resilient demand for our innovative steel structure offerings in solar canopies and bespoke, high performance insulation fabrication services.

In France Exteriors, 2023 was a year of good progress in expanding our solar product offering, in particular in introducing new highly innovative lightweight solar panels into our product range.

Sustainability

As a responsible business, SIG is committed to growing sustainably and we have five long-term commitments to guide us in this journey.

In 2023, we achieved a further 3% reduction in net zero carbon emissions, through ongoing progress on fleet transition and energy mix, and with lower year-on-year volumes. We have also completed our first Scope 3 emissions impact assessment.

Reducing our waste and diverting it from landfill is also a key focus area, and waste diverted from landfill in 2023 improved to 94% (2022: 92%), with our total waste volume 16% lower.

Our safety performance has improved in 2023, with a good reduction in our Lost Time Injury Frequency Rate ('LTIFR') to 8.4 from 11.1 in 2022, with

solid improvements in France and the UK in particular. We have achieved an encouraging increase in 'near-miss' hazard reporting (66%) in 2023, demonstrating a more open reporting culture and better opportunity to prevent hazards from becoming incidents. This has been supported by a new 'Everyone Safe, Every Day' safety strategy across the Group, along with aligned safety objectives and KPIs.

Outlook

Looking ahead, the Group expects continued softness in market conditions in 2024.

However, during this period of market weakness we will continue to strengthen our execution and organisation such that we deliver higher margin growth and performance for the medium-term. We remain confident in our ability to manage through this current phase of the industry cycle and to ensure that we are more than ready to take advantage of the significant long-term opportunities for the Group as markets recover.

Gavin Slark
Chief Executive Officer

4 March 2024

Key market growth drivers

SIG's key markets benefit from long-term growth drivers, including the increasing demand for sustainable construction, regulatory changes and project complexity.

Construction industry growth

Drivers

The long-term outlook for the construction industry remains one of growth driven by macroeconomic factors including population growth, economic activity and GDP. Construction-specific demand drivers also include governments' long-term need to tackle housing shortages and their support for sustainability measures and infrastructure upgrades.

Demand for repair, maintenance and improvement ('RMI'), which accounts for more than 50% of total European construction production, is also linked to economic growth. Around 85% of buildings in the EU are over 20 years old, driving long-term renovation demand.

How we are responding

SIG benefits from a broad geographic footprint. 58% of revenues are from outside UK with diversified exposure across industry end-markets, helping to mitigate volatility in market conditions.

SIG's pan-European sales have a broadly balanced split between new build projects and RMI projects, while around 55% of our customers' end-projects are residential and 45% are commercial, including infrastructure.

Sustainable construction

Drivers

The building and construction sector accounts for around 37% of global energy and process-related carbon emissions. To meet global carbon reduction targets, European governments continue to implement legislation, incentives and standards to lower the carbon emissions from new and existing buildings and to lower embodied carbon.

These regulations include changes to building codes to require greater thermal efficiency and insulation, more energy efficient heating, funding for decarbonisation of public sector buildings, incentivising 'zero carbon' buildings and use of solar and other lower-carbon building products and technologies.

How we are responding

Around 80% of SIG's revenue is generated from the sale of insulation and products related to the building envelope.

We are market leading specialists in insulation across Europe, and hold Top-3 market positions in the same across our geographies. We supply a breadth of products and systems that improve the thermal efficiency of buildings and meet the demands of increasing regulation.

Project scale and complexity

Drivers

Commercial and public building renovation projects require large volumes of products across complex sites and dynamic construction schedules. These projects utilise a wide range of products and systems and specialist contractors.

Our contractor customers value a partner that can supply the products they need, where and when they need it, and understand the demands of these projects. This means great service and product knowledge, on-time delivery, and easy-to-use digital and omnichannel services to research, plan, order, track and manage their orders and accounts.

How we are responding

Our depth of product range, focus on specialist contractors and ongoing investment in customer service and omnichannel and digital tools means we are well positioned to support the needs of complex and specialist projects and coordinating dynamic delivery requirements.

We are also using technology to improve the operational effectiveness of fleet and delivery and moving to an omnichannel model in more countries to provide seamless access to our products and greater sales efficiencies.

Revenue mix



54%
new build projects



46%
RMI projects



55%
residential



45%
commercial including infrastructure

Revenue from insulation and building envelope products

80%



Flooring innovation in Germany supporting building decarbonisation

In Germany, our Wego Vti business includes an industry leading specialism in flooring, and is a partner to flooring contractors across the country.

We offer products for complete flooring systems across a range of commercial buildings and multi-dwelling residential buildings, including raised access floors, underfloor heating systems and different types of screed. We also provide technical expertise and manage on-site logistics for our customer's construction projects.

We are also helping to bring to market new and innovative flooring products that provide greater thermal insulation to buildings to reduce carbon emissions and which lower embodied carbon compared to conventional products.

We have pioneered an innovative lower-carbon lightweight mortar service. By recycling expanded polystyrene (EPS) offcuts and using this within a lightweight mortar mix, we deliver this directly to our customers' construction sites using our unique Thermoblower trucks in a time-efficient on-site service.

This enables our customers to meet legislative requirements for more thermally-efficient buildings and installs a state of the art screed floor.

Improving our operating performance

We are committed to improving our operating performance and are targeting a 5% operating margin target for the Group in the medium-term. Strategic actions in four key areas will allow us to achieve this.

1

Grow

Deliver above-market growth

What

Our ambition is to deliver revenue growth ahead of the market by achieving sales volumes that are above the market rate of growth.

With Top 3 positions across our geographies, and 'Number 1' positions in a number of product categories, our ambition is to be the leader across our markets.

We aim to grow our market share by delivering the best service and being the best specialist distributor and partner of choice for our customer.

How

- Continuous improvement approach to customer service
- Branch network growth, investment and refurbishment
- Sales team skills, training and development

Progress

- £2,761.2m reported revenue, up 1% on FY22. LFL revenue down 2%
- Sales training programmes in operating companies
- Group customer NPS of +50, an increase of +4 on FY22
- £15.8m capex invested including branch refurbishment

2

Execute

Strengthen execution and margin across geographies

We are committed to improving our execution and our operating platform to deliver more profitable growth.

Increasing our focus on operational excellence offers further potential for margin accretion in each of our geographies.

We believe that having motivated people, winning branches and efficient operations are key to performance.

We aim to grow our market share by delivering the best service and being the best specialist distributor and partner of choice for our customer.

- Performance management focus
- Cost discipline
- Product mix – selling more higher margin products within existing categories, and increasing private label
- Improving performance in UK Interiors and Benelux

- Restructuring actions in UK, Ireland, Germany and Group centre generating permanent cost reductions of around £10m on an annualised basis
- New management appointed in Benelux in October 2023
- Increased focus on higher margin product mix and own-label product growth

3

Modernise

Greater productivity through modernisation

Across our operating companies we are pursuing the progressive modernisation of our operations.

This includes improving our systems and operational processes through the use of technologies for greater efficiency.

It also includes modernisation to drive improvements in customer experience and in the way that we sell to and service our customers.

- Process, system and organisational efficiency
- Technology enhancing customer experience and supporting sales and product mix

- Development of e-commerce capabilities in France and Germany during FY23, ready for launch from 2024 onwards
- Implementation of new software and digital tools to support better pricing processes within UK Interiors
- Launch of new fast-collection digital tool in Germany, driving an increase in more efficient customer pick-ups

4

Specialise

Accelerate in specialist, higher return businesses

The Group's portfolio of businesses includes some attractive positions in highly specialist areas of the building products industry.

These businesses generate a higher average return than the present Group average.

By increasing our strategic focus to accelerate growth in these businesses, we aim to increase the contribution of these businesses within the Group overall.

- Additional management and sales focus to support business growth and grow market positions
- Investment in inventory and product ranges in specialist areas to support growth

- UK reorganisation to report Specialist Markets as separate operating unit, increasing strategic focus on the opportunities for growth within this business
- Good initial customer response to new lightweight solar product category in France Exteriors
- Expansion of lower-carbon flooring service in Germany

Customer-focused, local market business model

Our business model is underpinned by the depth and breadth of our resources, which allow us to execute our strategy. Our resources and stakeholder relationships are key to our success and we invest in them throughout the year.

Inputs

Colleagues

Engaged, committed and knowledgeable colleagues working across our local branches, delivering superior service and expertise and leading our businesses.

7,000+
Employees

Customers

A fragmented customer base of more than 75,000 customers across local markets, including specialist contractors and installers, developers and independent merchants.

75,000+
Customers

Branch network and delivery fleet

We supply our products through around 440 branches in local markets across six European geographies and a delivery fleet of around 1,200 vehicles to customer and project sites.

c440
Branches across six geographies

Products

Working with leading product suppliers we supply a deep range of specialist construction products and systems across interiors, exteriors and construction accessory categories.

Connecting suppliers...

Leading pan-European supplier of specialist insulation and building products and brands.

- INSULATION AND INTERIORS
- CONSTRUCTION ACCESSORIES
- ROOFING AND EXTERIORS

ADDING VALUE

Access to highly fragmented customer market

Facilitating supplier market share and growth

Route to market support

...with customers

Helping specialist contractors get the products they need to deliver better buildings.

- SPECIALIST CONTRACTORS
- DEVELOPERS
- SPECIALIST INSTALLERS
- INDEPENDENT MERCHANTS

ADDING VALUE

- | | |
|--|--|
| <p>One-stop access to product range</p> | <p>Coordinating dynamic delivery requirements</p> |
| <p>Specialist knowledge and support</p> | <p>Credit and payment terms</p> |

Creating value for our stakeholders

Colleagues

- Career development, training and apprenticeships
- Providing jobs in an inclusive and safe working environment

348

apprentices

Customers

- One-stop access to deep product range
- Coordinating dynamic delivery requirements
- Supporting large complex projects
- Credit and payment terms
- Specialist knowledge and support

+50

customer NPS

Suppliers

- Access to highly fragmented customer and project market
- Facilitating supplier market growth
- Route to market support

Leading international and national supplier brands

Communities & Environment

- Committed to creating jobs in local communities
- Reducing carbon and waste and supporting building industry decarbonisation

3%

reduction in net zero carbon emissions

Investors

- Meaningful value creation opportunity for shareholders

5%

medium-term operating margin target

What does Sustainability mean to SIG?

SIG is committed to growing sustainably as a responsible business. Our five long-term sustainability commitments guide our actions on sustainability and social responsibility, in the most important areas of impact that we have as an organisation.

How we meet the UN Sustainable Development Goals

We have identified the impacts we have as an organisation and our sustainability commitments are aligned with the United Nations' Sustainable Development Goals. These are a global roadmap for achieving a more sustainable future for all countries.



Reduction in LTIFR

↓24%

Waste not going to landfill

94%

Reduction in waste going to landfill

↓2%

Stable eNPS

+14

Reduction in Net Zero carbon emissions

↓3%

Scope 3 emissions

1st year of calculation

Commitment	Measure	2023	2022
Net zero carbon by 2035	Net zero carbon emissions – covering Scope 1, 2 and business travel (metric tonnes)	42,015	43,328
▶ SEE PAGES 22 TO 27			
Zero SIG waste to landfill by 2025	% total waste not going to landfill	94%	92%
▶ SEE PAGES 28 TO 29			
Partnering across the supply chain to reduce carbon and waste	Scope 3 emissions (metric tonnes)	1,852,356	n/a
▶ SEE PAGES 30 TO 31			
Health and safety leader in building materials distribution	Lost Time Injury Frequency Rate (LTIFR)	8.4	11.1
▶ SEE PAGES 32 TO 33			
Employer of choice in building materials distribution	Employee engagement (eNPS)	+14	+14
▶ SEE PAGES 34 TO 35			

At SIG we understand our impact and our role in building a sustainable long-term business for our stakeholders, and in supporting the broader need to decarbonise the built environment to meet the climate targets set by governments across our end-markets. We introduced our sustainability commitments in 2021, and our journey towards these goals has continued this year.

In 2023, we have taken an important step forward in understanding our Scope 3 emissions. For the first time, we have been able to start to quantify our Scope 3 impact, giving us the data we need to understand our impact, analyse trends, and to identify the type of partnerships required to achieve sustainable reductions over time.

In addition to reporting updates and progress on our commitments, we recognise the importance of recommendations from the Task Force on Climate-related Disclosures, and our in-depth climate-related risks and opportunities can be found on pages 36 to 45.

Our responsibilities to our colleagues, our customers and supplier partners, and the communities in which we operate are of vital importance to us. We have committed to being both a health and safety leader and an employer of choice in building materials distribution. The safety and wellbeing of our colleagues is our priority.

We want our colleagues to be proud to work for SIG and feel engaged in our purpose and vision. We are building an inclusive culture where everyone is respected for who they are, and we value and promote diversity in all its forms throughout the business. You can read about our progress in our Health and Safety and People sections of this report on pages 32 to 35.

Our local market business model goes hand-in-hand with robust standards, ethics and risk management. We are proud to be a strongly governed, transparent and fair business. Our Governance report on pages 64 to 127, details the governance frameworks in place within the Group.

Net zero carbon by 2035



Our commitment

Net zero carbon in SIG's operations by 2035, covering Scope 1, Scope 2 and business travel emissions.

2023 progress

Net zero carbon emissions¹

↓ 3%

2023: 42,015
2022: 43,328

Fleet mix by greener fuel type²

↑ 2%

2023: 26%
2022: 24%

1. Reduction against total Scope 1, 2 and business travel emissions by 2035 (using 2021 as a base year) and offsetting any residual emissions.

2. Percentage electric/hybrid vehicles in own fleet comprising 36% company cars, 35% FLTs/ Moffets and 1% HGVs.

2023 progress

We are committed to providing full and accurate data for our carbon footprint. Our emission accounting period runs from 1 October 2022 to 30 September 2023 to provide the appropriate reporting and auditing time for the process and data. The Greenhouse Gas (GHG) information for the period October 2022 to September 2023 has been verified, to a limited level of assurance, by Accenture (third-party specialist auditors) in accordance with ISO14064-3.

Our carbon footprint includes emissions for which we are directly responsible, such as vehicle and heating fuel (Scope 1) and emissions by third parties from the generation of electricity that we then use (Scope 2). In previous years we have disclosed some indirect upstream and downstream emissions (Scope 3) over which the business has limited control, including third-party air, rail transportation and deliveries as well as third-party transportation. This year we completed a study to quantify our total Scope 3 emissions, which has enhanced our understanding of our impact and how we can work with our partners to reduce these over time. For full details, see our Scope 3 journey on page 24.

Our carbon footprint includes all emission sources as required under the Companies Act 2006 (Strategic report and Directors' report) 2013 Regulations. All carbon emissions and targets have been calculated using the GHG Protocol Corporate Accounting & Reporting Standard's application of documented emission factors. Emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2023, provided by DEFRA, along with factors from the IEA list for 2023 have been used to calculate our GHG disclosures. The data relating to CO₂ emissions has been collected from all the Group's material operations.

Our net zero emissions, which include Scope 1 and 2 emissions plus business travel, have decreased 3% from 2022 and 12% from our baseline of 2021.

This year's net zero reduction is primarily due to the full year benefit of renewable electricity contracts in Germany and the UK. During 2023, Ireland has transitioned to a renewable electricity contract and is currently generating electricity from on-site solar panels, however as a smaller business this does not have the same impact on the Group figures as Germany or the UK. It does mean however that 60% of our electricity consumption in 2023 came from specifically requested renewable electricity contracts.

Our Fleet

Emissions from our own fleet continue to constitute a significant portion of our total emissions (73%). Our secondary goal of having 100% electric, hydrogen or lower-carbon alternative commercial vehicles by 2035 reflects this, although it does rely on technological advances and infrastructure support, especially for HGVs. These advances and support will vary geographically.

Emissions from our fleet have remained stable compared to 2022, despite our 2% increase in electric or hybrid total plant and road fleet. The main reason has been an overall increase in the number of company cars, plus the focus in 2023 on the replacement of some petrol/diesel plant vehicles, such as Moffets (an onboard forklift, attached to the trailer, which connects and disconnects when required for deliveries), which typically are not used for lengthy periods of time, and hence do not have a significant impact on fleet emission reductions.

We are diversifying with a small number of commercial vehicles powered by alternative technologies. This includes biofuels (HVO, Bio diesel) and gases (hydrogen, bio-gas, CNG) and trialling the performance and effectiveness of the new technologies and fuel and the energy supply infrastructure involved. In the meantime, we are making incremental progress with the like-for-like replacement of older diesel commercial vehicles to newer more carbon efficient ones.



Testing alternative fuel technologies

Road fleet emissions constitute around 80% of our Scope 1 and 2 emissions for the Group, making an investment in lower-carbon solutions a priority for us.

The team in France is currently exploring a range of alternative fuel technologies including bio-compressed natural gas (bioCNG), and electric vehicles.

We are the first building materials provider in France to trial two fully electric trucks. This will help to evaluate the

transport efficiency and practical considerations of moving to an electric fleet within France's current infrastructure.

In another first, back in January 2023, our Wego team in Germany became the first building materials distributor in the country to trial a hydrogen-powered HGV truck. We are working in partnership with Hylane to trial the Hyundai Xcient in Berlin, a city that now has one of the largest hydrogen filling stations in Europe.

To share the outcomes, successes, and challenges regarding the transition of our fleet to alternative technologies, in 2023 we established a Group-wide fleet forum which meets on a regular basis. Commercial vehicle suppliers have been invited to the forum to discuss their strategies and outlook regarding alternative fuels. The general outlook for HGV future fuels is currently based around electric for shorter journeys, with hydrogen for longer trips.

The forum and our expert guests have highlighted challenges in progressing the infrastructures in our geographies for electric charging and hydrogen, especially related to grid capability, reliability and availability, which are essential for the steady roll-out of these fuel types.

As our fleet generates 95% of our Scope 1 emissions, it is our primary focus in our net zero carbon reduction plans.

Our net zero commitment is reliant on technological advances and infrastructure support, especially for HGVs. However, decarbonisation trajectories for the transport sector continue to remain unclear. This uncertainty has impacted our net zero interim milestone projections to a c20% decrease by 2025 and c40% reduction by 2030. We expect further progress from 2030 onwards as electrification, hydrogen and alternative fuel technologies and infrastructure become more widespread and commercially available.

Net zero carbon by 2035 / continued

Our Scope 3 Journey

The GHG Protocol provides the most widely recognised accounting standards for greenhouse gas emissions and it categorises GHG emissions into three 'scopes'. Scope 3 includes all indirect emissions that occur in the upstream and downstream activities of an organisation.

The GHG Protocol's Corporate Value Chain (Scope 3) Standard identifies 15 categories, including purchased goods and services, business travel, employee commuting, waste disposal, use of sold products, up and downstream transportation and distribution, investments and leased assets and franchises.

During 2023 we commissioned a study of our Scope 3 emissions and impact utilising the GHG Protocol spend based

method. The results were in line with our industry, with Scope 3 accounting for 97.7% of our total emissions (Scope 1, 2 and 3). The largest contributor to our Scope 3 emissions by far, at 86%, is emissions associated with our purchased goods and services, which represent emissions along the whole supply chain – from mining raw materials, processing of materials, manufacturing of the goods and their transportation to our branches.

The study has given us initial baseline data and an important starting point for developing an engagement plan for our Scope 3 emissions. In 2024, we will identify our largest purchased product supplier areas in order to engage with the relevant supply chain partners on sustainably reducing their and our emissions over time.

2024 Focus

- Dual materiality assessment to shape/ amend current sustainability strategy, supporting preparation for CSRD.
- Roll-out of photovoltaic panels at selected locations.
- Continuing to make our branch network energy efficient through training, awareness, engagement and regular review.
- Further investigation and research into Science Based Targets initiative (SBTi) and application (or alternative) within our countries.

Our other interim milestones



2025

c20%

Carbon reduction forecasted from baseline



2030

c40%

Carbon reduction estimated from baseline



2032

100%

of electricity to be generated by renewable or low-carbon sources



2035

100%

of whole fleet with lower-carbon engines (where infrastructure and technology allows)

Scope 3 category breakdown

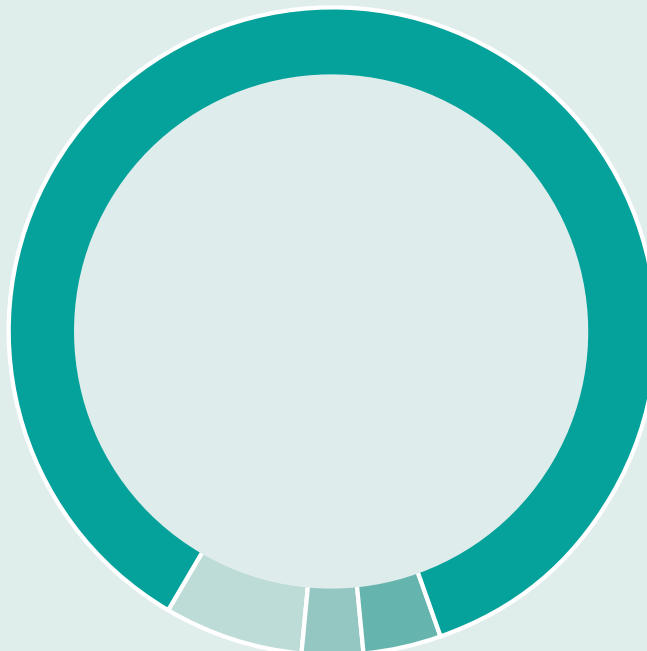
Our first scope 3 study in 2023 provides us with an important baseline to develop engagement plans. As a distributor, emissions generated from the production of the goods and services that we purchase represent 86% of our scope 3 footprint. This and our other scope 3 category emissions are highlighted in the chart below.

Purchased goods and services

Emissions from the production of goods and services purchased or acquired by SIG



86.2%



Other

All other scope 3 categories as defined by the GHG Protocol



Use of sold products

Emissions from the use of goods and services sold by SIG



End of life treatment of sold products

Emissions from the disposal and treatment of goods sold by SIG, at the end of their life

Net zero carbon by 2035 / continued

Carbon tables

CO₂ emissions – Scope 1 – Direct

	Metric tonnes 2023 Group	Metric tonnes 2022 Group	Metric tonnes 2021 Group	Metric tonnes 2023 UK	Metric tonnes 2023 Europe
Road vehicle fuel emissions ¹	34,600	34,119	35,002	15,722	18,878
Plant vehicle fuel emissions ²	3,795	4,328	4,759	1,511	2,284
Natural gas ³	1,580	1,571	2,642	822	758
Coal/coke for heating ⁴	12	101	79	0	12
Heating fuels (kerosene and LPG) ⁵	447	410	479	169	278
Total	40,434	40,529	42,961	18,224	22,210

CO₂ emissions – Scope 2 – Indirect

	Metric tonnes 2023 Group	Metric tonnes 2022 Group	Metric tonnes 2021 Group	Metric tonnes 2023 UK	Metric tonnes 2023 Europe
Electricity ⁶ – location-based	4,536	4,454	4,944	2,524	2,012
Electricity ⁶ – market-based ⁷	1,296	2,535	4,944	74	1,222
	kWh 2023 Group	kWh 2022 Group	kWh 2021 Group	kWh 2023 UK	kWh 2023 Europe
Electricity consumption	20,831,348	20,475,964	22,795,687	12,067,425	8,763,923
	Metric tonnes 2023 Group	Metric tonnes 2022 Group	Metric tonnes 2021 Group	Metric tonnes 2023 UK	Metric tonnes 2023 Europe
Total Scope 1 and 2 emissions – location-based	44,970	44,983	47,905	20,748	24,222
Total Scope 1 and 2 emissions – market-based	41,730	43,064	47,905	18,299	23,431

Our net zero carbon emissions in 2023 as reported on page 21 comprise 41,730 metric tonnes (Total Scope 1 and 2 emissions – market-based) and 285 metric tonnes of business travel that is included within ‘CO₂ emissions – Scope 3 – Other indirect’.

Data source and collection methods

1. Fuel cards and direct purchase records in litres converted according to DEFRA.
2. Direct purchase records in litres converted according to DEFRA guidelines.
3. Consumption in kWh converted according to DEFRA guidelines.
4. Purchases in tonnes converted according to DEFRA guidelines.
5. Purchases in litres converted according to DEFRA guidelines.
6. Consumption in kWh converted according to International Energy Agency (‘IEA’) guidelines.
7. Market-based approach reflects emissions from electricity that we have purposefully chosen as opposed to using UK averages for electricity emissions. In our case this relates to renewable electricity contracts that we have purchased in the UK and Germany.

CO₂ emissions – Scope 3 – Other indirect

	Metric tonnes 2023 Group	Metric tonnes 2022 Group	Metric tonnes 2021 Group	Metric tonnes 2023 UK	Metric tonnes 2023 Europe
Third-party provided transport ⁸	5,616	5,061	4,866	360	5,256

Total CO₂ emissions (excluding 'new' scope 3)⁸

	Metric tonnes 2023 Group	Metric tonnes 2022 Group	Metric tonnes 2021 Group	Metric tonnes 2023 UK	Metric tonnes 2023 Europe
Total Scope 1, 2 and 3 emissions – location-based	50,586	50,044	52,771	21,107	29,479
Total Scope 1, 2 and 3 emissions – market-based	47,346	48,125	52,771	18,658	28,688
Total energy (MWh)¹⁰	215,996	211,197	215,481	89,565	126,431

Emissions per £m of revenue

	Metric tonnes 2023 Group	Metric tonnes 2022 Group	Metric tonnes 2021 Group	Metric tonnes 2023 UK	Metric tonnes 2023 Europe
Scope 1	14.6	14.8	18.7	15.2	14.2
Scope 2 – location-based	1.6	1.6	2.2	2.1	1.2
Scope 2 – market-based	0.5	0.9	2.2	0.1	0.8
Scope 1 and 2 – location-based	16.2	16.4	20.9	17.3	15.4
Scope 1 and 2 – market-based	15.1	15.7	20.9	15.3	15.0
Scope 3	2.0	1.8	2.1	0.3	3.4
Scope 1, 2 and 3 – location-based	18.3	18.2	23.0	17.6	18.8
Scope 1, 2 and 3 – market-based	17.1	17.5	23.0	15.6	18.4

Data source and collection methods

8. Distance travelled converted according to DEFRA guidelines.

9. Total CO₂ emissions (excluding 'new' Scope 3) refers to the total of Scope 1, Scope 2 and third-party provided transport. It does not include those Scope 3 emissions that have been identified for the first time (see page 25).

Conversion factor

10. UK Government GHG Conversion Factors for Company Reporting 2022 according to DEFRA guidelines.

Zero SIG waste to landfill by 2025



Our commitment

Zero SIG waste to landfill by 2025.

2023 progress

Total waste not going to landfill

↑ 2%

2023: 94%
2022: 92%

Hazardous waste (metric tonnes)

↓ 70%

2023: 57 metric tonnes
2022: 192 metric tonnes

SIG is committed to reducing the waste we generate and aim to have zero SIG waste going to landfill by 2025. Our primary responsibility is the SIG waste that we directly control, including monitoring and validating third-party waste contracts for our sites. This will be achieved by waste segregation, reuse of packaging and paperless processes.

However, the nature of our role as a distributor in the middle of the supply chain, handling logistics between customers and suppliers, means we are already coordinating complex logistics and supplying products across a fragmented customer market, with efficient on-site delivery. Together this helps reduce on-site waste in construction. We are also well placed to support a circular economy by recycling and repurposing materials to reduce waste and raw materials extraction.

2023 progress

A total of 12,076 metric tonnes of waste was reported throughout 2023. In 2023 94% of total SIG waste was diverted from landfill, an improvement from 92% in 2022, or over 507 metric tonnes less waste going to landfill.

Our waste data is based on reporting from our waste management companies who report whether our waste has been incinerated, recycled or sent to landfill. We are in the process of consolidating waste management providers in some countries, with an aim to make efficiencies in our data collection processes and to provide further access to recycling and incineration facilities.

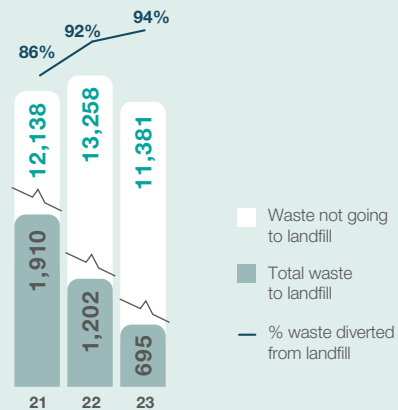
Two of our operating companies have 100% waste diverted from landfill. Benelux have an 8% increase, joining Germany at 100%. Ireland improved by 5%, while the UK also reduced waste to landfill by 2%.

In Poland, there are specific industry-wide challenges in the infrastructure and availability of recycling and waste to energy plants.

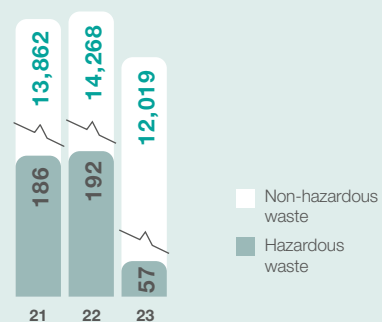
The European Commission has issued an early warning report on the progress of Poland, highlighting a strong reliance on waste landfilling¹. We are currently seeking alternatives, as Poland constitutes 5% of our total waste, however these issues currently present a challenge to our progress in achieving zero waste to landfill.

The legislative environment regarding waste is fluid, but we do expect to see regulations governing the reduction of landfill waste in all our key geographies in the coming years. We continue to expect to achieve 100% zero waste to landfill in most of our businesses, in line with our commitment.

Total waste not going to landfill (metric tonnes)



Waste type by volume (metric tonnes)



1. European Commission, Directorate-General for Environment, Poland, 2025 EU waste recycling targets – State of play, Publications Office of the European Union, 2023, <https://data.europa.eu/doi/10.2779/348402>.



Shining the light on our dark corners

We are committed to sending zero SIG waste to landfill by 2025. Clearing out forgotten rubbish and managing our on-site waste appropriately is crucial to help us meet this sustainability commitment and make our workplaces safer and healthier for all.

This year, we launched the 'Dark Corner' clean out, a Group-wide initiative to dispose of or repurpose forgotten items that were no longer needed in our branches and offices.

Much of this rubbish left in these dark corners was unnecessarily being stored for much longer than needed. Through the drive and commitment of our teams, this initiative was successfully rolled out across our branches. It has not only resulted in unwanted items being effectively disposed of or recycled but also helped our workplaces to be used more efficiently and safely.

In order to support our teams across the Group, we have established a waste working group comprised of our business's sustainability experts and led by the Group Health, Safety and Environment (HSE) team.

The working group has been instrumental in reducing our hazardous waste to a minimum by promoting and sharing methods on stock rotation and supplier disposal and reuse. This has been instrumental in our reduction of hazardous waste.

In 2023 our hazardous waste, which is typically difficult to recycle or incinerate, has fallen by 70%, compared with 2022.

Hazardous waste was 0.5% (57 metric tonnes) of total waste in 2023 and 1.3% (192 metric tonnes) in 2022. This is very good progress and must be sustained if we are to reach our commitment in 2025.

Most of our waste is non-hazardous and diversion from landfill relies on increasing awareness and education among our colleagues of good waste management regimes, recycling and branch housekeeping. We have increased training and communication in 2023, including our 'Dark Corner Clear Out' campaign.

Dark corners refer to areas at our branches where items that are no longer needed are stored, and can often be forgotten about and left on site. This campaign encouraged our sites to seek out their dark corners and dispose of the waste appropriately.

Our focus continues into 2024, with the emphasis on exploring our categories of waste that are difficult to divert from landfill. In addition, we will continue with our efforts to consolidate or change waste management providers in certain geographies to ensure efficient data collection and to provide further access to recycling/incineration facilities (where available).

Partnering across the supply chain to reduce carbon and waste



Our commitment
To partner with manufacturers and customers to reduce carbon and waste across the supply chain.

2023 progress

Scope 3 data reported

1st year of calculation

As a specialist distributor of products crucial for improving building energy efficiency, SIG plays a central role in the industry supply chain.

We provide our customers with product choices, ensure transparent product data, and offer expertise on regulatory compliance as they make these choices. We focus on finding and promoting more sustainable products from both new and existing suppliers.

In 2023, we've been taking steps towards better understanding and ultimately improving the wider carbon and waste footprint of our supply chain.

We have also been working to bring together more partners to reduce our carbon and waste across the Group. Here are some examples of how we are working across our supply chain to achieve this.

2023 activities

In 2023 we commissioned our first Scope 3 data assessment, and further details are set out on pages 24 to 25. We have continued to engage with our supply chain partners and industry stakeholders around supply chain carbon and waste in 2023.

In the UK we are working with suppliers to develop our product carbon database to ensure customers can make informed decisions on the products they choose through EPDs (Environment Product Declaration) on our SIG Assured system.

We have discussed our UK suppliers' decarbonisation measures for our main product lines with them and are working with suppliers to bring more lower carbon and carbon reducing products to market over time.

Understanding our suppliers' goals helps us to incorporate these into our plans for reducing indirect emissions.

For example, in our own Speedline brand metal products, we're developing lower carbon alternatives to our usual range, as an eco-friendly solution, working together with our partners to achieve this.

In the UK we have expanded our solar solutions and product offering across all roofing types and introduced solar canopies to our customers.

In Poland we are expanding sales of energy-efficient products to support EU regulations to drive zero-emission buildings. Our e-commerce store highlights around 500 eco-friendly items, and we are advocating for energy efficiency in conversations with suppliers, often guiding them toward their first sustainable steps.

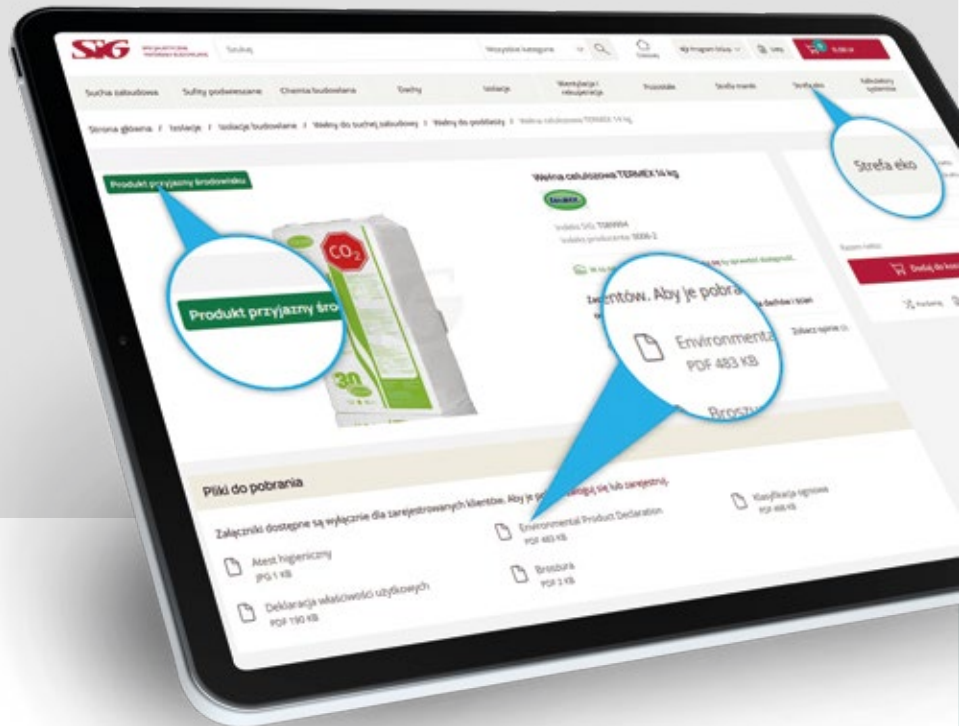
We have joined industry climate initiatives including the 'Pact for Climate' with Kraków city council and developing zero emissions plan with their advisory team. We are also partnering with the Polish Green Building Council as they help prepare the construction sector for a circular economy amidst resource scarcity and upcoming rules.

In France we have partnered with a national service provider to establish waste collection at our client sites, in line with the French REP (Responsabilité Élargie du Producteur) regulation for accessible waste collection points nationwide.

We are proud to have signed the RFAR (Relations Fournisseurs et Achats Responsables) Charter. This outlines principles that companies agree to follow in their interactions with suppliers for positive ethical, environmental, and social purchasing strategies.

We are committed to responsible purchasing through the Charter's 10 initiatives aimed at making the procurement function a true business partner for both companies and the public sector.

Partner of choice for specialist contractors



Using e-commerce to support adoption of lower-carbon products

In Poland we continue to work with our suppliers to increase the range of lower carbon and eco-friendly products that we can bring to our customers. We are leveraging our leading e-commerce platform in Poland to make choosing 'lower carbon' an easier choice.

Our platform allows us to share our products 'EPD' data digitally with our customers, and our website filters and spotlights help lead customers to lower-carbon substitutes for existing products. With EU regulations steering the construction of more zero-emission buildings over time, we believe our e-commerce platform is a valuable tool to support the industry journey towards decarbonisation.

In our Exteriors business in France, we have partnered with CAPEB (Confederation of Crafts and Small Building Enterprises). CAPEB aims to help craft building businesses in construction with designing and promoting technical solutions for building envelopes to support building energy efficiency.

In Germany, customers can return unused EPS insulation materials to our branches or to construction sites. These materials are recycled by our teams by shredding and refining them and the recycled product is then repackaged and resold as insulation material.

With our Thermoblower product and service, this recycled material can also be blended with other substances for flooring materials and delivered straight to construction sites. This process creates a new product from the waste material in a more circular process. Further information on our Thermoblower service and flooring expertise in our German business can be found on page 15.

In Ireland we have partnered with one of our largest suppliers and an environmental partner to bring plasterboard off-cuts and waste back from our branches to the supplier for recycling. This partnership has decreased our landfill waste and improved recycling in the construction supply chain.

Additionally, our HHI home improvements business joined forces with a waste contractor to collect old window frames from customer renovation projects at no cost. After removing the glass, our partner breaks down the frames for use in construction. This initiative further reduces our landfill waste and promotes recycling in construction.

Health and safety



Our commitment

Being a health and safety leader in building materials distribution.

2023 progress

LTIFR

↓ 24%

2023: 8.4
2022: 11.1

Employees feel safe at work

92%

2022: 92%

We believe that a safe, healthy workplace is the cornerstone of a sustainable, profitable business. Our aim is to build a culture where health and safety are an inherent part of our business activities; where we strive to ensure that everyone associated with our businesses goes home safe and well.

Our employees support this, with health and safety ranking as one of the top priorities for our colleagues.

Governance and structure

The ultimate responsibility for health and safety rests with the Board, Group CEO and Executive Leadership Team. This responsibility is cascaded through the organisation via our operating company Managing Directors and their leadership teams.

Each operating company has a health and safety team, supported by a central team of experts and the Group Health, Safety and Environment Director. At a Group level, the Health and Safety Policy sets the direction for our businesses, who manage and monitor their own objectives, plans and activities in accordance with this policy.

The health and safety leadership team also meet on a quarterly basis. This team comprises the health and safety leaders in each operating company and our central Group experts, and is led by our Group Health, Safety and Environment Director. Updates on progress and initiatives are discussed with the aim of sharing best practice and knowledge across the Group.

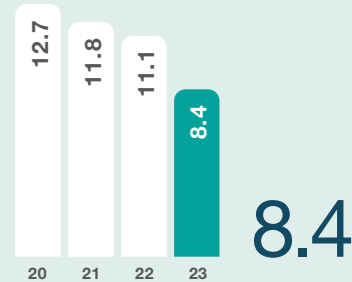
Regular comprehensive reporting from the businesses to the Board and the Executive Leadership Team also details progress on strategy, KPIs, key initiatives and significant incident detail.

2023 progress

Our health and safety highlights for 2023 include:

- Introduction of our new ‘Everyone Safe, Every Day’ strategy, objectives and KPIs
- Our engagement survey shows that 92% of our employees feel safe at work.
- We have reduced our Lost Time Injury Frequency Rate (‘LTIFR’) to 8.4 from 11.1 in 2022.
- Our ‘near miss’ hazard reporting has increased by 66%, a positive improvement demonstrating a more open reporting culture and allowing us the opportunity to prevent hazards from becoming incidents.

LTIFR history



We are pleased to have achieved a 24% decrease in our LTIFR, with a reduction to 8.4 from 11.1 in 2022. Our employee LTIFR (excluding temporary and agency staff) also reduced to 7.5 in 2023, from 8.8 in 2022. There were strong performances in France and UK, with France in particular decreasing from 15.8 to 8.9 in 2023.

Correspondingly, we are pleased to report that our incident severity rate has reduced by 33% to 22.3 in 2023 (2022: 33.2). This is a good reduction giving us reassurance that we are managing those risks which could lead to serious and potentially fatal injuries.

 **Tous en sécurité,
Tous les jours**

 **Alle sicher,
jeden Tag**

 **Bezpieczeństwo
dla wszystkich.
Zawsze**

 **Everyone
safe,
every day**

 **Iedereen
veilig,
elke dag**

Everyone safe, every day

‘Everyone safe, every day’ is our Group health and safety programme and strategy. The programme operates across our geographies and has been translated into our key languages.

In addition, the ‘Total Recordable Incident Rate’ (using OSHA definitions) fell from 2.5 in 2022 to 1.9 in 2023, whilst our “Total Incident Rate” remained stable. Our TIR rate includes all incidents – first aid, hazards, near misses, environmental and property damage, and we believe this stability indicates our colleagues’ increasing readiness to report all types of incidents and support prevention of accidents.

This open reporting culture also led to a 66% improvement in ‘near miss’ hazard reporting. While our near miss numbers are not yet at industry average, we are pleased with this progress and continue to work to encourage all our employees, contractors and stakeholders to report near misses, and unsafe situations and behaviours.

All of the performance data above covers 100% of the Group’s operations.

We firmly believe that active, visible leadership, employee engagement, and systems and processes that are continually challenged and improved, will drive us towards achieving excellence in our workplaces and culture.

Our strategy released in summer 2023 is based on three goals, designed to achieve our vision to provide safe, healthy working environments and cultures, where health and safety is integral to our business activities and all our people actively engage in our drive to excellence.

Leadership

All our leaders visibly lead by example in health, safety and environment (HSE). This includes displaying behaviour and actions that demonstrate interest, ownership, responsibility and care for HSE and responding positively to concerns, issues or suggestions.

Employee engagement

All our people are actively engaged in our drive to HSE excellence. Everyone feels informed, included and involved in HSE decisions and we all actively contribute by sharing ideas, suggestions, near misses and observations.

Workplaces, systems, processes

We have safe and healthy working environments for all stakeholders. We continuously strive to improve our best practices, supported by intuitive systems and easy to use processes/standards.

We have established HSE forums throughout our businesses so our colleagues can feel informed, included and involved in HSE decisions. We are also rolling out our enhanced incident reporting tool, with the use of QR codes in every branch, so our stakeholders can more easily report safety issues, hazards and near misses.

In terms of workplaces, systems and processes, we have developed and implemented a set of Group-wide HSE Principles based around our key hazards and risks. During 2023, we assessed each of our businesses against these principles, providing a baseline for continuous improvement. Results of these assessments have been reviewed by our leadership teams, with improvement plans created for both individual business and common themes.

The progress against our strategy is monitored on a regular basis by our executive leadership team and the Board.

2024 Focus

We will continue our strategy, with:

- The creation of materials for our leaders, designed to support the introduction of regular leadership walks, inspections and conversations
- Undertaking a full training needs analysis of our HSE professionals
- The creation and implementation of a standard HSE induction specification
- Further promotion of near miss, hazards and safety observation reporting

To drive our progress, we have established for each goal a set of activities and KPIs. In 2023, we have set HSE Leadership and Accountabilities for all levels of the organisation, so that everyone clearly understands their role and provided training on these.

Our people



Our commitment

To be an employer of choice in the building materials distribution industry.

2023 progress

Employee engagement (eNPS)

+14

FY22: +14

Engagement index

71%

2022: 73%

SIG is a people-centric business. This commitment runs through everything we do. We aim to ensure that all of our people feel supported, valued and engaged in their work at SIG.

In 2023, we've continued with our strong focus on our people. We've invested in career development and further learning opportunities, charitable engagement in the community, and in our culture to continue championing diversity across the Group.

Our goal is for SIG to continue to be a great place to work, where our employees feel safe, respected, and appreciated. We're dedicated to making sure everyone thrives in our inclusive workplace.

We're proud that our commitment to being an employer of choice has been validated by external recognitions and accreditations during 2023. Our German business has been recognised with a 'Top Company Award' from Kununu, a German Employer rating agency, while our colleagues in Poland earned the SIG 'Great Place to Work 2023' recognition. In addition, we have been independently certified as a 'Top Employer' in France in January 2024.

Employee Engagement & Wellbeing

Our latest annual employee engagement survey conducted across September and October 2023 has shown we are maintaining a consistent level of engagement, with an employee commitment score (eNPS) in 2023

of +14 (2022: +14). This reflects SIG as a positive, supportive and engaging place to work, and the stable result is positive in the context of more challenging trading conditions in 2023 compared to 2022.

At SIG, we're committed to fostering a fair, positive and inclusive work environment for all. As a Group we are pleased to confirm that in 2023 we have had no significant controversies related to employee wages or working conditions.

Diversity, Equality and Inclusion (DEI)

Our vision is clear: we want to develop a culture that's fair and inclusive. We firmly believe in the importance of diversity and inclusion.

We want everyone in our organisation to feel valued and included but also to create an environment reflecting the communities in which we operate.

Our DEI Forum meets quarterly to develop and promote initiatives which encourage diversity, equality and inclusion in the workplace and support the communication and delivery of local and Group initiatives, including importantly the impact of these activities in the business as measured through the annual DEI index.

This has been supported with increased internal communication and employee engagement activities to support a workplace where our employees feel safe, valued, empowered and proud to work for SIG.

Gender diversity (male/female split)¹

	2023		2022	
	Male %	Female %	Male %	Female %
Total employees	78	22	78	22
Board members	80	20	80	20
Executive Leadership team	79	21	77	23
Senior managers ²	77	23	79	21
Senior managers ³	73	27	70	30

1. Headcount as at 31 December 2023.

2. Data is per s.414C(8) of the Companies Act and includes subsidiary directors – population of 26 employees.

3. Data as per provision 23 of the UK Corporate Governance Code – population of 109 employees.



SIG Talent Club in France

SIG is committed to attracting and developing the best talent and to creating employment opportunities in our local communities. In France we held our second annual Talent Club event in October for our 85 apprentices across the country to spend the day together to learn and develop skills.

The programme included using games and collaborative projects to build relationships and team skills, and meeting with regional directors and HR leaders. It also included a 'fresh ideas' session to share and brainstorm new ideas and different perspectives to find ways to tackle common business challenges.

In terms of gender diversity, 21% of our positions at ELT level are held by females, while females comprise 22% of our overall workforce. We were delighted to have appointed Kath Durrant as our new Senior Independent Director this year, and you can find more details about this in our Governance Report.

Our latest gender pay gap report can be found on our website.

Talent, Succession & Development

The skills and capabilities of our leaders and our colleagues are key enablers in our ability to deliver on our strategy. During 2023 we have further developed our talent and leadership programs to support this.

For senior leaders, we've implemented Individual Leadership Development Plans which act as roadmaps for their continuous growth, skills, and knowledge as leaders. Additionally, in each region

we reviewed the organisational capability and skills required to deliver our business goals and each region now has robust action plans for these in place.

In February 2023, our Group CEO, Gavin Stark, joined SIG and this transition was well-managed through a comprehensive succession plan overseen by the Nominations Committee.

We're also expanding our Learning and Development offerings across the entire Group. We've invested over 25,000 hours on themes such as Effective Communication, Management and Leadership skills and Health and Safety, ensuring that our team members have access to valuable learning opportunities.

Each year, our employees complete an annual performance and development review. This includes a review of their core skills, professional development objectives, and opportunities for career progression.

Apprenticeships, Community & Charity

We're dedicated to providing career opportunities across the local communities in which we operate and are making a positive impact, with our successful apprenticeship programs supporting our 348 apprentices across the Group. Our program creates opportunities for individuals from all backgrounds and provides training in multiple roles including warehouse, branch, HR, and IT roles.

Throughout the year, our local businesses choose and support various charities through fundraising efforts. In 2023, we organised a wide range of events and initiatives. In the UK, for example, in partnership with our suppliers we raised in excess of £100k, which we divided equally between our own Rainy Day Charity and with Cancer Research UK. In total, we raised £386k for charities across the Group, an achievement of which we are all proud.

When it comes to our recruitment efforts, we're dedicated to seeking out the best talent from our local areas. We believe we play an important part in supporting local economies by providing employment opportunities to those in our communities.

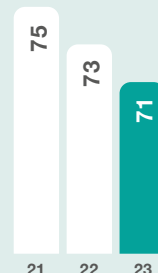
Engagement Index %



eNPS



Response rate %



Task Force on Climate-related Financial Disclosures

Climate-related disclosures

In 2021, the Financial Conduct Authority introduced the mandatory Task Force on Climate-related Financial Disclosures (TCFD). The TCFD recommendations are supported by 11 disclosures that require the Group to provide detailed information on how we are assessing our climate-related risks and opportunities and what we are doing to mitigate the risks of climate change, and also provide transparency about how the risks and opportunities are governed.

We have addressed how we have complied with these recommendations on page 46.

Governance

The Board recognises the impact and complexity of climate change and the need for immediate and meaningful action. Alongside this, the Board also recognises that the Group has a long and rich heritage in delivering energy efficient solutions to customers and that there are significant opportunities for the Group from climate-related matters and the drive for sustainable construction. Its role in the year has been to ensure that the Group's approach to such risks and opportunities is balanced, measured and appropriate for our business.

In 2021, the Board approved the five sustainability commitments discussed on page 21. In the current year, the focus of the Board and senior management in relation to climate-related matters has been as follows:

- understanding our progress against our climate-related commitments, including:
 - reviewing the interim targets towards our carbon reduction and waste reduction commitments;
 - understanding the improvements made in carbon reporting to facilitate better control and management of our carbon emissions and waste;
 - reviewing and challenging operating company net zero transition plans towards 2035;
- authorising the roll-out of a comprehensive communications strategy to ensure that the sustainability commitments are understood at all levels of the organisation, including approving a new sustainability policy;
- focusing on our commercial agenda with respect to sustainability including:
 - understanding the impact of regulation on our business;
 - defining a framework for categorising product sustainability;
 - accelerating the growth of new sustainable products and solutions; and piloting new models for working with innovative early stage manufacturers;

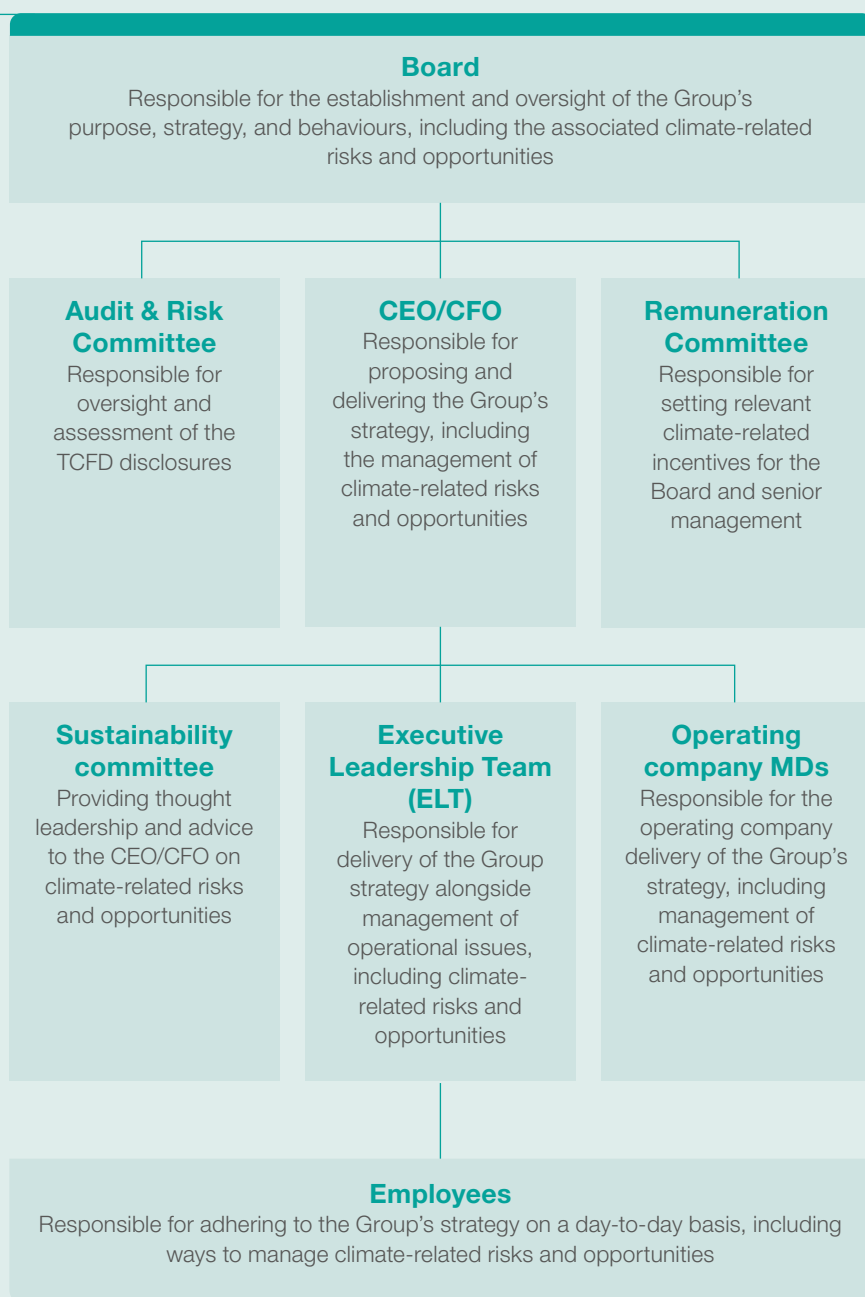
- reviewing the climate-related risks identified in the Group and ensuring that there are appropriate mitigations in place; and
- understanding how our carbon and waste reduction plans, plus the opportunities we see from climate-related matters, have been embedded in the Group's budgets and medium-term plans.

In 2023, the Board requested an analysis of our Scope 3 carbon emissions to be prepared, to inform early discussion on how we might approach the reduction of these over the long-term. This has been completed. See page 24 for Our Scope 3 Journey.

In 2023, we further formalised and enhanced the reporting that the Board and senior management see in respect to the progress we are making against our commitments and the opportunities we have identified. This has been completed and is being performed on at least a quarterly basis.

Governance and management structure of climate-related matters

The governance of climate-related matters, amongst our broader sustainability commitments, is as follows:



Task Force on Climate-Related Financial Disclosures / continued

The Board continues to ensure that there is appropriate climate-related expertise within the business and in 2023 has continued to build on this level of knowledge and understanding.

The Board is assisted in its duties by the Audit & Risk Committee and the Remuneration Committee. The Audit & Risk Committee has the responsibility to ensure that the Group's TCFD reporting is appropriate, transparent and representative of the position of the Group in this area. In 2023 the Remuneration Committee decided that there would be an ESG objective included within the personal objectives in the bonus scheme for certain senior management.

The CEO is ultimately responsible for delivering the strategy of the Group, including management of climate-related risks and opportunities. He is supported by senior management who have the responsibility to deliver this strategy on a day-to-day basis and to ensure that climate-related matters are appropriately cascaded through the business. This includes:

1. Sustainability committee – this committee includes the CEO, CFO, Chief People Officer (responsible for Social), Group Health, Safety and Environment Director (responsible for operational sustainability), Company Secretary (responsible for Governance), senior representatives from the operating companies and sustainability subject matter experts. This committee, whilst not a Board Committee, has been instrumental in driving our sustainability commitments forward and providing thought leadership and advice on all areas of climate change risks and opportunities in the Group. This committee meets monthly.

2. Operating company MDs – each MD is responsible for embedding the Group's strategy into their operating company. This includes both understanding and mitigating the climate-related risks noted in the Group whilst also harnessing the opportunities

that climate-related matters bring. Each MD is supported by sustainability specialists who are driving operating company specific plans to meet the challenging commitments we have set ourselves, both in terms of our path towards net zero, and also ensuring that we continue our tradition of bringing energy efficient solutions to the market.

3. ELT – The ELT is responsible for the operational delivery of the Group's strategy. They form a key role in developing the approach, focus and day-to-day management of climate-related matters alongside ensuring that the performance against our commitments is monitored appropriately and in line with the overall strategy. The ELT meets regularly.

Strategy

Climate-related risks and opportunities can include risks and opportunities from physical events, such as extreme weather events, or risks and opportunities because of a transition to a low-carbon economy.

Acute physical risks

The Group does not consider acute physical risks such as drought, flooding, wildfires and hurricanes to be material strategic risks given that the Group, along with the majority of its key suppliers and customers, operates in the UK, Ireland, France, Germany, the Netherlands, Belgium and Poland. Flood risk could be a consideration but based on an external review of our branch network, only a small number of our branches have a high flood risk attached to them, leading to minimal risk for the Group's strategy.

Further analysis on the potential impact of physical risks on our supply chain confirmed that the risk to the Group was not material due to:

- the Group's ability to pivot to new suppliers and supply routes should a significant physical event occur;
- the location of our key suppliers in areas of Europe that are less exposed to acute physical risks; and

- the mitigation strategies of our key suppliers to physical risks, which include:
 - ensuring physical risks are built into forecasts and risk modelling when considering new expansions or sites;
 - implementation of risk prevention policies that minimise the impact of significant events should they arise. This includes a special focus on sites with high exposures to natural disasters and business continuity plans; and
 - diversified manufacturing sites which allow supply to be maintained from areas of the world not impacted by a particular physical event.

Transition risks and chronic physical risks

In terms of transition and chronic physical risks, the Group considers short-, medium- and long-term horizons to be as follows: short-term is within the next 3 years (in line with our viability review period); medium-term is 4-10 years; and long-term is over 10 years. The table below sets out the main climate-related transition and chronic physical risks that the Group faces alongside proposed mitigating strategies and the impact on the Group's strategy.

Opportunities

The need for greater energy efficiency and decarbonisation in the built environment presents a significant number of opportunities for the Group which are already built into our strategy. Our category mix is well positioned to support this, with both insulation and roofing critical to building energy performance as well as solar products and lower-carbon building products.

For the purpose of this disclosure, we class sustainable products as those which minimise embodied and upfront carbon generation (low carbon products), conserve energy through their lifetime performance in a building or generate / store energy to reduce reliance on fossil fuels.

Our commercial priorities and opportunities centre around:

1. Responding to regulations in the energy performance of buildings and the need for enhanced building materials product sustainability

– the resulting growth in the retrofit market and in energy efficient categories such as insulation, timberframe, photovoltaic and heat pumps, as examples, will support demand for our core categories including insulation, roofing, timber and plasterboard. It will also support demand for the data-driven technical advice on the carbon performance of specific products across multiple suppliers.

2. Accelerating the growth of new sustainable products and solutions

- a. Insulation – new lower-carbon insulation products have been introduced such as wood fibre insulation and sheep’s wool insulation.
- b. Sustainable roofing solutions – we are expanding and promoting our sustainable roofing solutions including lightweight synthetic roof tiles, natural slate tiles, green/brown roofs and single ply membranes.
- c. Solar panel market innovation – driven by legislation in new builds and rising energy costs, the market for solar panels will increase significantly. We are building capability to ensure we have complete solutions for pitched roofs, flat roofs, industrial buildings and rainscreens.
- d. Small scale drylining options – supporting emerging suppliers in low-carbon plasterboard solutions and natural alternatives to steel for stud and track walls.

3. Partnering with early-stage innovators to develop new products and solutions

– we are partnering with our network and customer bases to bring new sustainable products to market. These climate-related opportunities need to be further quantified to evaluate the positive financial impact on SIG.

Impact on financial planning and financial statements

In 2024, we will be conducting a double materiality assessment, which will incorporate financial risk impacts for a range of ESG topics. The results should give us further data on the quantification of material climate-related financial risks.

We recognise the largest financial impact from our carbon-related risks is the cost involved with removing fossil fuels from our fleet. The strategy for transitioning the fleet to a lower-carbon basis is to replace aged vehicles with lower-carbon alternatives as and when the leases naturally renew, and when and where possible, and to focus on a short- to medium-term transition to lower-carbon fuels which can be used in our existing fleet. There are currently no plans to accelerate the transition of the fleet to lower-carbon alternatives over and above the natural lease cycle.

This is because:

- the cost to break the leases and accelerate the renewal of the fleet with lower-carbon options is prohibitive;
- there is also little to no availability for low-carbon HGVs, at least in the near term;
- the national charging networks are currently insufficient to support our charging needs – national infrastructure plans are required to make the option financially viable;
- many of our branches do not have the power capacity currently to support charging requirements or hydrogen provision;
- the currently available electric HGV range does not support our delivery structure – it is most suitable for long routes with no stops which is not common in our business; and
- vehicle solutions are still in development
 - OEMs are currently uncertain on whether electric, hydrogen, battery or hybrids will be the favoured long-term solution

– There are some challenges remaining with HVO type fuels, these include concerns expressed by some stakeholders regarding the provenance and environmental impacts associated with HVO, and potential issues regarding the financing, supply and cost of HVO.

We expect to be able to meet our net zero carbon goals by 2035, although it does rely on technological advances and infrastructure support, therefore there is currently no need to accelerate the replacement of the fleet to meet our commitments.

The costs of pursuing this strategy over the short-term have been factored into our budgets and medium-term plans by each operating company. Over this period, these costs largely relate to the transition of our car and forklift fleet to lower-carbon alternatives and the gradual transition to alternative lower-carbon fuels.

Given the uncertainty regarding the adoption of optimum future technologies, it is not possible to quantify the financial impact it may have on the Group long-term. However, given the opportunities we see for the business in relation to the response to climate change, we do not consider there to be a material risk to the long-term financial health of the Group.

The financial impact of climate-related matters is further discussed on pages 55 to 56 as part of our viability and going concern statements as well as in Note 11 of the financial statements which details our considerations in respect of impairment reviews. These statements conclude that there is not considered to be a significant risk of climate change causing a significant downturn in cash flows across the Group.

Task Force on Climate-Related Financial Disclosures / continued

In terms of transition and chronic physical risks, the Group considers short, medium and long-term horizons to be as follows: short-term is within the next 3 years (in line with our viability review period); medium-term is 4-10 years; and long-term is over 10 years. The table below sets out the main climate-related transition and chronic physical risks that the Group faces alongside proposed mitigating strategies and the impact on the Group's strategy.

Risk	Description	Mitigation	Impact on strategy, future revenues and costs
Specific climate-related risks			
Removal of fossil fuels from our fleet (S/M/L)	Vehicle emissions remain the single largest contributor to our carbon emissions. There is a significant degree of uncertainty regarding the optimum future technology for our heavy-duty fleet and there is therefore risk regarding what and when any investment in new technologies should be made.	Pages 22 to 23 set out our progress and future plans for decarbonising our fleet. Whilst the most cost-effective route for decarbonising heavy-duty vehicles remains the biggest uncertainty, we are starting to trial the use of alternative fuels, i.e. bio-gas, hydrogen and HVO, and will continue to work with our fleet partners and manufacturers to assess the most viable long-term alternatives.	High It is likely that SIG will, in time, need to invest in a low-carbon fleet. Given current pricing, this may have the potential for significant investment and cost.
Waste management (S)	There is an increased likelihood of greater regulatory pressure to ensure that, in addition to the management of SIG's 'own waste', companies will become liable for product waste, particularly with regards to 'end of life' and 'embedded carbon' obligations. Any such requirement in the near term would present significant challenges in terms of reverse logistics processes and costs.	Our commitment to zero SIG waste to landfill by 2025 is driving several waste initiatives in the Group. Whilst this commitment is currently our focus, in 2024 we will expand our thinking to include non-SIG waste and ensure that we are well placed to support the circular economy by recycling and repurposing materials to reduce waste and raw materials extraction.	Medium Greater regulatory pressure may increase SIG costs by the funding of waste take back schemes or increased waste related taxes / levies.
Product carbon data (S/M/L)	There is a risk that we either lack or do not have access to the appropriate degree of detailed product or manufacturers' data to satisfy customers' needs with regards to their own internal ESG requirements or sustainability drivers.	Product data quality remains a focus area for our operating companies, who continue to monitor, assess and upgrade their product data requirements, capabilities, and governance considering ongoing changes in business needs and regulation.	Medium Failure to provide required carbon data to customers could potentially result in loss of revenue.
Energy efficiency (property portfolio) (S/M)	There is a risk that the age and construct of our branch estate impacts our ability to drive enhanced energy efficiency across our property portfolio. This has the potential to create reputational impacts and potential wellbeing issues for the employees in the branches.	We expect that all new branches procured or leased will have sustainable, low-carbon features included where commercially viable. For the existing estate, branches are being upgraded in a controlled manner, where needed, with LED lighting being used to replace traditional lighting and other energy initiatives e.g. solar strategies.	Medium Failure to drive enhanced energy efficiency in our property portfolio potentially could increase operational costs via higher energy bills and increased employee turnover.

Risk	Description	Mitigation	Impact on strategy, future revenues and costs
Chronic physical risks (M/L)	Chronic physical risks are longer-term shifts in climate patterns. Frequent summer heatwaves restrict or impact summer construction periods whilst higher winter precipitation and more intense storm events affect outdoor winter construction. This may have an impact on how construction projects are scheduled, planned and executed.	The relatively long-term nature of this risk will allow the Group time to formulate a sustainable response to the changing weather patterns, alongside its suppliers and customers.	Medium This risk is long term so difficult to predict in terms of impacts on costs and revenues.
Use of carbon offsets (L)	SIG has set net zero carbon targets and may use carbon offset schemes to balance harder-to-reduce emissions. There is a risk that sufficient 'quality' and economically viable offset schemes may not be available to meaningfully mitigate any carbon target shortfalls.	We are committed to achieving our carbon targets and will identify and prioritise the key enablers to reducing our carbon emissions. We expect that offsets would only ever be utilised as a last resort. Our intention is not to operate an internal market for carbon credits as we believe the primary focus should be on reducing emissions.	Medium There is a potential reputational risk that SIG may not be able to mitigate any carbon target shortfalls. This may cause reduced revenues, dependent on customer / societal norms in 2035.
Energy market volatility (S/M)	Conflict between long-term decarbonisation targets and a desire to manage uncertainties presented by unpredictable energy markets results in governments delaying or failing to make the necessary infrastructure investments to support the transition to a green economy. This impacts the industry's ability to deliver its carbon reduction plans.	While recognising the impacts of government policy and regulation on our decarbonisation strategies, we continue to assess our planned contribution to reducing carbon emissions on the basis of the impact on SIG and our shareholders and customers. We remain committed to their execution and the realisation of their benefits.	Medium The failure of governments to make infrastructure investments could impact our ability to deliver carbon plans and cause reduced revenues dependent on customer / investor norms in 2035.
Grid electrification capacity (S/M/L)	According to the World Economic Forum, the electrification of cars is likely to increase the total electricity demand upwards by 10-20% globally. There is a risk that local power grids and transmission network capacity and infrastructures are unable to accommodate the increased volume of required charge points or the capacity of local transmission networks to handle increased peak loads to support recharging.	While we continue to seek opportunities to utilise alternative technologies to reduce our carbon footprint, we recognise that the capacity of local infrastructures to support the introduction of these technologies may impact the speed or scope with which these initiatives are introduced. We continue to work with key partners and stakeholders to ensure that any constraints are identified, risk assessed and, where possible, mitigated prior to the implementation of new technologies and any additional costs are considered as part of our investment appraisal processes.	High Local adaptation of commercial property to provide electric charging facilities is likely to result in increased rents and higher operational costs for SIG.

Task Force on Climate-Related Financial Disclosures / continued

Scenario analysis

The Group has looked at two climate change scenarios to assess the potential consequences from each scenario as well as the likely directional impact they will have on the Group's risks and opportunities. We will continue to review this assessment and work to enhance our reporting on the resilience of our strategy to these scenarios. The Group's long term strategic objectives integrates the delivery of our sustainability ambitions, of which the decarbonisation of our own operations is the most material in the short to medium term. We continue to evaluate the risks to achieving our objectives in the context of two climate change scenarios whereby global warming is limited to an increase of either 1.8°C or 3.3°C by the end of 2050.

Scenario	Effective action but implementation delayed (transition scenario)	Ineffective action (physical scenario)
	<p>Late action: The implementation of policy to drive the transition is delayed until 2031 and is then more sudden and disorderly. Some government and societal commitment to ongoing enhancements and improvements to achieve targets and forecasts implemented. Global warming is limited to 1.8°C by the end of the scenario (2050) relative to pre-industrial levels.</p> <p>The more compressed nature of the reduction in emissions results in material short-term macroeconomic disruption. Significant growth opportunities for SIG in terms of likely increased demand for transitional technologies and products to support lower-carbon construction and building upgrades.</p>	<p>No action: No policies introduced beyond those already implemented. The absence of transitional policies leads to a growing concentration of greenhouse gas emissions in the atmosphere and, as a result, global temperature levels continue to increase by 3.3°C relative to pre-industrial levels by the end of the scenario (2050).</p> <p>This leads to chronic changes in precipitation, ecosystems and sea levels leading to permanent changes in living and working conditions, and impacts on buildings and infrastructure. UK and global GDP growth is permanently lower and macroeconomic uncertainty increases.</p>

Possible impact and consequences

Policy and regulatory	<p>There will be significant government support for green infrastructure investments. Mandatory product information will be needed to support this investment.</p> <p>Carbon taxes help to drive the transition to sustainable energy, penalising the use of fossil fuels whilst encouraging investments in energy efficient infrastructure.</p> <p>Failure to meet national and global carbon targets is likely to result in more regulatory interventions resulting in some short-term scarcity in supply chains.</p> <p>Government policy supports and subsidises investment in lower-carbon intensity fleets.</p>	No additional effective policy action on climate change.
Economy and market	<p>Possibility of a climate-related recession in the early 2030s but that long-term growth continues.</p> <p>New technological developments needed whether driven by infrastructure investment or not, which drive development of non-fossil fuel energy sources and transport networks.</p> <p><5% of homes become uninsurable for climate risks.</p> <p>Banks offer green mortgages and financing products for green renovations.</p>	<p>Economic growth in steady decline and driven by high levels of economic uncertainty.</p> <p>UK and global growth are permanently lower.</p> <p>c10% of homes become uninsurable for climate risks prompting overall lower investment in affected property.</p> <p>Infrastructure investments are critical, driven by the need to develop climate resilient defences.</p>

<p>Technology</p>	<p>Offsite manufacturing is used due to its lower embodied carbon. Newly built structures will need to be significantly redesigned, with buildings simultaneously needing to consume less materials in the build yet be structurally stronger.</p> <p>Increased investment in digital capabilities to facilitate the modelling of the build to disclose carbon content.</p> <p>Products heavily reliant on fossil fuels no longer wanted, leading to product innovation, rising deconstruction and higher supply chain costs.</p>	<p>Offsite manufacturing boosted as onsite work impacted by weather extremes.</p> <p>Increased focus on resilience of buildings to climate change.</p> <p>Urgent pressure to decarbonise the construction industry results in new products which may make existing product obsolete or see new disruptors entering the market, challenging long-standing relationships and arrangements.</p>
<p>Physical and climate</p>	<p>Higher incidence rate of acute physical weather events with some impact on chronic events such as increased precipitation and heatwaves.</p>	<p>Global warming relative to pre-industrial times reaches 3.3°C by 2050. Accelerating and widespread climate change manifests itself in irreversible consequences that will push ecosystems beyond tipping points.</p> <p>Frequent summer heatwaves, higher winter precipitation and more intense storm events will materially affect construction activities.</p> <p>Extensive flooding with a mean sea level increase in the UK. UK, Netherlands and Northern Germany particularly exposed to flooding. Supply chains significantly disrupted in the worst-hit regions.</p>

Key Climate Risks and Resilience Strategies

Our climate related risks and mitigation are detailed on pages 40 to 41 with the impact of the scenarios on our climate related risks on page 42 and 43. Here we highlight the material risks based on scenario modelling and any additional impacts or resilience strategies considered.

- Removal of fossil fuels from our fleet
 - In both scenarios the climate related likelihood and impacts increase (see page 40). In terms of resilience, our net zero plans and current mitigation detailed on page 22 are viable strategies assuming the transition can be factored over a reasonable period. If the transition period was shortened further, for example by government regulation, there may be a negative impact on operational and financial performance due to a lack of the availability and viability of alternative low carbon transport solutions.
- Waste Management – In both scenarios, the likelihood of this risk increases. Our current mitigation on page 40 shows that we are highly resilient to this risk

based on our current waste to landfill commitment and activities.

- Product Data – In these scenarios the requirement for accurate product data, particularly with regards to potential energy or carbon saving efficiencies, will increase. The mitigation on page 40 outlines our current (and future) resilience to this increased risk.
- Chronic Physical Risks – In the ineffective action scenario, the likelihood and impact of this risk increases as accelerating and widespread climate change events occur. The long-term nature of this risk, however, will give us time to adjust (with customers, suppliers and other stakeholders in the construction value chain) to adopting sustainable working practices, materials and ways of constructing the built environment to ensure a manageable impact and increased resilience to the risk.
- Energy Efficiency (property portfolio)
 - In the ineffective action scenario, the likelihood and impact of this risk increases. In addition to our current mitigation on page 40, we envisage a broader need for us to work with our

partners and suppliers to develop new materials, technologies and products to increase building innovation, resilience and adaptation to further mitigate against future acute climate events, and in doing so increase potential commercial opportunities and sources of revenue.

- Opportunities – these are discussed on page 38 and 39. In both scenarios there are impact and likelihood increases, with a demand for our sustainable products. Our expectation over the medium term is that for the 1.5°C scenario, our customers will increasingly move away from non-sustainable products, as end users demand for sustainability and adaptation in the built environment increases, whilst in the longer term, for the 3°C scenario, more sustainable products will become the mainstream option in as governments are forced to legislate in response to worsening economic, societal and meteorological impacts of climate change. Whilst we have not quantified this, it may have positive or negative impacts on our business.

Task Force on Climate-Related Financial Disclosures / continued

Risk trend

▲ Increased likelihood of climate-related risk or opportunity occurring/increased impact on the climate-related risk or opportunity.

◻ Neutral likelihood of climate-related risk or opportunity occurring/neutral impact on the climate-related risk or opportunity.

▼ Reduced likelihood of climate-related risk or opportunity occurring/reduced impact on the climate-related risk or opportunity.

Effective action but implementation delayed (transition scenario)		Ineffective action (physical scenario)	
Relative likelihood	Relative impact	Relative likelihood	Relative impact

Impact of scenario analysis on climate-related risks

Removal of fossil fuels from our fleet	▲	▲	▲	▲
Waste management	▲	◻	▲	▲
Product carbon data	▲	◻	▲	▲
Energy efficiency (property portfolio)	◻	◻	▲	▲
Chronic physical risks	◻	◻	▲	▲
Use of carbon offsets	◻	◻	◻	◻
Energy market volatility	◻	◻	◻	◻
Grid electrification capacity	◻	◻	◻	◻

Impact of scenario analysis on climate-related opportunities

Responding to regulations in the energy performance of buildings and the need for enhanced building materials product sustainability	▲	▲	▲	▲
Accelerating the growth of new sustainable products and solutions	▲	▲	▲	▲
Partnering with early-stage innovators to develop new products and solutions	▲	▲	▲	▲

Risk

The process of identifying and assessing the climate-related risks noted on pages 38 to 39 follows our overall approach to risk management set out on pages 58 to 63 in that we focus on our strategic objectives and combine a top-down strategic Group-level view with a bottom-up operational view of the risks at operating company level. To assess our risks, we consider the likely financial, reputational, regulatory and operational impacts that could have a material financial impact and the probability that each risk may materialise. A granular

and specific climate change risk review is also performed with members of the sustainability committee and other stakeholders. The outputs from these risk review exercises have been combined to consolidate our view of our principal climate-related risks and will continue to be reviewed by the Board, Executive Leadership Team and sustainability committee throughout the annual risk cycle.

The management of climate-related risks follows the Group's overall risk management principles as set out on

page 59 and encompasses five key areas: the Role of the Board, Responsibility and accountability, Transparency and openness, Culture of continuous improvement and Applicability.

Whilst the Board recognises that in order to achieve its strategic objectives, it must accept and manage a certain degree of risk, it has a low appetite for risks that have significant negative consequences. It aims to ensure that the Group either avoids those activities that may result in climate-related risks accelerating or eliminates the risks through applied and focused mitigation efforts.

Metrics and targets

The Group sets out its Scope 1, 2 and 3 emissions on pages 26 to 27; these have been verified by Accenture to ISO 14064-3 to a limited level of assurance. Pages 20 to 35 also set out the additional metrics that we use to monitor the progress of our sustainability commitments, from a climate-related perspective. These include current fleet mix by fuel type, % waste diverted from landfill and details on the type of waste we have i.e. hazardous and non-hazardous.

TCFD compliance

Thematic recommendations	Recommended disclosures	Where reference can be found in the report
Governance – Disclose the organisation’s governance around climate-related risks and opportunities.	Describe the Board’s oversight of climate-related risks and opportunities.	Pages 36 to 39
	Describe management’s role in assessing and managing climate-related risks and opportunities.	Pages 36 to 39
Strategy – Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning where such information is material.	Describe the climate-related risks and opportunities the organisation has identified over the short-, medium-, and long-term.	Risks – pages 40 to 41 Opportunities – page 38 to 39
	Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning.	Risks – pages 40 to 41 Opportunities – pages 38 to 39
	Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Pages 42 to 43. Our review has concentrated on identifying the likely consequences and directional impact of two scenarios on the Group’s climate-related risks and opportunities.
Risk – Disclose how the organisation identifies, assesses, and manages climate-related risks.	Describe the organisation’s processes for identifying and assessing climate-related risks.	Page 38 to 39
	Describe the organisation’s processes for managing climate-related risks.	Page 38 to 39
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s overall risk management.	Page 38 to 39
Metrics and targets – Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Sustainability commitments and metrics on page 20 to 21. GHG emissions on pages 26 to 27.
	Disclose Scope 1, Scope 2, and if appropriate, Scope 3 GHG emissions, and the related risks.	Disclosed on pages 26 to 27. We report Scope 1, Scope 2, and business travel and third-party logistics Scope 3 emissions. As discussed on page 24, we have reported our Scope 3 emissions for the first time and will continue to further develop our emissions engagement going forward.
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	The interim targets towards our net zero carbon commitment is disclosed on page 24.

Non-Financial and Sustainability information statement

SIG continues to integrate ESG responsibility across the Group, and we are committed to socially responsible business practices for our shareholders, employees, customers and suppliers.

This section constitutes SIG Plc's Non-Financial Information Statement and is produced to comply with Sections 414A and 414B of the Companies Act 2006.

In compliance with the Non-Financial Reporting Directive, the table below summarises the requirements and where relevant information can be found within the Annual Report and Accounts.

Further information on our sustainability policies and corporate responsibility can be found on our website (www.sigplc.com).

Reporting Requirements	Relevant Policy / Code	Section within Annual Report
Climate-Related Financial Disclosures	Sustainability Policy	TCFD (pages 36 to 45)
Environmental Matters	Sustainability Policy	Sustainability (pages 20 to 35)
Employees	Code of Conduct	People Commitment (pages 34 to 35)
	Health and Safety Policy	Gender Diversity (page 34 to 35)
	Health & Wellbeing Policy	Board Diversity (page 34 to 35)
	Anti-Bribery & Corruption Policy	People Principal Risks (page 60 to 63)
	Whistleblowing Policy	Employee engagement (page 34)
	Modern Slavery Policy	Talent and succession (page 35)
Human Rights	Code of Conduct	People Commitment (page 34 to 35)
	Modern Slavery Policy	Stakeholder Engagement (page 72 and 73)
	Ethical Trading and Human Rights policy	
Social	Code of Conduct	People Commitment (page 34 to 35)
		Stakeholder Engagement (page 72 and 73)
		Governance (pages 64 to 127)
Anti-bribery	Anti-Bribery & Corruption Policy	People Commitment (page 34 to 35)
	Whistleblowing Policy	Governance (pages 64 to 127)
Principal Risks		Risk Management (pages 58 to 63)
		Principal Risks (pages 58 to 63)
Business Model		Business Model and Strategy (pages 16 to 19)
Non-financial Key Performance Indicators		Key Performance Indicators (pages 48 to 49)

The Section 172 Statement is set out on pages 72 to 75 of the Corporate governance report (providing information on how the Directors have performed their duty to promote the success of the Company) and is incorporated by reference into the Strategic report.

SIG Code of Conduct

Our Code of Conduct sets out our ethical standards and expected behaviours from all employees of the Group. The Code provides guidance on how to manage certain situations and where to go for advice. It outlines our obligations across a number of Group and local business policies, including anti-bribery, corruption, ethical trading, and human rights, and together these help protect our business from legal, financial, and reputational risk. A confidential and independent whistleblowing hotline service is available to all employees so that they can raise any concerns anonymously about how the Group conducts its business.

Diversity, Equality and Inclusion policy

The policy outlines our commitments and approach across the Group in relation to DEI. We are committed to developing a working environment that is fair and inclusive so employees can feel safe, valued and proud to work for SIG.

Ethical Trading and Human Rights policy

SIG promotes human rights through a number of areas including its employment policies and practices, supply chain, and the responsible use of its products and services. Our Ethical Trading and Human Rights policy covers the main issues that may be encountered in our supply chain, in particular in relation to product sourcing and sets out the standards of integrity that we work to including:

- safe and fair working conditions for colleagues;
- responsible management of social and environmental issues within the Group; and
- standards in the international supply chain.

Anti-Bribery and Corruption policy

The Group is committed to sound and fair business practices, and has a zero-tolerance position on bribery and corruption. The Group's Anti-bribery and Corruption policy sets out the ethical standards required to ensure compliance with legal obligations within the countries in which we operate.

Anti-bribery and corruption training is provided to all colleagues. Our policy ensures we limit our exposure to bribery and corruption, and any associated reputational impact, by:

- setting out a clear position on anti-bribery and corruption;
- training all employees to identify and avoid the use of bribery by themselves and others;
- encouraging employees to be vigilant and to report any suspicion of bribery, and providing effective channels for this;
- rigorously investigating any alleged bribery and supporting authorities in any prosecution; and
- taking firm and vigorous action against anyone involved in bribery or corruption.

Modern Slavery Act 2015

The Group has published its Group Modern Slavery statement in respect of the year ended 31 December 2022 on our website (www.sigplc.com) in line with Home Office guidance. The Group continues to work with its supply chain to ensure there is a zero-tolerance policy on slavery. The 2023 statement will be published on our website in compliance with the required deadline.

Payment practices

SIG Trading Limited publishes information about payment practices and reporting as required by the Reporting on Payment Practices and Performance Regulations 2017 in the UK. This is published on a Government website: check-payment-practices.service.gov.uk. This report is published every six months as per the requirements and the most recent information was submitted in January 2024 for the six months to 31 December 2023.

Group Sustainability policy

The Group Sustainability policy sets out our commitments to sustainability and the actions we are taking to support this, further details of which is set out in this report. Our sustainability commitments will be achieved through the following principles:

- integrate sustainability considerations into all our business decisions;
- comply with (at a minimum) all applicable legislation, regulations, and codes of practice;
- ensure all operations minimise resource consumption and operate in a sustainable way;
- support employee awareness of, and commitment and improvement to, our sustainability policy;
- identify and promote products which support carbon and circular economy goals;
- promote customer and supplier awareness of our sustainability policy, and sustainable management practices; and
- review, report and strive for continual improvements to our annual sustainability performance.



ALL THESE POLICIES ARE AVAILABLE ON OUR WEBSITE (WWW.SIGPLC.COM)

How we performed

Non-financial KPIs

Lost time injury frequency rate



8.4

Definition

The ratio of any injury to an employee (including a contractor) resulting in any lost time per 1,000,000 hours worked – on a 12-month rolling basis.

2023 performance

A strong downward trend with a further 24% reduction in our rate in 2023. This trend has been driven by strong performances in France and the UK.

Link to strategy

2 3

Link to risks

- Health and safety
- Attract, recruit and retain our people
- Environmental, social and governance

Link to remuneration

Health and safety measures in annual bonus scheme.

Net Promoter Score (NPS)



+50

Definition

NPS is a customer experience metric based on their likelihood to recommend SIG. It is calculated by subtracting the percentage of customers who answer the question with a 6 or lower from the percentage of customers who answer with a 9 or 10. This is externally monitored by a third-party company. Our Group NPS is the average of NPS in each operating company.

2023 performance

2023 sees further progress on our strengthening scores with particularly strong improvement in UK Interiors of 21 points year on year. Benelux did not complete a new NPS in 2023, and the Group score includes the 2022 Benelux NPS in the calculation.

Link to strategy

1 2

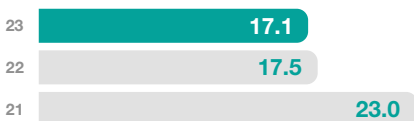
Link to risks

- Digitalisation
- Macroeconomic uncertainty
- Change management

Link to remuneration

Customer engagement progress forms part of the personal objectives of senior management.

GHG emissions per £m of revenue (metric tonnes)



17.1

Definition

Metric tonnes of GHG emissions per £m of revenue.

2023 performance

A progressive reduction from 2022 driven by increased renewable energy contract usage driving a 3% reduction in net zero carbon emissions. Emissions continue to reduce due to a gradual migration of our fleet towards lower carbon alternatives alongside the move towards greener energy contracts.

Link to strategy

3

Link to risks

- Environmental, social and governance
- Legal or regulatory compliance

Link to remuneration

An objective to improve carbon emissions is included in the personal objectives of certain senior management from 2023 onwards.

Employee engagement result (eNPS)



+14

Definition

eNPS is an employee experience metric based on their likelihood to recommend SIG as an employer.

2023 performance

A solid performance, maintaining a consistent level of engagement year on year, despite challenging market conditions and restructuring initiatives in some areas in H2 2023. Improvements were seen in Germany overall and in employee perception around Health and Safety across our operating companies.

Link to strategy

1 2 3

Link to risks


- Health and safety
- Attract, recruit and retain our people
- Environmental, social and governance

Link to remuneration

Employee engagement progress forms part of the personal objectives of senior management.

Our long-term strategic objectives

1 
Partner of choice for specialist contractors

2 
Improve our operating performance

3 
Growing sustainably as a responsible business

Financial KPIs

Like-for-like sales

(%)



(2%)

Definition

The growth or decline in sales per day (in constant currency) excluding any current and prior year acquisitions. Sales not adjusted for branch openings or closures. See page 184 for the calculation.

2023 performance

Challenging market conditions led to lower sales volumes, partially offset by the benefit of some ongoing year-over-year input cost inflation. Relative to the market, a robust trading result supported by continued strong execution.

Link to strategy

1 2

Link to risks

- Macroeconomic uncertainty
- Attract, recruit and retain our people
- Change management

Link to remuneration

Profit measures in annual bonus scheme.

Gross margin

(%)



25.3%

Definition

The calculation of underlying gross profit divided by underlying revenue. Underlying revenue and gross profit represents amounts from continuing operations excluding amounts from non-core businesses and Other items, as shown on the Consolidated income statement.

2023 performance

The slight reduction in gross margin was due partly to strong comparatives, especially in our UK Exteriors business, and also pricing pressure in the current demand environment. The businesses continue to manage these dynamics effectively.

Link to strategy

2

Link to risks

- Macroeconomic uncertainty
- Data quality and governance
- Digitalisation
- Change management

Link to remuneration

Profit measures in annual bonus scheme.

Operating margin

(%)



1.9%

Definition

The ratio of underlying operating profit divided by underlying revenue. Underlying operating profit represents operating profit from continuing operations excluding amounts from non-core businesses and Other items. See page 184 for the calculation.

2023 performance

Operating margin decline driven by lower sales volumes in weaker markets, leading to a 34% decline in underlying operating profit, including a 2% increase in underlying operating costs driven primarily by market-driven wage and salary inflation.

Link to strategy

2

Link to risks

- Macroeconomic uncertainty
- Attract, recruit and retain our people
- Digitalisation
- Change management

Link to remuneration

Profit measures in annual bonus scheme.

Average trade working capital to sales ratio

(%)



14.3%

Definition

The average closing trade working capital balance of each calendar month of the year, divided by underlying revenue. Trade working capital includes net stock, net trade receivables, gross trade creditors and supplier rebates due.

2023 performance

A solid performance which highlights continuing balance sheet discipline against a backdrop of challenging market conditions.

Link to strategy

2

Link to risks

- Macroeconomic uncertainty
- Change management

Link to remuneration

Included in operating company annual bonus schemes.

Financial discipline through challenging markets



The Group has managed effectively the challenging market conditions of 2023, maintaining robust liquidity and executing productivity and restructuring initiatives that will reduce costs and improve operational agility.

Ian Ashton
Chief Financial Officer

Revenue

£2,761.2m

2022: £2,744.5m

Underlying operating profit*

£53.1m

2022: £80.2m

Gross margin

25.3%

2022: 25.9%

Net debt

£458.0m

2022: £444.0m

The Group managed effectively the impact of increasingly challenging market conditions during 2023. We maintained robust liquidity, and executed productivity and restructuring initiatives that will reduce costs and improve operational agility.

Revenue

Group revenue of £2,761.2m (2022: £2,744.5m) was 1% higher on a reported basis, including 1% from acquisitions, 1% from movements on exchange rates and a marginal impact from differences in the number of working days. LFL revenue was down 2% year-on-year. Within this figure, volumes declined in the majority of our markets. We estimate the positive impact of the pass through of input cost inflation on revenue growth for the year was approximately 5%, with this impact reducing significantly over the course of the year as prior year increases annualised.

Operating costs and profit

Gross profit decreased 1.6% to £699.6m (2022: £711.0m) with a gross profit margin of 25.3% (2022: 25.9%). The reduction in gross margin was due partly to strong comparatives, especially in our UK Exteriors business, and also greater than normal pricing pressure, reflective of the challenging demand environment. The businesses continue to manage these dynamics effectively.

The Group's underlying operating costs increased by 2.5% to £646.5m (2022: £630.8m). The increase was primarily due to inflation, with the biggest impact being on wages and salaries, followed by property and energy costs. These headwinds were partially offset by ongoing productivity initiatives, and the initial impact of restructuring actions taken in the second half. Year-over-year operating costs were also affected by a lower charge for bad debts as a result of one unusually high charge incurred during 2022 of £5m, as reported at the time, and a £3.7m profit in 2023 from the sale of the French Exteriors head office building in Angers.

As a result, the Group's underlying operating profit decreased to £53.1m (2022: £80.2m), at an operating margin of 1.9% (2022: 2.9%). Reported operating profit was £4.0m (2022: £56.2m) after Other items of £49.1m (2022: £24.0m). Other items includes a £33.8m impairment in the UK Interiors business, with a further breakdown of Other items set out later in this report.

Segmental analysis

UK

	Revenue 2023 £m	Revenue restated 2022 £m	LFL sales vs 2022	Underlying operating (loss)/profit 2023 £m	Underlying operating profit restated ¹ 2022 £m
UK Interiors	556.5	561.5	(1)%	(1.6)	7.9
UK Exteriors	369.4	363.1	1%	10.6	9.9
UK Specialist Markets	247.6	223.2	(6)%	10.3	14.9
UK	1,173.5	1,147.8	(1)%	19.3	32.7

1. The 2022 segmental information has been restated in order to present on a consistent basis with the current year, see the Accounting policies for further details.

Following a change in the UK management structure announced in November 2023, we now report three segments in the UK, with the Specialist Markets businesses separated out from the Interiors and Exteriors businesses under which they were reported previously.

Reported revenue in UK Interiors, a specialist insulation and interiors distribution business, decreased slightly to £556.5m (2022: £561.5m). LFL revenue was down 1% year-on-year with the impact of a declining market being offset by a further strengthening in market position and the pass through of some continued year-over-year input price inflation. The flat revenue, together with operating cost inflation, resulted in an operating loss of £1.6m (2022: £7.9m profit).

Reported revenue in UK Exteriors, a specialist roofing merchant, increased by 2% to £369.4m (2022: £363.1m), with LFL revenue up 1%. This was due to benefits from purchase price inflation partially offsetting reduced demand, notably in the new build market. A reduction in gross margin, partly due to high prior year comparators, combined with operating cost inflation, resulted in operating profit of £10.6m (2022: £9.9m). The year-on-year improvement was partly due to the impact in 2022 of the administration of a large customer, Avonside, as reported last year.

Reported revenue in our UK Specialist Markets increased by 11% to £247.6m (2022: £223.2m). This included a 16% impact from the acquisition of Miers Construction Products Limited in July 2022. LFL revenue declined 6%, driven by a softer market, and by input price deflation in steel, which are a bigger element of these businesses than elsewhere in the Group. These factors, coupled with operating cost inflation, resulted in a reduction in operating profit to £10.3m (2022: £14.9m).

France

	Revenue 2023 £m	Revenue 2022 £m	LFL sales vs 2022	Underlying operating profit 2023 £m	Underlying operating profit 2022 £m
France Interiors	218.9	218.4	(1)%	10.4	12.2
France Exteriors	458.0	465.6	(3)%	19.3	23.6
France	676.9	684.0	(2)%	29.7	35.8

France Interiors, our structural insulation and interiors business trading as LiTT, saw reported revenue remain in line with the prior year at £218.9m (2022: £218.4m), and 1% down on a LFL basis. This was driven by lower demand and volumes, offset by continued input price inflation pass through. Flat revenue and operating cost inflation resulted in a £1.8m decrease in operating profit to £10.4m (2022: £12.2m).

Reported revenue in France Exteriors, our specialist roofing business trading as Larivière, decreased 2% to £458.0m (2022: £465.6m), and by 3% on a LFL basis. Demand and volumes were lower due to reduction in consumer spending following interest rate increases, as well as softening of the new build market and a reduction in the benefit from pass through of input price inflation. The decrease in revenue together with increased operating costs due to inflation, resulting in an operating profit decrease to £19.3m (2022: £23.6m). During the year, the Larivière business moved into a new leased headquarters in Angers to better support the needs of the business going forward. We had owned the previous office building in Angers for many years, and the sale of it resulted in a profit on disposal in H2 of £3.7m.

Germany

	Revenue 2023 £m	Revenue 2022 £m	LFL sales vs 2022	Underlying operating profit 2023 £m	Underlying operating profit 2022 £m
Germany	462.1	457.8	(1)%	15.6	16.8

Reported revenue in Wego/Vti, our specialist insulation and interiors distribution business in Germany, increased by 1% to £462.1m (2022: £457.8m). This included a 1% year over year impact from the acquisition of Thermodämm in 2022. LFL revenue decreased by 1%, with pass through of input price inflation offset by a decline in volumes, reflecting weaker market conditions, particularly in new build. Good gross margin management was offset by operating cost inflation, resulting in reduced operating profit of £15.6m (2022: £16.8m).

Poland

	Revenue 2023 £m	Revenue 2022 £m	LFL sales vs 2022	Underlying operating profit 2023 £m	Underlying operating profit 2022 £m
Poland	237.9	230.7	(2)%	7.1	10.6

In our Polish business, a market-leading distributor of insulation and interiors, revenue increased to £237.9m (2022: £230.7m), although LFL sales decreased by 2%. Weaker demand in the market was partially offset by further improvements made in our market position. Together with operating cost inflation, this resulted in a reduction in operating profit to £7.1m (2022: £10.6m).

Benelux

	Revenue 2023 £m	Revenue 2022 £m	LFL sales vs 2022	Underlying operating (loss) 2023 £m	Underlying operating (loss) 2022 £m
Benelux	116.9	115.9	0%	(3.0)	(3.0)

Reported revenue from the Group's business in Benelux increased by 1% to £116.9m (2022: £115.9m) with LFL revenue flat year-on-year. Revenue benefited from the business recovering some market share after prior years' losses. The turnaround of the business continues with ongoing progress in tackling operational issues, and a new Managing Director joined the business in Q4 to carry this forward. Despite the initial recovery referenced above, the business continues to trade with lower market share than it had historically. Margin pressure and operating cost inflation offset the improved trading and turnaround actions, resulting in an operating loss of £3.0m (2022: £3.0m loss).

Ireland

	Revenue 2023 £m	Revenue 2022 £m	LFL sales vs 2022	Underlying operating profit 2023 £m	Underlying operating profit 2022 £m
Ireland	93.9	108.3	(15)%	1.4	6.0

Our business in Ireland is a specialist distributor of interiors and exteriors, and also includes specialist contracting businesses for office furnishing, industrial coatings and kitchen/bathroom fit out. Its reported revenue decreased by 13% to £93.9m (2022: £108.3m), and by 15% on a LFL basis. This was a result of softening demand in our segments of the Irish market, along with some strong prior year comparatives, notably in H1. Operating profit reduced as a result by £4.6m to £1.4m (2022: £6.0m), reflecting the lower revenue as well as operating cost inflation.

Reconciliation of underlying to statutory result

Other items, being items excluded from underlying results, amounted to £49.3m for the year (2022: £24.1m) on a pre-tax basis and are summarised in the table below:

	2023 £m	2022 £m
Underlying profit before tax	17.4	51.6
Other items – impacting profit before tax:		
Amortisation of acquired intangibles	(2.8)	(4.7)
Impairment charges	(33.8)	(15.8)
Cloud based ERP implementation costs	(2.2)	(2.7)
Costs associated with acquisitions	(3.2)	(2.5)
Net restructuring costs	(8.0)	(0.4)
Onerous contract costs	(0.2)	1.2
Costs associated with refinancing	–	(0.4)
Other specific items	1.1	1.3
Non underlying finance costs	(0.2)	(0.1)
Total Other items	(49.3)	(24.1)
Statutory (loss)/profit before tax	(31.9)	27.5

Other items are disclosed separately in order to provide a better indication of the underlying earnings of the Group. Further details of other items are as follows:

- Impairment charge of £33.8m relates to the impairment of goodwill and other non-current assets in UK Interiors. This non cash charge is related to the splitting out of the more profitable UK Specialist Markets businesses from UK Interiors and Exteriors, which has reduced the reported margin of the latter two and notably Interiors. It also reflects the weaker markets at present and hence a delay in the anticipated improvements in profitability in the UK Interiors business.
- Cloud based ERP implementation costs relate to project configuration and customisation costs associated with strategic cloud computing arrangements, which are expensed, rather than being capitalised as intangible assets.
- Costs associated with acquisitions relate principally to the acquisition of Miers Construction Products Limited in the UK in 2022, including earnout consideration being accrued over the performance period.
- Net restructuring costs in the year comprise £6.7m redundancy costs and £2.4m branch closure costs, including £1.6m impairment of right-of-use assets, tangible fixed assets and software, offset by £1.1m gain on the sublease and termination of property leases previously impaired, all related to restructuring across the Group.
- ‘Other specific items’ – a credit of £1.1m in aggregate – include reversal of provision for lease receivables, the reversal of an onerous lease provision and an impairment of right-of-use asset in relation to a branch which has been reopened, offset by additional impairment of an investment property which is no longer in use by the Group.

Taxation

The effective tax rate for the Group on the total loss before tax of £31.9m (2022: profit £27.5m) is negative 36.1% (2022: 43.6%). The effective tax rate on underlying profit before tax, excluding the impact of Other items, is 74.7% (2022: 27.9%).

Tax losses cannot be surrendered or utilised cross border, and the Group is therefore subject to tax in some countries and not in others. Tax losses in the UK and Benelux businesses are not currently recognised as deferred tax assets, which impacts the overall and underlying effective tax rate. The relative proportions of these losses compared to the total Group underlying profit before tax are also higher for 2023 compared to prior periods, and the combination of these factors has led to the increase in the underlying effective tax rate in the year.

In accordance with UK legislation, the Group publishes an annual tax strategy, which is available on our website (www.sigplc.com).

Pensions

The Group operates a number of pension schemes, four of which provide defined benefits based upon pensionable salary. One of these schemes, in the UK, has assets held in a separate trustee administered fund, and three are overseas book reserve schemes. The largest defined benefit pension scheme is the UK scheme, which was closed to further accrual in 2016.

The Group's total pension charge for the year, including amounts charged to interest after Other items, was £8.9m (2022: £7.4m), of which a charge of £1.4m (2022: £0.2m) related to defined benefit pension schemes and £7.5m (2022: £7.2m) related to defined contribution schemes.

The total net liability in relation to defined benefit pension schemes at 31 December 2023 was £20.3m (2022: £23.0m). The current triennial actuarial valuation of the UK scheme as at 31 December 2022 is in progress and will conclude during March 2024. The scheme remains well funded.

Financial position

Overall, the net assets of the Group decreased by £39.3m to £228.5m (2022: £267.8m), with a gross cash position at year end of £132.2 (2022: £130.1m) and net debt (post-IFRS 16) of £458.0m (2022: £444.0m). Net debt on a pre-IFRS 16 basis was £154.0m (2022: £160.3m).

The movement in post-IFRS 16 net debt includes the movement in cash noted below. An increase in net lease liabilities of £20.1m due to lease renewals and extensions, mainly in the UK and Germany, was partially offset by a favourable currency movement of £5.8m on bond debt. The movement in pre-IFRS 16 net debt is not affected by the movement on leases.

Cash flow

	2023 £m	2022 £m
Underlying operating profit	53.1	80.2
Add back: Depreciation	76.6	73.2
Add back: Amortisation	2.4	3.2
Underlying EBITDA	132.1	156.6
Decrease/(increase) in working capital	2.8	(14.4)
Repayment of lease liabilities	(63.6)	(60.1)
Capital expenditure	(15.8)	(14.5)
Cash exceptional items	(6.4)	(14.7)
Other	3.8	1.9
Operating cash flow ¹	52.9	54.8
Interest and financing	(34.7)	(28.8)
Refinancing cash costs	—	(1.1)
Tax	(14.0)	(14.3)
Free cash flow ¹	4.2	10.6
Acquisitions and investments	(0.7)	(27.5)
Repayment of debt	(0.8)	(1.4)
Total cash flow	2.7	(18.3)
Cash and cash equivalents at beginning of the year ²	130.1	145.1
Effect of foreign exchange rate changes	(0.6)	3.3
Cash and cash equivalents at end of the year ²	132.2	130.1

1. Free cash flow is defined as all cash flows excluding M&A transactions, dividend payments, and financing transactions. Operating cash flow represents free cash flow before interest and financing, costs of refinancing and tax.

2. Cash and cash equivalents at 31 December 2023 comprise cash at bank and on hand of £132.2m (2022: £130.1m) less bank overdrafts of £nil (2022: £nil).

During the period, the Group delivered £52.9m of operating cash flow, which represents a 100% conversion of the underlying operating profit to operating cash. Despite the lower profit in the year this operating cash flow was very similar to the 2022 number, helped by a positive movement on working capital. The key factor driving the working capital in the period was the lower levels of trading year-on-year, allied by strong management of the key working capital drivers. The Group reported a free cash inflow of £4.2m (2022: £10.6m inflow). This slight decline versus the prior year was driven by the higher interest charge, driven by the increase in lease liabilities noted above along with higher interest rates embedded in renewed leases. Capex during the period was £15.8m (2022: £14.5m). Cash exceptional items are those that are related to 'Other items' in the Consolidated income statement, and include

restructuring costs and Benelux ERP implementation. 'Other' in the cash flow includes payments to the Employee Benefit Trust to fund share plans of £1.7m (2022: £4.0m), add back of non-cash P&L items and provision movements, and proceeds on sale of property, plant and equipment.

Financing and funding

The Group's debt funding comprises €300m of 5.25% fixed rate secured notes and an RCF of £90m. These mature and expire in November 2026 and May 2026 respectively. The secured notes are subject to incurrence-based covenants only, and the RCF has a leverage maintenance covenant set at 4.75x which only applies if the facility is over 40% drawn at a quarter end reporting date. The RCF was undrawn at 31 December 2023.

The Group's liquidity position remained robust throughout 2023, and at the end of the period stood at £222m, consisting of cash of £132m and the £90m undrawn RCF noted above. On the basis of current forecasts the Group is expected to remain in compliance with all banking covenants throughout the forecast period to 31 March 2025.

	2023 £m	2022 £m
Cash and cash equivalents at end of the year	132.2	130.1
Undrawn RCF at end of the year	90.0	90.0
Liquidity	222.2	220.1
Post-IFRS 16 net debt	458.0	444.0
Pre-IFRS 16 net debt	154.0	160.3
Post-IFRS 16 leverage	3.5x	2.8x
Pre-IFRS 16 leverage	2.8x	1.8x

Going concern

The Group closely monitors its funding position throughout the year, including monitoring compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations.

The Group's financing facilities comprise a €300m fixed rate bond (secured notes), due November 2026, and £90m Revolving Credit Facility ('RCF') agreement which expires in May 2026. One of the trading businesses also has a £2.1m bank loan repayable over the period to June 2026. The only financial covenant within these facilities is a leverage maintenance covenant within the RCF, which is only effective if the facility is over 40% drawn (i.e. £36m) at a quarter end reporting date. The RCF was undrawn at 31 December 2023 and has remained undrawn subsequent to the year end.

The Group has significant available liquidity and on the basis of current forecasts is expected to remain in compliance with all banking covenants throughout the forecast period to 31 March 2025 ('the going concern period').

The Directors have considered the Group's forecasts which support the view that the Group will be able to continue to operate within its banking facilities and comply with its banking covenants. The Directors have considered the following principal risks and uncertainties that could potentially impact the Group's ability to fund its future activities and adhere to its banking covenants, including:

- worsening market conditions and further reductions in demand;
- high levels of product inflation, and current economic and political uncertainties, potentially impacting market demand; and
- potentially recessionary conditions in the coming year.

The forecasts on which the going concern assessment is based have been subject to sensitivity analysis and stress testing to assess the impact of the above risks and the Directors have also reviewed mitigating actions that could be taken. Under a severe but plausible downside scenario, factoring in a 6% reduction in volume, a reduction in gross margin and a resulting 55% reduction in underlying operating profit from the base forecast for the 12 months to 31 March 2025, the analysis shows that sufficient cash would be available without triggering a covenant breach, as the RCF is not expected to be drawn at a relevant quarter end. Reverse stress testing has also been performed, which shows that the Group could withstand up to a 22% reduction in revenue for the 12 months to 31 March 2025, or up to 15% for the nine months to the forecast liquidity low point of 30 September 2024, before triggering a covenant breach if the RCF was 40% drawn at a relevant quarter end. Further cash phasing mitigations would also be available to avoid this situation.

The Directors have considered the impact of climate-related matters and this is not expected to have a significant impact on the Group's going concern assessment.

On consideration of the above, the Directors believe that the Group has adequate resources to continue in operational existence for the forecast period to 31 March 2025 and the Directors therefore consider it appropriate to adopt the going concern basis in preparing the 2023 Consolidated financial statements.

Viability statement

In accordance with Provision 31 of the Corporate Governance Code, the Directors have undertaken an assessment of the viability of the Group.

In making this assessment, the Directors confirm that they have performed a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. Details of the risk identification and management process as well as a description of the principal risks and uncertainties facing the Group are included in this Strategic report on pages 58 to 63. The Directors believe the Group is well placed to manage these risks successfully.

The Board has determined that a three-year period to 31 December 2026 is the most appropriate period of assessment. Whilst the Board has no reason to believe the Group will not remain viable over a longer period, three years has been chosen as this aligns with the Group’s medium-term planning process and is considered the period over which it has reasonable visibility of the market and industry characteristics to be able to develop reasonable forecasting assumptions and perform a realistic viability assessment.

The assessment process and key assumptions

In making the Viability statement, the Directors are required to consider the Group’s ability to meet its liabilities as they fall due, taking into account the Group’s current position and principal risks.

The Group has a strong liquidity position at 31 December 2023 despite the weaker than expected trading performance during the year and given the availability of the £90m RCF. The Group has committed facilities in place until 2026, comprising €300m fixed rate secured notes and the £90m RCF. The secured notes are subject to incurrence-based covenants only, and the RCF has a leverage maintenance covenant set at 4.75x which only applies if the facility is over 40% drawn at a quarter end reporting date. The RCF was undrawn at 31 December 2023.

As part of the Group’s financial and strategic planning process, the Group has prepared financial forecasts for the three years to 31 December 2026. The process included a detailed review of the forecasts, led by the Chief Executive Officer and Chief Financial Officer, with input from operational and functional management, and these forecasts were approved by the Board.

The resulting impact on key metrics was considered with particular focus on solvency measures including liquidity headroom and financial covenants where relevant.

Under each of the scenarios considered, the forecasts indicate adequate headroom during the three-year period. Under a scenario including a combination of the above, factoring in a 6% reduction in volume, a reduction in gross margin and a resulting 58% reduction in underlying operating profit from base forecasts in 2024, 42% in 2025 and 36% in 2026, the analysis shows that sufficient cash would be available without the need to draw on the RCF at a relevant quarter end and therefore no covenant tests would apply. Reverse stress testing has also been performed to analyse the level of revenue, operating profit and cash reductions over and above the scenario considered above that could be experienced before the RCF becomes at least £36m drawn

In order to assess the resilience of the Group to threats posed by the principal risks in severe but plausible scenarios, the Group’s financial forecasts were subjected to thorough multi-variant stress and sensitivity analysis together with an assessment of potential mitigating actions. This multi-variant stress and sensitivity analysis included scenarios arising from combinations of the following:

Scenario	Link to principal risks and uncertainties
The implications of a challenging economic environment, in particular the potential impacts of continued inflationary pressures and softening of the construction market, have been modelled by assuming a severe but plausible reduction in revenue and gross margins in each of the next three years.	<ul style="list-style-type: none"> – Macroeconomic uncertainty – Change management
The impact of the competitive environment within which the Group’s businesses operate and the interaction with the Group’s gross margin have been modelled by assuming a severe but plausible reduction in revenue and gross margins during the three-year period.	<ul style="list-style-type: none"> – Macroeconomic uncertainty – Change management – Environmental, social and governance

and there is a potential breach in the leverage covenant in the period under review. The analysis shows that the Group could withstand a reduction in volume of between 15% to 20% in each of the three years before triggering a covenant breach if the RCF was 40% drawn at a relevant quarter end. This is dependent on the quarter end, with September being the Group's liquidity low point based on phasing of purchases and sales. Further cash phasing mitigations would also be available to avoid this situation.

The Group's secured notes and RCF mature in November 2026 and May 2026 respectively. After consideration of actual and budgeted trading performance and discussions with advisers, the Group has a full expectation of a refinancing in advance of the relevant dates.

The Directors have considered the potential impact of climate change on the viability assessment. At the current time, no legislation has been passed that will impact the key assumptions used in the forecasts and there are no overriding changes to key assumptions relating to climate change built into the forecasts. The costs of implementing the Group's strategy of replacing the current fleet with lower carbon alternatives as and when leases naturally renew, and depending on technology available at the time, are factored into the Group's forecasts. There is not considered to be a significant risk of climate change causing a significant downturn in cash flows across the Group over the viability assessment period and therefore no specific sensitivities relating to climate change are considered necessary over and above the scenarios considered above.

After conducting their viability review, and taking into account the Group's current position and principal risks, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment to 31 December 2026.

Cautionary statement

This Strategic report has been prepared to provide the Company's shareholders with a fair review of the business of the Group and a description of the principal risks and uncertainties facing it. It may not be relied upon by anyone, including the Company's shareholders, for any other purpose.

This Strategic report and other sections of this report contain forward-looking statements that are subject to risk factors including the economic and business circumstances occurring from time to time in countries and markets in which the Group operates and risk factors associated with the building and construction sectors. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions because they relate to events and/or depend on circumstances that may or may not occur in the future and could cause actual results and outcomes to differ materially from those expressed in or implied by the forward-looking statements.

No assurance can be given that the forward-looking statements in this Strategic report will be realised. Statements about the Directors' expectations, beliefs, hopes, plans, intentions and strategies are inherently subject to change and they are based

on expectations and assumptions as to future events, circumstances and other factors which are in some cases outside the Group's control. Actual results could differ materially from the Group's current expectations. It is believed that the expectations set out in these forward-looking statements are reasonable but they may be affected by a wide range of variables, which could cause actual results or trends to differ materially, including but not limited to, changes in risks associated with the level of market demand, fluctuations in product pricing and changes in foreign exchange and interest rates. The forward-looking statements should be read in particular in the context of the specific risk factors for the Group identified on pages 58 to 63 of this Strategic report.

The Company's shareholders are cautioned not to place undue reliance on the forward-looking statements. This Strategic report has not been audited or otherwise independently verified. The information contained in this Strategic report has been prepared on the basis of the knowledge and information available to Directors at the date of its preparation and the Company does not undertake any obligation to update or revise this Strategic report during the financial year ahead.

The Strategic report (comprising up to and including page 63) was approved by the Board of Directors on 4 March 2024 and signed on the Board's behalf by:

Gavin Slark
Chief Executive Officer

Ian Ashton
Chief Financial Officer

4 March 2024

Our approach to risk management

Risk management plays an integral part in SIG's planning, decision-making and management processes.

All employees have a responsibility to ensure they understand their relevant risks, that appropriate controls are in place and that they are operating effectively to manage these risks. The Board maintains overall responsibility for ensuring risk management and internal control systems are robust.

The Board, supported by the Audit & Risk Committee, sets the strategy for the Group and ensures risks are effectively identified and managed through the implementation of the risk management and control frameworks. The Group employs a three lines model to provide a simple and effective way to enhance risk and control management processes and ensure roles and responsibilities are clear. The Board maintains oversight to ensure risk management and control activities carried out by the three lines are proportionate to the perceived degree of risk and its own risk appetite across the Group. An outline of the three lines model is detailed below.

Our approach to risk management

The ability to effectively manage risks and uncertainties is at the heart of every successful organisation and how we identify and respond to risks and uncertainty will influence business outcomes and contribute to the quality of our decisions.

To identify our risks, we focus on our strategic objectives and consider what might stop us achieving our plan within our strategic planning period. The approach combines a top-down strategic Group-level view and a bottom-up operational view of the risks at operating company level. Meetings are held with our operating company leadership

teams to identify the risks within their operations. These are consolidated and, in conjunction with a series of discussions held with the Executive Leadership Team and Non-Executive Directors, provide the inputs to identify and validate our principal risks.

To assess our risks, we consider the likely financial, reputational, regulatory, and operational impacts and the probability that each risk may materialise. This helps us to assess the nature and extent of internal control we need to implement to manage the risk to an acceptable level. For each of the principal risks, we have considered whether the risk is increasing, decreasing or remains unchanged. We have also given an indication of those elements of our strategic plan which may be impacted should any of the risks materialise.

To ensure we effectively monitor our risks, the principal risks are reviewed by the Board, the Audit & Risk Committee and the Executive Leadership Team regularly during the year. Changes to the principal risks and mitigation activities are considered as part of this review.

Risk appetite

The Board recognises that, in order to achieve its strategic objectives, it must accept and manage a certain degree of risk. On at least an annual basis it considers the nature and level of risk it is prepared to accept to deliver the strategy.

Risk appetite is assessed against a suite of risk categories directly relevant to the Group, supported by high-level statements which set out the Board's expectations with regards to the accepted level of risk appetite for each category of risk.

We continue to have a higher appetite for those risks that present the greatest opportunities for commercial reward and take a balanced approach to such opportunities in terms of assessing potentially higher levels of risk and return.

We do, however, have a very low tolerance for risks that have significant negative consequences, particularly when they could adversely impact health and safety, legal compliance, our values and culture, or our reputation. We aim to either avoid those activities that may result in these risks materialising or eliminate these risks with our mitigation efforts.

Principal risks

The Board regularly monitors the Group risk register, which includes the ten principal risks to the Group set out in this report. These risks, if they materialise, could have a significant impact on the Group's ability to meet its strategic objectives. The assessed net risk scores (likelihood and impact of the risk occurring after taking account of mitigating controls) are outlined in the following matrix and details of the risks and current mitigations are included in the table on the following pages.

Our strategic pillars

As set out on pages 4 and 5, our strategic framework focusses on three long-term objectives, and four actions over the medium-term to improve our operating performance. The risk matrix that follows also identifies how each risk relates to each of our three long-term strategic objectives:

- Partner of choice for specialist contractors
- Improve our operating performance
- Growing sustainably as a responsible business

The three lines model

1 First line

Operational management:

Operational management is responsible for identifying and assessing risks on an ongoing basis, and for implementing and maintaining appropriate controls aligned to the organisation's policies and procedures.

2 Second line

Risk management, internal controls and compliance functions:

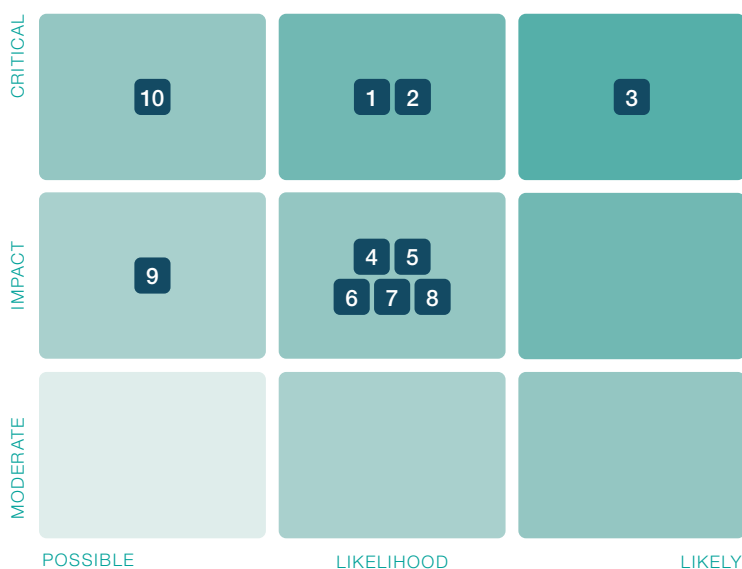
Our compliance, risk management and internal controls functions support the business in ensuring effective implementation of, and compliance with, policies and procedures across the business.

3 Third line

Independent assurance:

Our internal audit function provides independent assurance to ensure that controls are implemented and are operating efficiently and effectively across the organisation.

Principal risks



- 1 Cyber security
- 2 Health and safety
- 3 Macroeconomic uncertainty
- 4 Attract, recruit and retain our people
- 5 Data quality and governance
- 6 Environmental, social and governance (ESG)
- 7 Mergers and acquisitions
- 8 Legal or regulatory compliance
- 9 Digitalisation
- 10 Change management

Risk management principles

Our approach to risk management is supported by the following key risk management principles:

1. Role of the Board:

The Board is responsible for ensuring there are adequate procedures to manage risk, overseeing the internal control framework, and determining the nature and extent of the principal risks the Group is willing to take in order to achieve its long-term strategic objectives. The Audit & Risk Committee has responsibility for reviewing the overall risk management policy and ensuring its effective implementation on an annual basis.

2. Responsibility and accountability:

A fundamental premise of our approach is that each operating company owns its risks and works in collaboration with the Group Risk and Internal Audit function to ensure it performs regular risk identification, assessment, mitigation, monitoring and reporting processes.

3. Transparency and openness:

Risk management activities and processes are subject to regular review in order to provide reasonable assurance of the effectiveness of local risk management arrangements and to consider the status of mitigations or additional controls required.

4. Culture of continuous improvement:

We are committed to ensuring that we regularly review our risk management processes and ensure that they remain relevant and support our businesses in making risk informed decisions.

5. Applicability:

Our approach to risk management is applicable to all entities across the Group. Risks incurred through contractual relationships that directly impact the Group's risk profile are monitored, as determined by the Board.

Principal risks and uncertainties

Risk	Description	Mitigation
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1. Cyber security

Internal or external cyber-attacks could result in system disruption or sensitive data being compromised

Risk movement:



Link to strategic objectives:



In the context of widespread dependency on increasingly complex digital systems, growing cyber threats are outpacing societies' ability to effectively prevent and manage them. These risks are also exacerbated by an increasing willingness of nation states to engage in asymmetric cyber warfare to achieve geopolitical aims and the relative ease with which new artificial intelligence (AI) and machine learning (ML) technologies can be utilised for adversarial purposes. For example Generative AI is making cyberattacks more sophisticated through more believable social engineering, automated phishing attacks and adaptive malware.

There is a risk that we lack the capabilities to effectively prevent, monitor, respond to, or recover from, suspected cyber-attacks on our IT infrastructure. Such attacks may result in a loss of data or disruption to IT services which may have a significant impact on our ability to operate and comply with data protection and privacy laws (e.g. GDPR), and may have a detrimental effect on our reputation.

Cyber security continues to receive Board and Executive Leadership Team focus with an emphasis on ensuring that appropriate technologies are deployed across IT infrastructure to manage cyber threats.

Regular and independent reviews are performed to assess the nature of potential cyber threats, security processes and initiatives. They also ensure that we implement appropriate tools and processes to better identify and remediate new and emerging cyber risks and vulnerabilities.

Cyber-incident response protocols are in place to support our ability to effectively respond to and recover from a cyber threat or incident and ongoing cyber training campaigns and initiatives ensure employees are alert to the nature and consequences of cyber-attacks.

Cyber policies are regularly reviewed and updated to ensure they reflect the nature of risks and threats and, for example, during 2023 we have published policies regarding the opportunities and risks regarding the use of new AI and ML technologies.

2. Health and safety

Danger of incident or accident, resulting in injury or loss of life to employees, customers, or the general public

Risk movement:



Link to strategic objectives:

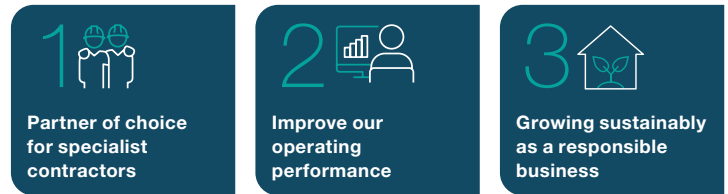


There is a risk that poor organisational arrangements or behavioural culture with regards to health and safety causes harm to individuals and may result in enforcement action, penalties, reputational damage, or adverse press coverage.

The Group Health, Safety and Environment Director is a member of the Executive Leadership Team and provides strategic leadership for all health, safety and environmental matters. Local health and safety managers in each of our businesses provide local leadership and support, monitor and report our performance and key metrics, and implement actions and initiatives. A new Group-wide 'Everyone Safe, Every Day' health and safety strategy, objectives and KPIs were introduced in 2023.

A compliance standards framework is in place to ensure the adequacy of local health and safety standards and arrangements, with assurance provided through a programme of compliance audits performed by suitably trained and experienced health and safety professionals.

Our long-term strategic objectives



Risk	Description	Mitigation
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3. Macroeconomic uncertainty

Macroeconomic volatility may impact the Group's ability to accurately forecast and to meet internal and external expectations

Risk movement:  **Link to strategic objectives:** 

Geo-political and macroeconomic events can lead to a decline in general economic activity and, or including, a decline in construction industry activity.

Conflicts in Ukraine and the Middle-East, political and governmental change, will all contribute to economic turbulence and volatility which can impact our business.

While headline inflation is broadly expected to fall throughout 2024, inflation remains uncertain and impacts tighter monetary policy, deflationary pressures, higher interest rates, higher costs of living and doing-business across our end markets.

This volatility has the potential to impact customer demand, and create financial and operational pressure, while adding costs to our operations and making planning and forecasting more difficult.

We continue to assess inflationary and other supply chain pressures and impacts on product pricing and will continue to work with our suppliers to identify opportunities to improve supply chain resilience.

The Group's geographical diversity across Europe, serving customers across residential, commercial, industrial and infrastructural sectors, combined with our broad portfolio of categories, product offerings and specialisms, all serve to reduce the impact of changes in a specific territory or market. Industry-based KPIs, monitored monthly at a Group and operating company level, help to ensure that warnings and indicators of risks and opportunities are identified early, and appropriate mitigation strategies implemented.

4. Attract, recruit and retain our people

Failure to attract and retain people with the right skills, drive and capability to reshape and grow the business

Risk movement:  **Link to strategic objectives:**  

SIG's ability to deliver its objectives and to compete effectively is, in part, dependent on its ability to recruit and retain colleagues with the necessary skills, experience and ability to deliver expected performance levels.

A combination of structural labour and vocational skills shortages in the construction sector, exacerbated by increased employee concerns regarding the significant wage inflation pressure resulting from an increased cost of living, has the potential to negatively impact SIG's ability to attract, recruit and retain staff across the full spectrum of disciplines.

We continue to invest in learning and development programmes to ensure both vocational and technical training needs are met whilst retaining an agile workforce. Our apprenticeships and training academies help develop the near and long-term skills of our employees.

We regularly review our organisational structures and accountabilities, and ensure our structures optimise employee motivation and engagement. Employee engagement is monitored through an annual survey and a Workforce Engagement programme run by the Board.

Ongoing enhancements to pay and conditions, including market benchmarking, broadening variable remuneration elements and retention and succession planning also helps to mitigate this risk.

Our businesses have also introduced programmes to support employee health and wellbeing. This includes training for all employees on keeping themselves and their colleagues safe and well.

Principal risks and uncertainties / continued

Risk	Description	Mitigation
------	-------------	------------

5. Data quality and governance

Poor data quality could impact our financial management, fact-based decision-making, business efficiency, and credibility with customers

There is a risk that we lack the necessary quality of systems and processes to ensure sufficient granularity, completeness, and accuracy of vendor, product and pricing master data. This has the potential to impact our ability to deliver a digital customer experience, provide enhanced product and customer analytics or insight and comply with both existing and new regulatory requirements.

Product and customer data quality remains a focus area for our operating companies, who continue to monitor, assess and upgrade their product data requirements, capabilities and governance considering ongoing changes in business needs and regulation. We also continue to maintain and upgrade our ERP systems where relevant to ensure these systems support the required data quality and governance required.

Risk movement:  **Link to strategic objectives:** [1](#) [2](#)

6. Environmental, social and governance (ESG)

Reputational impacts from poor environmental, social and governance arrangements and performance

Public and commercial consciousness, driven in part by ongoing regulatory pressures, continues to evolve on a wide range of environmental, social and governance issues, including climate change, employee wellbeing and how an organisation contributes to society.

As outlined on page 32, our ESG commitments include a focus on health and safety leadership, reaching net zero carbon, sending zero SIG waste to landfill, partnering to reduce carbon and waste across the supply chain, and becoming an employer of choice in our industry.

Risk movement:  **Link to strategic objectives:** [3](#)

While SIG has a long and rich heritage in helping the construction industry deliver energy efficient solutions and products, risks remain in terms of how we deliver our ESG agenda.

These commitments will be supported by verified data to ensure that progress in achieving these aims and ambitions is monitored and subject to appropriate rigour. To do this, we have enhanced our sustainability reporting and budgeting processes (particularly in relation to carbon emissions and waste) to ensure that we are able to effectively track both the progress and financial impacts of commitments.

This is particularly the case in how we ensure we achieve our stated aims with regards to climate change and decarbonisation. These risks include the cost and complexity of compliance, the challenges presented by the decarbonisation of our vehicle fleet and estate and how we engage with the wider industry to reduce product and supply-chain carbon impacts.

In terms of employee wellbeing, each of our businesses has introduced programmes and initiatives to support employees, underpinned by a Group-wide employee health and wellbeing policy and training for all employees to understand their responsibilities to keep themselves and their colleagues safe and well.

7. Mergers and acquisitions

Inability to successfully execute, integrate and leverage merger and acquisition opportunities

Where necessary, we may from time to time acquire new businesses. Such decisions are based on detailed plans that assess the value creation opportunity for the Group. By their nature, there is an inherent risk that we fail to manage the execution and integration risks which may result in delays or additional costs and impact the future value and revenues generated.

We have appropriate M&A resource across the organisation supported, and utilise external advisors where necessary for the effective identification and prioritisation of acquisition opportunities.

Risk movement:  **Link to strategic objectives:** [1](#) [2](#)


Resource is also available in the organisation to ensure that transactions are subject to the necessary pre and post-acquisition and integration activities and processes.

Clear accountability and authority limits for the initiation and approval of M&A activity are defined in the Group Delegation of Authority.

Our long-term strategic objectives

1

Partner of choice for specialist contractors

2

Improve our operating performance

3

Growing sustainably as a responsible business

Risk	Description	Mitigation
------	-------------	------------

8. Legal or regulatory compliance

Failing to comply with, or breaching, legal or regulatory requirements

Risk movement:  **Link to strategic objectives:** 

The Group's operations are subject to an increasing and evolving range of regulatory and other requirements in the markets in which it operates. A major corporate failure resulting from a non-compliance with legislative, regulatory or other requirements would impact our brand and reputation, could expose us to significant operational disruption or result in enforcement action or penalties.

Our Group General Counsel is a member of the Executive Leadership Team and is supported by appropriately skilled in-house legal and company secretarial resource at Group and operating company level, with further support provided by an approved panel of external lawyers and advisors. Policies and procedures are in place to ensure compliance with legal and regulatory frameworks, including health and safety, environmental, ethical, fraud, data protection and product safety. The Group's internal controls function ensures that appropriate and effective controls are in place against material financial misstatement, errors, omissions or fraud. Our Code of Conduct is available on our website and forms part of our employee induction programme. E-learning tools are also deployed across the organisation to ensure employees are aware of, and understand, their obligations. A whistleblowing hotline, managed and facilitated by an independent third party, is in place throughout the Group. All calls are followed up and investigated fully with all findings reported to the Board.

9. Modernisation

Failure to deliver the digital capabilities necessary to support improved efficiency and productivity or to remain competitive in the marketplace

Risk movement:  **Link to strategic objectives:**  

Increased technological innovation and change has accelerated the increasing role digitalisation will have in the construction materials supply chain. We continue to seek opportunities to ensure we can deliver digital solutions to enable a more efficient, integrated, and frictionless experience for our colleagues, customers and suppliers. This risk may be exacerbated by legacy systems and technologies which are heavily customised, require significant system maintenance to prevent outages and lack the functionality to allow their integration into a more modern digital infrastructure.

We continue to evaluate new technologies and make investments in the digital workplace to ensure that we maintain a competitive digital proposition. Across our markets each operating company is responsible for ensuring that it has an appropriate technology roadmap to identify how it implements the necessary technologies and ways of working to ensure that it can maximise digital opportunities in terms of enhancing the customer experience and optimising transactional, fulfilment or process efficiencies. During 2023, we invested in new ERP technologies in our Benelux businesses and started the necessary planning for a number of ERP replacement or enhancement programmes across our operating companies.

10. Change management

Inability to change and grow the organisation as planned in order to meet growth targets

Risk movement:  **Link to strategic objectives:** 

The Group is committed to improving its operating performance with a strategy, key actions and progress on these as set out on pages 16 and 17. This will inevitably require changes to organisational structures, roles, and ways of working, while we continue to modernise existing and implement new IT systems. There is a risk that these initiatives, allied to the impacts of challenging market conditions for our business and employees, results in 'change fatigue' and either future changes are not implemented as planned, or the benefits are not realised.

Operating companies continue to manage change portfolios through programme management governance committees. Increased monitoring has been implemented, particularly regarding progress against growth initiatives, in line with our strategy. Monitoring of business growth metrics and early warning indicators or trends continues as part of business reviews at both the management and Board level. Our ongoing employee engagement surveys continue to facilitate the early identification of change impact in terms of our employees, and action plans are implemented and monitored accordingly.

Chairman's introduction to Governance



We remain focused on ensuring the Group is set up for long-term sustainable success, while navigating challenging market conditions.

Andrew Allner
Chairman

Dear shareholder

On behalf of the Board, I am pleased to present the Group's Corporate Governance report for the financial year ended 31 December 2023.

As outlined in my Chairman's statement on pages 6 to 8, despite challenging market conditions, I am pleased with the progress we have made to improve the business, notably with the initiatives across our operating companies to improve our ability to drive higher levels of profitable growth when market conditions recover. On behalf of the Board, I would like to thank all of our employees for their hard work and achievements during the year.

Board focus in 2023

The Board's focus during the year has been on continuing to ensure that the Group is set up for long-term sustainable success, while navigating challenging market conditions in the shorter-term. The Board spent time during the year considering market developments and mitigating actions, technology issues and modernisation, health and safety, sustainability, M&A and financial, legal and compliance matters material to the Group. Further information on the Board activities during the year can be found on page 68.

Board composition

In February 2023, we were delighted to welcome Gavin Slark to the Board as Chief Executive Officer. Gavin brings significant in-depth knowledge and years of experience in the construction products distribution sector with a proven track record of delivering shareholder value in publicly listed companies. Upon appointment, Gavin embarked on a comprehensive induction programme to the Group, details of which can be found in the Nominations Committee Report on page 84. In November 2023, Gavin hosted a Capital Markets event for institutional investors and analysts to set out the Board's strategic focus for SIG and an overview of our business priorities and financial targets. Further details of the Capital Markets event can be found in the Strategic report on page 11.

Following Gavin's appointment, Steve Francis stepped down as Chief Executive Officer and as a Director. The year also saw Christian Rochat step down as a Non-Executive Director. On behalf of the Board, I would like to thank Steve and Christian for their contributions to SIG since each of them joined in 2020. Diego Straziota was proposed as CD&R's nominated Non-Executive Director, replacing Christian Rochat, and his appointment was approved by shareholders at the 2023 Annual General Meeting. We were pleased to welcome Diego to the Board. He was well known to the Group, having served as CD&R's observer to SIG's Audit & Risk Committee since July 2020.

Compliance with the UK Corporate Governance Code 2018

Our Governance sections, set out over the following pages, explain how the Group has applied the principles and complied with the provisions of the Code¹ during the financial year ended 31 December 2023. During 2023 we were fully compliant with the Code with the exception of Provision 32, which requires the Board to establish a Remuneration Committee of independent non-executive directors. Bruno Deschamps was a member of the Remuneration Committee and, as a nominated Director of CD&R, he was not considered to be independent under Provision 10. Notwithstanding this, the Board considered Bruno to be a valuable member of the Committee.

1. The UK Corporate Governance Code 2018 (the 'Code') can be accessed at www.frc.org.uk.

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In September 2023, we announced that Kath Durrant, Non-Executive Director, would assume the role of Senior Independent Director ('SID'). Kath was appointed as a Non-Executive Director in January 2021 and is Chair of the Remuneration Committee. Kath is highly familiar with our business and brings considerable leadership experience to her role as SID. Upon Kath's appointment, Alan Lovell stepped down from the role as SID and remains as a Non-Executive Director.

Board performance review

This year the Board undertook an annual internal review of its own and its Committees' performance and effectiveness. I am pleased to report that the 2023 review concluded that the Board, its Committees and individual Directors were performing effectively. Further details of the Board performance review, together with progress against the outcomes from the 2022 Board performance review, can be found on page 81.

CD&R

CD&R holds c29% of the shares in SIG, a stake that it took up in 2020 largely as part of the equity fundraising. CD&R has two Directors appointed to the Board, currently being Bruno Deschamps and Diego Straziota. CD&R has the right to appoint one member to the Remuneration Committee and Nominations Committee (currently Bruno Deschamps) and to appoint an observer to the Audit & Risk

Committee (currently Diego Straziota). Further details of the relationship with CD&R can be found on page 76. The recent Board performance review demonstrated that the other Directors recognise and value the contribution made to the Group by Bruno and Diego; and that their contributions are not limited to representing the interests of CD&R's funds which are invested in SIG. They each bring a wealth of sector experience and wider knowledge that enhances the discussions at Board meetings and contributes to the making of better decisions.

UK Corporate Governance Code 2018

The Board is aware that the Code provides for a Remuneration Committee to consist solely of independent Directors and that Bruno Deschamps is deemed to be non-independent by virtue of his relationship with CD&R. To that extent, the Company is therefore not compliant with this provision of the Code. The Board's opinion is that Bruno's contribution to the Remuneration Committee benefits the Committee and shareholders as a whole and that, were Bruno not a member of the Committee, the Board would need to consider how to replace the contribution that he makes.

Diversity and Inclusion

The Board comprises ten Directors of whom two are women, with one-third of the independent Non-Executive Directors being women. The Board

includes one Director from an ethnic minority background. The Board is aware of the importance of making progress on diversity in general and in particular on gender diversity on the Board. I am pleased to report that the Board is compliant with the Listing Rules requirement for one of the senior Board positions to be held by a woman, having appointed Kath Durrant as SID during the year. Further details on diversity and inclusion can be found in the Nominations Committee report on page 84.

Sustainability Commitments

Progress we have made towards fulfilling our sustainability commitments is contained in the Strategic report set out at pages 20 to 47.

Annual General Meeting

The AGM will be held on 2 May 2024 at SIG West London, Mathisen Way, Poyle, Slough, SL3 0HF. If you are unable to attend in person and you have any questions, please email them to cossec@sigplc.com in advance of the meeting. We will ensure the answers to your questions are provided at the meeting. Further details of the arrangements for the AGM will be sent to shareholders shortly. I warmly extend the invitation to all shareholders to join us in person at the AGM.

Andrew Allner
Chairman

4 March 2024

Our Board of Directors



R N

Andrew Allner

Non-Executive Chairman¹

Appointed as Non-Executive Chairman on 1 November 2017.

Career and experience

Andrew has significant listed company board experience as Chairman and as a Non-Executive Director. He was previously Chairman at Eco Buildings Group plc, The Go-Ahead Group plc and Marshalls plc, and a Non-Executive Director at Northgate plc, AZ Electronic Materials SA and CSR plc. Andrew has held executive roles as Group Finance Director of RHM plc and CEO of Enodis plc. He has also held senior executive positions with Dalgety plc, Amersham International plc and Guinness plc. He has significant experience in managing and navigating challenging situations.

Key strengths

Substantial board, leadership, strategy, international and general management, corporate transaction, governance and accounting expertise.

External roles

Chairman of Shepherd Building Group Limited.



Gavin Slark

Chief Executive Officer

Appointed as an Executive Director and Chief Executive Officer on 1 February 2023.

Career and experience

Gavin was previously Chief Executive Officer at Grafton Group plc, the international building materials distributor and DIY retailer, for 11 years from 2011. He also served as Group CEO at BSS Group plc, a leading UK distributor to specialist trades, including the plumbing, heating and construction sectors. Gavin has significant experience in senior leadership positions within the pan-European construction distribution sector and a demonstrated history of enhancing shareholder value in publicly listed companies.

Key strengths

Significant in-depth knowledge and years of experience in the distribution sector, shaping strategy and culture, product knowledge, leadership and management.

External roles

None.



Ian Ashton

Chief Financial Officer

Appointed as an Executive Director and Chief Financial Officer on 1 July 2020.

Career and experience

Prior to joining SIG, Ian was Chief Financial Officer at Low & Bonar plc until its acquisition by the Freudenberg group. Before that, he was Chief Financial Officer of Labviva LLC, a US-based technology company. Ian spent a significant portion of his career at Smith & Nephew plc, where he held various senior finance positions in the UK, USA and Asia. Ian is a qualified chartered accountant and began his career at Ernst & Young LLP. Ian brings extensive UK and international financial and accounting expertise to the Board and to his role as Chief Financial Officer.

Key strengths

Broad global experience in a series of financial leadership roles. A strong track record in corporate transactions, driving change, accounting/finance and stakeholder engagement with significant international experience.

External roles

None.



A R N I

Kath Durrant

Senior Independent Director

Appointed as an Independent Non-Executive Director and Chair of the Remuneration Committee on 1 January 2021. Kath was appointed as Senior Independent Director in September 2023.

Career and experience

Kath has held senior roles at GlaxoSmithKline plc and AstraZeneca plc, she was previously the Group Human Resources Director of Rolls Royce plc and Ferguson plc and Chief Human Resources Officer of CRH plc. She has served as a Non-Executive Director and Chair of the Remuneration Committee of Renishaw plc and of Calisen plc. Kath has extensive experience in leadership positions across a range of businesses and a strong track record of chairing the remuneration committees of publicly listed companies.

Key strengths

Strong leadership and human resources experience across a range of businesses, transformation and change management, construction industry and international experience.

External roles

Non-Executive Director and Remuneration Committee Chair at Vesuvius plc and Non-Executive Director at Essentra plc.



A R N I

Alan Lovell

Non-Executive Director

Appointed as an Independent Non-Executive Director on 1 August 2018.

Career and experience

Alan has many years of leadership experience having served as Chief Executive Officer at six companies: Tamar Energy Limited, Infinis plc, Jarvis plc, Dunlop Slazenger Group Ltd, Costain Group plc and Conder Group plc. He previously served as Chairman at Interserve Group Limited, Safestyle UK plc, Sepura plc, Flowgroup plc, Progressive Energy Ltd and the Consumer Council for Water.

Key strengths

Significant listed company Board experience. Accounting and finance, corporate transactions and extensive construction industry and turnaround experience in the UK and Europe.

External roles

Chair of the Environment Agency.

Steve Francis stepped down as Chief Executive Officer and as a Director on 1 February 2023. Christian Rochat stood down as a Non-Executive Director and member of the Nominations Committee on 4 May 2023.

1. Independent on appointment.

Committee key

A Audit & Risk Committee	R Remuneration Committee	N Nominations Committee	Chair of Committee	I Independent Director
---------------------------------	---------------------------------	--------------------------------	---------------------------	-------------------------------



R N

Bruno Deschamps

Non-Executive Director

Appointed as a Non-Executive Director on 10 July 2020.

Career and experience

Bruno is an Operating Advisor to CD&R LLP and the Chairman and CEO of Entrepreneurs Partners LLP. He is a former Chairman of Diversey (USA) and Kloeckner Pentaplast (Germany). He has served as Managing Partner of 3i Plc Group, Operating Partner of CD&R where he played a pivotal role in the firm's investments in Brakes, as Chairman, and CEO in Culligan, Rexel and VWR. Bruno was president and COO of Ecolab Inc (USA), and President and CEO of Henkel Ecolab, Teroson GmbH, VP Henkel Industrial Adhesives (Germany), and Chairman and CEO of SAIM (France). Bruno is a Knight of the Legion d'Honneur (France).

Key strengths

Deep industrial knowledge, corporate transactions, and extensive experience in driving and overseeing improved company performance.

External roles

Directorships in the following CD&R portfolio companies: Kalle GmbH, OCS Group and Wolseley, of which he is also Chairman.



A R N I

Shatish Dasani

Non-Executive Director

Appointed as an Independent Non-Executive Director and Chair of the Audit & Risk Committee on 1 February 2021.

Career and experience

Shatish has over 25 years of experience in senior public company finance roles across various sectors, including building materials, advanced electronics, engineering, general industrial, business services, construction, and infrastructure. He also has extensive international experience including as a regional CFO in South America. He was previously Chief Financial Officer at Forterra plc and TT Electronics plc and also served as an alternative Non-Executive Director for Camelot Group plc and as a Public Member at Network Rail plc.

Key strengths

Strategy development and execution, performance improvement, financial management, corporate finance, mergers and acquisitions. Sector experience of building materials, advanced electronics, general industrial, business services and infrastructure.

External roles

Senior Independent Director and Chair of the Audit & Risk Committee of Renew Holdings plc and a Non-Executive Director and Audit & Risk Committee Chair at each of Speedy Hire plc and Genuit Group plc. Trustee and Chair of UNICEF UK.



A R N I

Gillian Kent

Non-Executive Director

Appointed as an Independent Non-Executive Director on 1 July 2019.

Career and experience

Gillian has had an extensive career in software, internet, digital media and mobile technology businesses and formerly had a broad executive career including being Chief Executive of real estate Propertyfinder.com until its acquisition by Zoopla, and 15 years with Microsoft, including three years as Managing Director of MSN UK. Gillian was previously a Non-Executive Director of NAHL Group plc, Pendragon PLC and of Dignity plc. Gillian brings a wealth of knowledge to the Board in digital, customer, brand and marketing.

Key strengths

Strong commercial acumen, strategic, change management, stakeholder engagement, customer and digital/technology experience, brand and marketing across a broad range of businesses.

External roles

Non-Executive Director and Remuneration Committee Chair at Mothercare plc and Marlowe plc. Non-Executive Director and Chair of Risk at THG plc and Non-Executive Director at Ascential plc.



A R N I

Simon King

Non-Executive Director

Appointed as an Independent Non-Executive Director on 1 July 2020. Simon is the Designated Non-Executive Director for Workforce Engagement.

Career and experience

Simon most recently served as a Non-Executive Director for Headlam Group plc. Simon has extensive experience in the construction sector having served on the Travis Perkins Executive Board and as CEO of Wickes. Prior to that, he worked at Walmart as the Chief Operating Officer of Asda and served as CEO at Savola Group Middle East. He has previously held CEO positions for Tesco in Turkey and South Korea, where he led the joint venture with Samsung. Before his role at Tesco South Korea, Simon served as Chief Commercial Officer for Tesco in central Europe.

Key strengths

Over 35 years' experience leading international teams, building products distribution experience, change management, retail and distribution, marketing, technology/digital and stakeholder engagement experience, particularly in the workforce.

External roles

Non-Executive Chairman at Troy (UK) Limited. Non-Executive Director at James Donaldson Group Ltd and Chairman at Smoking Lobster Restaurants (Isle of Wight).



Diego Straziota

Non-Executive Director

Appointed as a Non-Executive Director on 4 May 2023.

Career and experience

Diego is a Managing Director at CD&R LLP. He holds a directorship in Wolseley, a CD&R portfolio company. Diego joined CD&R in 2017 and has played an instrumental role in CD&R's investments in Westbury Street Holdings, Wolseley, UDG and the subsequent separation of UDG from Inizio and Sharp. Diego actively participates in the assessment of investment opportunities within the industrial and business services sectors. Prior to joining CD&R, he worked in the private equity division of Blackstone.

Key strengths

Diego possesses a wealth of sector-specific knowledge and has a track record in strategy development and corporate transactions. His expertise extends to driving and overseeing improvements in company performance.

External roles

Holds a Directorship in Wolseley, a CD&R portfolio company.

Board activities in 2023

Strategy and Financing

- Regular updates and reviews throughout the year to monitor the Group’s financing position, medium-term plan and business plan.
- Consideration and oversight of potential M&A opportunities to ensure they advance the Group’s strategy and are earnings enhancing.
- Board day with the Executive Leadership Team (‘ELT’) to discuss strategy and initiatives across the Group.
- Regular business reviews of each of the operating companies.
- Received regular updates on the measures being taken to mitigate any increase in bad credit risk as a result of economic downturn.

Stakeholder Groups



Link to strategic objectives



Corporate reporting and performance monitoring

- Approved the 2024 budget and the three-year financial projections.
- Periodic review of the Group’s ability to trade as a going concern and viability.
- Approved the 2022 full-year and 2023 interim results, and ensured work was on schedule for the production of the 2023 full-year Annual Report and Accounts.
- Approved the release of Stock Exchange announcements in line with the Disclosure Guidance and Transparency Rules, UK Market Abuse Regulation and other requirements.
- Received regular investor relations reports as well as regular updates from brokers on market conditions and equity investor sentiment.

Stakeholder Groups



Link to strategic objectives



Stakeholder engagement

- Considered the interests of the Group’s key stakeholders.
- Group-wide customer surveys undertaken and results reported to the Board.
- Fourth annual employee engagement survey undertaken, with feedback reviewed to ensure any material concerns were identified and suitably addressed.
- Received regular updates on culture, key hires, employee engagement and organisational effectiveness.
- Reviewed feedback from the Chairman, Committee Chairs, Executive Directors and brokers following meetings with shareholders.
- Branch visits in Germany where the Board met with local branch teams.
- Reviewed feedback from the Board Workforce Engagement sessions conducted by the Designated Non-Executive for Workforce Engagement during the year.

Stakeholder Groups




Link to strategic objectives



Our long-term strategic objectives

1 
Partner of choice for specialist contractors


2 
Improve our operating performance


3 
Growing sustainably as a responsible business


Leadership and Governance


- Reviewed and, where appropriate, approved updated Terms of Reference for each of the Committees and the Board, Directors’ conflicts of interest and compliance with the Code.
- Conducted an annual internal Board performance review, identified areas for improvement and recommended actions.
- Held the 2023 AGM as a physical meeting. Shareholders had the opportunity to pre-submit questions and to ask questions during the meeting.
- Updated the skills matrix to map the skillset of the Board to ensure it aligns with that required to execute strategy and meet future challenges.
- Attended an externally facilitated Board training session on artificial intelligence.
- Reviewed the report of the Group Health, Safety and Environment Director as the first item of business on the agenda for Board meetings.
- Received regular reports and presentations during the year relating to risk management and internal controls.
- Reviewed the reporting of the Group against the TCFD pillars and recommended disclosures.
- Received regular updates on regulatory matters at Board meetings.
- Annual review, update and approval of key Group-wide policies.
- Approval of the Group’s 2023 Modern Slavery Statement, which can be found at **www.sigplc.com**.
- Reviewed the use of artificial intelligence tools across the operating companies.

Stakeholder Groups

 **SHAREHOLDERS AND INVESTORS**

 **PEOPLE**

 **CUSTOMERS**

 **COMMUNITIES AND ENVIRONMENT**

Link to strategic objectives

1 3

Risk management and internal control

- Received regular reports on risk management and internal controls from the Audit & Risk Committee and Chief Financial Officer.
- Approved the Group risk register, risk appetite and principal risks.
- Received regular reports from the Group Director of Audit and Risk.
- Reviewed progress on the five sustainability commitments published by the Group in March 2022 and received updates on sustainability activities and initiatives.
- Ongoing review of SIG’s internal controls framework.

Stakeholder Groups

 **SHAREHOLDERS AND INVESTORS**

 **PEOPLE**

 **CUSTOMERS**

 **SUPPLIERS**

 **COMMUNITIES AND ENVIRONMENT**

Link to strategic objectives

1 2 3

Board activities in 2023 / continued

Board branch visits

Branch visits are invaluable for the Board, enabling the Directors to meet members of staff and local management to gain a better insight into not only the culture of the working environment, but to also understand the operations of the branches and any opportunities or issues they face.

In November 2023, as part of the Board’s annual meeting schedule, Board members spent three days in Germany. The Board was delighted to visit two Wego branches, being the branches in Oberhausen and Dortmund. The visits provided the Directors with a firsthand insight into the local operations at each branch and an opportunity to engage directly with the branch teams.



Board activities in action

Oberhausen and Dortmund branch visits

The Board was delighted to visit the Oberhausen and Dortmund branches in November 2023. The branches offer a wide range of interior products from brand manufacturers and our own Wego brand, including drywall, floor systems, components, technical insulation, facade, insulating materials, fire protection and tools.

The Board met with each branch team and received a presentation on their sales performance and logistics.

Time was spent to understand the product offering, current operations and issues impacting logistics. The Board went on a guided tour of each branch, looking at a range of products, vehicle fleet and logistics.

Following the branch tours Board members were invited to engage directly with the branch managers through a question and answer session, enabling the Directors to gain further insight into sales, customer satisfaction, health and safety and the key challenges and opportunities at each branch.

The Board found the branch visits extremely valuable and met afterwards to discuss their feedback.

Board/ELT strategy day

In November, as part of the Board’s annual meeting schedule, the Directors met with the ELT for a half-day session and received presentations from the Managing Directors of the operating companies. The presentations covered areas such as innovation, modernisation and key commercial initiatives. The content of the presentations included omnichannel, digitalisation, artificial intelligence and pricing strategies.

Following the presentations, the Board shared their reflections on the content that had been presented. The Directors agreed that the presentations were of high quality. This was the third successive year in which a dedicated session for the Board with the ELT had been held and the Board was unanimous that the event provides significant value for the Directors.

Board attendance during 2023

The following table shows the attendance of Directors at meetings of the Board and meetings of the Audit & Risk, Remuneration and Nominations Committees during the year ended 31 December 2023:

	Scheduled Board (8 meetings)	A Scheduled Audit & Risk (4 meetings)	R Scheduled Remuneration (5 meetings) ¹	N Scheduled Nominations (4 meetings)
Andrew Allner ²	●●●●●●●●	N/A	●●●●●	●●●●
Gavin Slark ³	●●●●●●●●	N/A	N/A	N/A
Ian Ashton ⁴	●●●●●●●●	N/A	N/A	N/A
Shatish Dasani	●●●●●●●●	●●●●	●●●●●	●●●●
Bruno Deschamps ⁵	●●●●●●●●	N/A	●●●●●	●●●
Kath Durrant	●●●●●●●●	●●●●	●●●●●	●●●●
Diego Straziota ⁶	●●●●●●●	N/A	N/A	N/A
Gillian Kent	●●●●●●●●	●●●●	●●●●●	●●●●
Simon King	●●●●●●●●	●●●●	●●●●●	●●●●
Alan Lovell	●●●●●●●●	●●●●	●●●●●	●●●●
Christian Rochat ⁷	●○	N/A	N/A	○
Steve Francis ⁸	●	N/A	N/A	N/A

1. There were five scheduled Remuneration Committee meetings and three additional meetings, which were convened in connection with measures in response to the high cost of living during the year and to approve remuneration arrangements regarding leavers.
2. The Chairman attended all four Audit & Risk Committee meetings.
3. Gavin Slark attended all four Audit & Risk Committee meetings and those sections of the Remuneration and Nominations Committee meetings to which he was invited by the Chairs of each Committee.
4. Ian Ashton attended all four Audit & Risk Committee meetings and those sections of the Remuneration Committee meetings to which he was invited by the Chair of the Committee.
5. Bruno Deschamps became a member of the Nominations Committee on 4 May 2023 and attended all meetings following his appointment.
6. Diego Straziota was appointed as a Non-Executive Director on 4 May 2023 and attended all Board meetings following his appointment. Diego attended all four Audit & Risk Committee meetings in his role as CD&R observer on this Committee.
7. Christian Rochat stood down as a Non-Executive Director and Nominations Committee member on 4 May 2023, when he did not stand for re-election at the AGM. He was unable to attend one Board meeting and Nominations Committee meeting due to an engagement which he was unable to reschedule.
8. Steve Francis stepped down as Group CEO and as a Director on 1 February 2023.

The table shows meetings that each Director attended as a member rather than as an invitee. Where 'N/A' appears the Director is not a member of the Committee although may have attended the meeting; please see the footnotes to the table. Directors do not participate in meetings when matters relating to them are discussed. The Chairman holds meetings with the Non-Executive Directors without the Executive Directors present and in 2023 several such meetings were held. The SID meets with the independent Non-Executive Directors without the Chairman present, in particular when the performance of the Chairman is being considered. All Directors attended the 2023 AGM.

How we manage conflicts of interest

Each Director has a duty under the Companies Act 2006 ('CA 2006') to avoid any situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. Provision 7 of

the Code also requires the Board to take action to identify and manage conflicts of interest, including those resulting from significant shareholdings and to ensure that the influence of third parties does not compromise or override independent judgement. This duty is in addition to the obligation that they owe to the Company to disclose to the Board any transaction or arrangement under consideration by the Company in which they have, or can have, a direct or indirect interest. Directors of public companies may authorise conflicts and potential conflicts, where appropriate, if a company's Articles of Association permit and shareholders have approved appropriate amendments.

Procedures have been put in place for the disclosure by Directors of any such conflicts and also for the consideration and authorisation of any conflicts by the Board. These procedures allow for the imposition of limits or conditions by the Board when authorising any conflict, if they think this is appropriate.

These procedures have been applied during the year and are included as a regular item for consideration by the Board at each of its meetings. In addition the Chairman meets regularly with the independent Non-Executive Directors to ensure the interests of all shareholders are considered. The Board believes that the procedures established to deal with conflicts of interest are operating effectively and they are periodically reviewed to ensure they are fully compliant with the Code.

All Directors are required to complete and disclose a gifts and hospitality form confirming the offering or receipt of any gifts or hospitality offered or provided as a result of their directorship of the Company in accordance with the Group's Gifts and Hospitality policy. The Board is aware of the other commitments of the Directors and is satisfied that these do not conflict with their duties as Directors of the Company and that the influence of third parties does not compromise or override their independent judgement.

Engagement with our stakeholders



Shareholders and Investors

Why it is important we engage

Under Section 172 of the CA 2006 Directors have a duty to act in good faith to promote the success of the Group for the benefit of the Company's members as a whole. Shareholders' views are important as part of the Board decision-making process and we welcome discussions with them.

How we engage across the Group

- Publication of annual and interim reports.
- Corporate website with a dedicated investors section.
- Results presentations and post-results engagement with major shareholders and lenders.
- Investor roadshows, face-to-face meetings and addressing regular investor and analyst enquires.
- Regulatory Stock Exchange announcements.

How we engage at Board level

- CEO and CFO meetings with shareholders and lenders as part of investor roadshows and ad-hoc meetings as appropriate.
- Meetings between shareholders and Directors, including the Chairman and Chairs of Board Committees.
- Meeting shareholders at the Annual General Meeting.
- Reviewing the voting results of shareholders who voted at the 2023 AGM.



People

Why it is important we engage

SIG is a people business: engagement by the Group with its stakeholders is through its people. Accordingly, engagement by the Group with its workforce underpins SIG's success. SIG's growth and sustainability depends on having the right company culture, supported by suitable behaviours and with a clear purpose.

How we engage across the Group

- Annual all-employee engagement survey.
- Individual performance reviews.
- Regular communications to employees on Workplace relating to company news and recognising achievements.
- Employee share incentive scheme.
- Training and development.
- Apprenticeships.
- Diversity, equality and inclusion forum.

How we engage at Board level

- The Designated Non-Executive Director for Workforce Engagement meets regularly with employees across the operating companies.
- Regular health and safety reports are presented to the Board.
- Feedback is reviewed from the annual employee engagement survey.
- Annual review and approval of all-employee policies and training.
- Further details on Board level engagement with employees and how the Board monitors culture can be found on page 74.



Customers

Why it is important we engage

Understanding the needs and requirements of our customers is hugely important and the Group seeks to use this knowledge to partner effectively with our customers. Customer service is vital to maintaining and growing revenues and profits, and we use engagement with our customers to develop and strengthen our sales capacity and productivity to improve our service and continually develop and refresh our product offering.

How we engage across the Group

- Annual Group-wide customer engagement survey.
- Management at local level of customer relationships.
- Listening to customer feedback to understand the needs of our customers.
- Improving digitally to better communicate and facilitate customer requests and requirements.
- Ensuring appropriate stock levels and product ranges at branches to facilitate customer needs.

How we engage at Board level

- Reviewed the actions proposed to be taken by management in light of the findings of the annual Group-wide customer engagement survey.
- Monitored engagement between management and customers where the latter had sought more information about the Group's ESG agenda, including in particular the sustainability of the products sold by the Group and the steps being taken by the Group to reduce its carbon footprint.
- The Board continued to focus on the steps being taken by management in progressing the digitalisation and modernisation of the Group in response to customer requests and to anticipate future demands.

Directors' Section 172 statement

SIG seeks to foster flexible and constructive relationships with its key stakeholder groups and recognises that the vitality of its strategy is enriched by stakeholder views and feedback.

The Directors consider that they have performed their fiduciary duty, as stipulated under Section 172 of the

CA 2006 in good faith to promote the success of the Group for the benefit of its members as a whole. They have taken into consideration, amongst other matters:

- the likely long-term consequences of their decisions;
- the interests of the Group's employees;

- the need to foster relationships with suppliers, customers and others;
- the desirability of the Group maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the Company.



Suppliers

Why it is important we engage

SIG enjoys a pivotal position in industry supply chains: we connect suppliers and customers in ways which they would be unlikely to achieve without SIG's presence. We are a principal route to market for many of our suppliers and we seek to add value for our suppliers by operating as their supply chain partner of choice. We engage with our suppliers to understand their businesses and to identify ways in which we can work with them strategically.

How we engage across the Group

- Our code of conduct and policies on the prevention of anti-bribery and corruption and modern slavery.
- Ensuring branches are close to suppliers.
- Membership of national trade and industry associations such as in the UK the Construction Products Association.
- Collaborating regularly with suppliers to ensure a supply of sustainable products for our customers.

How we engage at Board level

- Members of the ELT meet with our suppliers in their local geographies.
- Reports to the Board made by the CEO regarding relationships with major suppliers.



Communities and Environment

Why it is important we engage

SIG has a long-standing environmental heritage. The Directors appreciate that environmental matters are important to all stakeholder groups who are calling on companies to do more on key sustainability topics and to be more transparent about their efforts. SIG seeks to operate sustainably for the benefit of communities and the environment. The Directors recognise that close relationships with the communities in which SIG businesses operate help to foster the long-term success of the business.

How we engage across the Group

- Monthly Sustainability Committee meetings, chaired by the Group Health, Safety and Environment Director which include the CEO and CFO together with senior representatives from all operating companies and function experts from Group.
- Waste and Fleet forums to facilitate the Group's waste and carbon reduction commitments.
- SIG in the UK is a partner of the Supply Chain Sustainability School, which provides resources to help the UK business to lead the conversation on sustainable business practices both internally and within its supply chain.

How we engage at Board level


- Regular updates from monthly Sustainability Committee meetings to understand key sustainability initiatives across the Group and progress to achieve the sustainability commitments.
- Overseeing, considering and reviewing the Group's Environmental, Social and Governance Strategy and sustainability commitments.

How the Board considered stakeholders during the year Capital Markets Event

In November 2023, we hosted a Capital Markets event ('CME') to provide greater detail on the Group's key strategic drivers and the path to achieving our medium-term 5% EBIT margin target. At the CME, we set out the Group's updated vision, purpose, objectives and the four pillar strategy by which we propose to achieve this target. We also set out the margin targets for each of the operating companies and how these would deliver the Group target. Finally, we reported that the UK business would be separated into three constituent elements for external reporting: Interiors; Exteriors and Specialist Markets.

Ahead of the CME, we carefully considered the proposals that would be set out at the CME. The Board supported the updated strategic framework, as the reduction from seven to four strategic pillars was clearer for investors, customers, suppliers and employees to understand. The Board discussed the merits of the separation of the UK business for external reporting and concluded that the revised structure would provide greater transparency for investors and other stakeholders as well as providing an enhanced focus on delivery of the strategic goals of those businesses.

The Board discussed the margin targets for the operating companies, the Group target and the advantages of providing investors with greater transparency by publicly stating the targets for each operating company. The Directors concluded that delivery of the Group margin target remained important to investors and that clearly articulating the targets for individual operating companies would provide clarity as to how the Group target would be delivered. Publicly stating the targets would also provide employees with clarity on the strategic direction of their own operating company as well as the other operating companies across the Group.

 FOR FURTHER INFORMATION ON THE CME SEE PAGES 11 TO 12.

Engagement with our people

How the Board monitors culture

The Board ultimately has responsibility for ensuring that workforce policies and practices are in line with the Group's purpose and values and support the desired culture throughout the Group. The Group's culture and values are defined by the Board and the ELT and throughout the year the Board has monitored Company culture. The right culture is key to future success and whilst SIG's culture varies between countries, the goal is to create a winning, vibrant and modern culture which combines discipline, clear expectations and effective processes with entrepreneurial spirit.

Having regular interactions with employees helps support how the Board monitors culture. During the year, the Board monitored culture through a range of interactions, including:

Branch visits

Branch visits are invaluable to the Board, enabling the Directors to meet members of staff and local management and gain a better insight into not only culture and purpose in the working environment, but to also understand the functions of the branches and any restrictions or opportunities they face. In addition to individual visits to branches by Directors, the whole Board visited the Oberhausen and Dortmund branches in Germany during the year. Further, the Designated Non-Executive Director for Workforce Engagement carried out a number of branch visits during the year, details of which can be found below.

Employee engagement survey

The 'Our SIG, Your Voice' employee engagement survey was launched during the year to ensure that every employee's voice is heard to maintain an inclusive, supportive working environment for our people. This year's survey highlighted certain areas as key strengths including job satisfaction, commitment to the team and organisation, health and safety and quality of line management. Responses also identified areas that need further improvement, such as workloads, wellbeing and culture. The Board will continue to monitor progress against these areas.

Employee policies

The Board and its Committees reviewed and approved key employee policies during the year to ensure they appropriately capture and reflect the Group's values and culture. These include the Group's Code of Conduct, Health and Safety, Whistleblowing, Anti-Bribery and Corruption, Diversity, Equality and Inclusion, GDPR, and Gifts and Hospitality policies. All employees, including the Board, and contractors are required to complete online training on each of these policies. Completion of this training is tracked, and reminders issued when required, to ensure that training is completed. As new policies are developed, appropriate training is provided to all employees.

Health and Safety

The Board is regularly updated at each of its meetings on health and safety matters and on new or ongoing investigations and their outcomes. The Board is committed to ensuring high standards of health and safety are maintained across the Group.

Whistleblowing

Board members receive regular updates on whistleblowing, which include details of whistleblowing reports received via the external whistleblowing service.

Board activities in action



Workforce engagement

What had gone well

A common theme was the confidence in our decentralised business culture and the progress it had supported. It was clear that it gave colleagues the flexibility and trust to respond to local market conditions ensuring they remained agile, and customer focused. It was uplifting to learn about our growing solar business in France, Germany's strategy to achieve similar omnichannel efficiencies as their Polish colleagues and the positive feedback on the enhanced employee wellbeing initiatives introduced in the UK.

Where can we improve

Whether it's thinking about how to attract more young people into our sector, exploring ways to build on the success of local training initiatives, or encouraging the right level of investment in our people and workplaces, it was great to hear the enthusiasm from colleagues on ways we can improve. ESG was once again a major topic, specifically how we can support our five Group-wide sustainability commitments and drive sustainable construction through partnership working.



As the Designated Non-Executive Director responsible for workforce engagement, I am privileged to meet with employees representing all levels, functions, and regions to understand their insights and views. This annual programme, along with our employee engagement survey, helps guide Board-level decision-making processes.

Each year, I rotate my visits across our businesses and in 2023 I met with colleagues in France, Germany and the UK in small group sessions.

Simon King
Designated Non-Executive Director
for Workforce Engagement

How our Board is structured

To ensure the Board performs effectively, there is a clear division of responsibilities between the leadership of the Board, its Committees and the ELT.

Shareholders

Our shareholders are the ultimate owners of the Company and play an important role in the governance structure.

MORE INFORMATION ON OUR ENGAGEMENT WITH SHAREHOLDERS CAN BE FOUND ON PAGE 72.



The Board

The role of the Board is to promote the long-term sustainable success of the Group, generating value for shareholders and contributing to wider society. More information on the Board's responsibilities can be found in the Schedule of Matters Reserved for the Board and the Board's terms of reference, available on our website.



Committees of the Board

Audit & Risk Committee

Monitors the integrity of financial reporting and the performance of the external Auditor and reviews the effectiveness of the Group's systems of internal control and related compliance activities.

READ MORE ON PAGES 86 TO 93.

Nominations Committee

Regularly reviews the structure, size and composition of the Board and oversees the development of a diverse pipeline for orderly succession to the Board and senior management positions. Working with HR, takes an active role in setting and working towards diversity objectives and strategies for the Group.

READ MORE ON PAGES 82 TO 85.

Remuneration Committee

Agrees with the Board the framework or broad policy of remuneration for the Chairman, Executive Directors and senior executives, and sets their remuneration. Reviews remuneration policies across the Group, ensuring the alignment of workforce remuneration and incentives with the Group's culture and strategy.

READ MORE ON PAGES 96 TO 121.

Executive Leadership Team

The ELT addresses operational issues and is responsible for implementing Group strategy and policies, day-to-day management and monitoring performance.

MEMBERS ARE THOSE INDIVIDUALS LISTED ON PAGES 78 TO 79.

Relationship with CD&R

SIG's relationship with CD&R is governed by the Relationship Agreement entered into in 2020. Under the Relationship Agreement, CD&R has the right to appoint two non-independent Non-Executive Directors. The CD&R appointed Non-Executive Directors are Bruno Deschamps and Diego Straziota. Bruno is a member of the Nominations Committee and the Remuneration Committee. Diego attends Audit & Risk Committee meetings as an observer.

The Relationship Agreement provides for the CD&R Non-Executive Directors to have a monthly meeting with the CEO and management. This is fulfilled through operational review meetings involving the Chairman, CEO, CFO, Group General Counsel & Company Secretary and, by invitation, one of the independent Non-Executive Directors. Meetings are structured as two sections: either with two operating companies or with one operating company and a second session dealing with a separate business matter. All papers for operational review meetings are made available to the full Board. A debrief on the matters discussed at each meeting is provided by the CD&R Non-Executive Directors at the subsequent Board meeting.

In 2023, the meetings focused on each operating company, with the exception of Benelux, due to the change in Managing Director in October. A review with Benelux was conducted in early 2024. Bruno and Diego's industry experience and knowledge is of significant value to the operating companies. Under the Relationship Agreement, any actual or potential conflict between the interests of CD&R and/or either of the CD&R Non-Executive Directors and SIG must be declared, and the relevant CD&R Non-Executive Director may be prevented from voting on any such matter. At each Board meeting all Directors are required to declare any new conflicts of interest. The Board is satisfied that no conflicts of interest have arisen during the year. The Board greatly appreciates the contribution made during 2023 by Bruno and Diego, and CD&R more generally, and believes it significantly benefits all of SIG's shareholders and stakeholders.

Board roles and responsibilities

Non-Executive Directors

Chairman

- Leads the Board, responsible for its overall effectiveness in directing the Group.
- Chairing Board and Nominations Committee meetings and setting agendas for those meetings.
- Shapes the culture in the Boardroom, ensuring that all Directors contribute effectively, and leads Board succession planning.
- Ensuring an appropriate balance is maintained between the interests of shareholders and other stakeholders.
- Promoting high standards of corporate governance.
- Ensuring all Directors receive a substantive induction on joining the Board.

Senior Independent Director

- Acting as a sounding board for the Chairman.
- Available for approach by shareholders, where communications through the Chairman or Executive Directors may not be appropriate.
- Attends sufficient meetings with major shareholders to obtain a balanced understanding of the issues and concerns of such shareholders.
- Leads the evaluation of the Chairman's performance at least once a year, meeting with the Non-Executive Directors, without the Chairman being present.
- Leads the succession process for the Chairman.

Non-Executive Directors

- Provide constructive challenge to the Executive Directors.
- Provide strategic guidance to the Company.
- Offer specialist advice.
- Scrutinise and hold to account the performance of the Executive Directors against agreed performance objectives.

Designated Non-Executive Director for Workforce Engagement

- Oversees the Board's engagement with the Group's workforce.
- Gathers views of employees through a variety of formal and informal channels and identifies any areas of concern.
- Strengthens the link between the Board and employees.

Executive Directors

Chief Executive Officer

- Ensures effective leadership and day to day running of the Company.
- Responsible for proposing, delivering and implementing the strategy approved by the Board.
- Leads the ELT and oversees key functions.
- Regularly reviews the organisational structure including development and succession planning.
- Responsible for setting an example to the Group's workforce, for communicating to them the expectations in respect of the Group's culture and for ensuring that operational policies and practices drive appropriate behaviour.
- Ensures the Chairman and Board are advised and updated regarding key matters.

Chief Financial Officer

- Leadership, direction and management of Group Finance, including tax and treasury matters.
- Oversight of, and guidance to, the operating companies' Finance teams.
- Establishing and maintaining adequate internal controls and ensuring the integrity of all internal and external financial reporting.
- Oversees the production of the Group's annual budget for approval by the Board.
- Develops long-term financial plans.
- Investor Relations.

Group General Counsel & Company Secretary

- Independent advisor to the Board and Chief Legal officer to the Group.
- Keeping the Board up to date on all relevant legal and governance requirements.
- Supports the Chairman and Committee Chairs to set meeting agendas and ensure Directors receive accurate, timely and clear information.
- Ensures Board procedures and best practice governance arrangements are followed, and decisions are implemented.

Our Executive Leadership Team

as at 4 March 2024



Gavin Slark
Chief Executive Officer

See Gavin's biography on page 66.



Julie Armstrong
Chief People Officer

Julie joined SIG as Chief People Officer in 2021 and has over 20 years' experience both in and outside of HR roles. Prior to joining SIG, Julie was CPO at Calisen Group. Prior to this, Julie held the position of Group HR Director at Thomas Cook and served as Customer Services Director at Manchester Airports Group.



Richard Burnley
Managing Director UK Interiors

Richard re-joined SIG in 2020 and joined the ELT in 2023. He brings over 20 years' experience in the building materials and construction industry, with prior roles including Managing Director, GB and Ireland at Kingspan Insulation. He has also previously attained President and Board status with the Construction Products Association, Sustainable Energy Association, and Insulation Manufacturing Association.



David Hope
Managing Director UK Construction Accessories & Specialist Markets

David re-joined SIG in 2020. He has over 25 years of industry expertise and held various roles at SIG from 2007 to 2017. He was appointed Managing Director UK Construction Accessories and Specialist Markets in 2022 and joined the ELT in 2023. David has previously served as Managing Director UK & Ireland Packaging at Antalis and Managing Director of Springvale EPS Insulation, a business division of CRH plc.



Ian Ashton
Chief Financial Officer

See Ian's biography on page 66.



Alfons Horn
Managing Director Germany

Alfons re-joined SIG in 2021 and has over 25 years' experience in the distribution and building materials industry. From 1998 to 2016, he held various positions with SIG Germany, including Managing Director and Chairman of the management board. Alfons has held several senior executive and advisory roles within the industry, he served as Regional President for BMI Monier and Managing Director for Contract Company Holding GmbH.



Chris Lodge
Managing Director UK Exteriors

Chris joined SIG through an acquisition in 2005 and has held several finance roles including, most recently, UK Finance Director. In 2023, he was appointed Managing Director UK Exteriors and joined the ELT. Chris has over 26 years of experience in specialist merchanting with prior roles held at SIG Roofline & Building Products and Omnicco Plastics Limited.



Julien Monteiro
Managing Director France

Julien joined SIG in 2018 as Managing Director France. Prior to joining SIG, Julien served as Managing Director France at Brammer Group and held senior positions at Nacco Materials Group. Julien has over 15 years of international experience in the specialist industrial distribution industry.



Sarah Ogilvie
Head of Investor Relations & Communications

Sarah joined SIG in 2022 and became a member of the ELT in 2023. She oversees investor relations and internal and external communications. Sarah has over 20 years' experience in corporate affairs and investor relations, with prior roles at Intertek Group plc, Accys Technologies plc and Good Energy plc. She began her career in corporate law and corporate affairs in the telecommunications sector.



Bert de Ru
Managing Director Benelux

Bert joined SIG in 2023 as Managing Director Benelux and as a member of the ELT. Bert has a strong background in the building materials and pitched and flat roofing markets, having gained experience at renowned international companies, including BMI Monier and Icopal over the last 13 years.



Marcin Szczygiel
Managing Director Poland

Marcin joined SIG in 1999 as Managing Director of SIG Poland. With over 25 years of experience in the specialist construction distribution industry, Marcin was previously Managing Director at Sitaco. Prior to this, he held several positions at Saint Gobain Isover before becoming Sales and Marketing Director for Isover Poland.



Andrew Watkins
Group General Counsel & Company Secretary

Andrew joined SIG in 2019. He has 25 years' experience as legal counsel across public and private companies. Prior to joining SIG, Andrew was General Counsel at Hyve Group plc and General Counsel & Company Secretary at Ebiquty plc. Andrew spent the first half of his career working in law firms, including Trowers & Hamblins LLP where he was a Partner.



Julie Westcott
Group Health, Safety and Environment Director

Julie joined SIG in 2022 as Group Health, Safety and Environment Director and oversees Group-wide activity related to health, safety, security and the environment. Julie has over 20 years of experience in the logistics and manufacturing sectors. She previously held senior roles at DS Smith plc and JELD-WEN and as HR & Safety Manager at RPC Group plc.



Kevin Windle
Managing Director Ireland

Kevin joined SIG in 2014 as Finance Director Ireland and became Managing Director Ireland in 2019. Prior to joining SIG, Kevin was the EMEA Finance Director for Glanbia Performance Nutrition and held the position of Finance Director for Grafton Merchating Ireland. Kevin has over 22 years of experience in finance and leadership roles within the building merchating industry.

Board arrangements

Managing time commitments

The Board is satisfied that there is no compromise to the independence of Directors who have other external appointments. Each of the Non-Executive Directors brings their own senior level of experience and expertise, and the balance between non-executive and executive representation encourages healthy independent challenge.

Prior to appointment, Directors are required to disclose other directorships. The Nominations Committee reviews the commitments of Directors upon appointment, any proposal for reappointment and following a change in roles, to ensure that each of the Directors has sufficient time to fulfil their responsibilities. Directors must not take on additional external appointments without the approval of the Board. During 2023, approval was given for Shatish Dasani to take on the role of non-executive director and Audit Committee chair of Genuit Group plc.

Board support

The Directors have full access to the Company Secretary, whose responsibility is to ensure that Board policies and procedures are followed, including minuting of any unresolved concerns that any Director may have in connection with the Group. During the year there were no such unresolved issues.

Directors wishing to take independent legal advice in the furtherance of their duties may do so at the Group's expense. On resignation, if a Non-Executive Director had any concerns, the Chairman would invite them to provide a written statement to the Board. The appointment and removal of the Company Secretary is a matter reserved for the Board. The Board and its Committees are provided with sufficient resources to undertake their duties. Appropriate training is available to all Directors on appointment and on an ongoing basis as required.

The Group operates a paperless meeting system for the Board and its Committees, which supports our online drive across the Group and impact on the environment. Board and Committee papers are accessible to Directors through an electronic portal as well as information such as analyst and shareholding reports and financial results. There is a 'Reading Room' within the portal where Directors can view other relevant Company information. The Group General Counsel & Company Secretary attends all Board meetings and is at hand to answer questions or offer independent advice or expertise to Directors.

Election and re-election of Directors

All Directors are subject to election at the AGM following their appointment and to re-election every three years. In accordance with the Code, all Directors seek election or re-election at the AGM each year.

The Board believes the success of the Group will be achieved by the success of the strategy outlined at the CME (see page 12). The 2024 notice of AGM includes the skills and experience that each Director has, and a statement as to why their contribution is and continues to be important to the Group's long-term sustainable success.

It is the view of the Board that each of the Non-Executive Directors standing for re-election brings considerable management experience and an independent perspective to Board discussions and is considered independent of management. Each of the independent Non-Executive Directors standing for re-election is considered free from any relationship or circumstance that could affect, or appear to affect, the exercise of their independent judgement.

The Chairman intends to confirm at the AGM that, as evidenced by the 2023 Board performance review, the performance of each individual continues to be effective, and each Director acts with integrity, leads by example, promotes the desired culture and demonstrates commitment to the role.

The terms of the Directors' service contracts are disclosed in the Directors' remuneration report on page 120. Full details of Directors' remuneration, interests in the share capital of the Company and share options held are set out on page 116. Directors' service contracts and the letters of appointment of the Non-Executive Directors are available for inspection at the Company's registered office and will be available at the 2024 AGM.

Training and induction

The Chairman reviews with the Board its training and development needs. In 2023, the Directors attended an externally facilitated training session on artificial intelligence. All Directors receive induction training on their Directors' duties, the responsibilities of a premium listed issuer, and the obligations of a company admitted to the premium listing segment of the Official List of the FCA. The Board receives regular presentations from advisors and management on a range of topical issues, such as from the Group's financial advisors in relation to the macroeconomic and industry backdrop and sector dynamics that SIG faces.

On appointment, Directors receive an induction to the Group. This involves meetings with each Board member, ELT members, external advisors (such as brokers, auditors and financial advisors), visits to branches, and access to key corporate materials. The programme ensures that they are well briefed on current Board topic areas, the Group's strategy, purpose and structure, stakeholder engagement activities, operations, finance and the industry.

Board performance review

The Board undertakes an annual review of its own and its Committees' performance. In 2021 we undertook an external evaluation and the exercise in 2022 and 2023 was conducted on an internal basis.

The recommendations from the 2022 performance review are set out below together with a summary of the progress that was made to satisfy the recommendations during the year.

2022 Recommendations	Action taken during 2023
Ensuring a smooth transition from Steve Francis to Gavin Slark as Group CEO and a successful onboarding of Gavin Slark through 2023	The handover from Steve to Gavin proceeded smoothly. Since becoming CEO, Gavin has immersed himself in the business visiting all of the operating companies on multiple occasions. Gavin successfully held an Executive Leadership Group conference in April, meeting many senior leaders across the Group. In November Gavin set out the future strategic direction for SIG to investors at the Capital Markets event.
Ensuring an appropriate balance between longer-term vision and responding to shorter-term volatility	<p>The Board, including through its Committees, undertook several deep-dive reviews of longer-term and strategic thinking. These included detailed reviews of succession planning for ELT roles and for roles that report to ELT members. The Board also oversaw the development of the Group's DEI strategy, which has a core focus on the development of diverse talent. Detailed analysis of the UK turnaround and branch matters, such as category and mix management, is generally focused through operational review meetings.</p> <p>The Board also maintained a focus on shorter-term matters, notably the increasingly challenging trading conditions which developed in the second half of the year. The Board ensured that the executive management was tasked with initiatives such as productivity improvements that would deliver cost-savings in the year under review.</p>
A focus on technology issues and modernisation	<p>The Board has reviewed the use of artificial intelligence tools across the operating companies and will continue to assess the needs of and opportunities for the Group arising from artificial intelligence during 2024.</p> <p>The Board received a report from an external partner concerning the delivery in the last two years of modernisation steps in areas such as warehouse and transport management.</p>
Greater engagement with stakeholders beyond shareholders and debt providers	<p>In October an external consultant presented a session to the Board on artificial intelligence.</p> <p>In addition, the Board conducted offsite meetings with branch staff and members of the German management team. Further engagement with stakeholders will be kept under review in 2024.</p>

Process and outcomes of the 2023 Board and Committee Performance Review

During the year, the Board approved a questionnaire to be completed by all Directors with certain questions requiring, in addition, open text comment answers. The questionnaire focused on several key topics aligned to the Code, including Board leadership and culture; Group purpose and strategy; and Board and ELT composition and succession, including diversity, equality and inclusion. There were subsets of the questionnaire specific to each of the Audit & Risk Committee, the Remuneration Committee and the Nominations Committee.

The 2023 Board and Committee performance review was led by the Chairman and the Group General Counsel & Company Secretary and the responses to the questionnaire were discussed with the Chairs of each of the Committees regarding the sections of the questionnaire specific to those Committees. As part of the review, the Chairman met with the Non-Executive Directors individually to discuss the feedback on their performance, and the SID met with the Chairman to discuss his performance.

The Board priorities for 2024 include:

- Maintain the Group's focus on short-term financial performance, within the context of prevailing market conditions, alongside continuing focus on long term value creation.

- Continue the turnaround in the UK Interiors business.
- Review of, and ongoing visibility over, the strategic and operational plans of each operating company to achieve their medium-term margin targets.
- Continued progress on the modernisation and digitalisation of the business.
- Further development of talent and culture across the organisation.

Further information on the objectives set by each Committee for 2024 can be found in their reports.

Nominations Committee report



Andrew Allner

Committee members

Andrew Allner¹ (Chairman)

Alan Lovell

Bruno Deschamps²

Gillian Kent

Kath Durrant

Shatish Dasani

Simon King

Christian Rochat³

1. Independent on appointment.

2. Bruno Deschamps was appointed to the Committee on 4 May 2023.

3. Christian Rochat stood down as a Non-Executive Director and Nominations Committee member on 4 May 2023.

On behalf of the Nominations Committee ('the Committee'), I am pleased to present its report for the year ended 31 December 2023. The report describes how the Committee has carried out its responsibilities during the year.

Committee purpose and aims

To lead the process for Board appointments, ensure plans are in place for orderly succession to both Board and senior management positions, and oversee the development of a diverse talent pipeline for succession.

The Committee aims to maintain the appropriate balance of skills, knowledge, experience, diversity and independence of the Board and its Committees to ensure their continued effectiveness.

Role and responsibilities

- To review the structure, size and composition (including the skills, knowledge, experience and diversity) required of the Board compared to its current position and in the light of future challenges affecting the business.
- To make recommendations to the Board regarding any changes, to ensure that plans are in place for the orderly succession and development of Directors and other senior executives, and to oversee the development of a diverse pipeline for succession.
- Working with the Chief People Officer, to take an active role in setting and meeting diversity objectives and strategies for the Group as a whole.

Meetings and membership

During the year, the Committee met on four occasions. The quorum for meetings is three members, the majority of whom must be Independent Non-Executive Directors. Members of the Committee are not involved in matters affecting their own position.

The Committee comprises the Chairman and six Non-Executive Directors of whom five are Independent Non-Executive Directors. No Executive Directors are appointed to the Committee; however, they may attend by invitation if the matters to be discussed require their participation. Attendance at meetings is set out on page 71.

Highlights from the year

- Gavin Slark completed a successful onboarding and induction programme to the Group as CEO.
- Diego Straziota joined the Board as a CD&R nominated Non-Executive Director.
- Considered and recommended to the Board the appointment of Kath Durrant as Senior Independent Director ('SID').
- Reviewed succession planning and talent development for senior management.
- Reviewed the status of diversity and inclusion across the Group.

Summary of Directors' skills¹ As at 4 March 2024



1. The Board were asked to score themselves from 0 (no/little experience) to 3 (detailed knowledge/experience) to give a score out of 30 for each topic.

The Committee in 2023 Board composition and succession planning

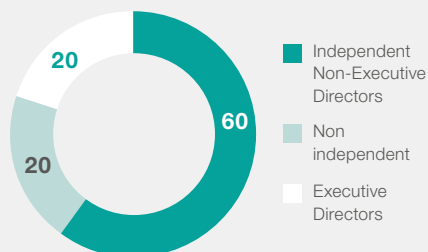
The Board comprises ten Directors: the Chairman of the Board, two Executive Directors, and seven Non-Executive Directors, of whom five are independent Non-Executive Directors.

During the year, and in accordance with its usual practice, the Committee reviewed the wider composition and balance of the Board. The review considered the membership of the Committees of the Board, the balance on the Board between Executive and Non-Executive Directors, the tenure of the Directors, diversity on the Board and the independence of the Non-Executive Directors. The Non-Executive Directors, other than Bruno Deschamps and Diego Straziota who are CD&R representatives on the Board, are considered independent as at the date of this report. On appointment to the Board, the Chairman was considered independent in accordance with the terms of the Code.

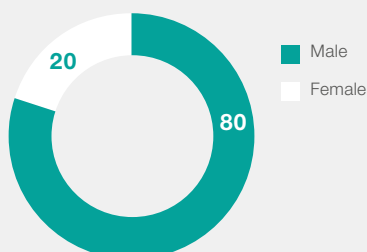
The Committee will continue to keep under review the skills and experience of the Board, covering both Executive and Non-Executive positions, ensuring plans are in place for orderly succession, to ensure the Group continues to compete effectively in the markets in which it operates. For more information on the biographical details for each Director see pages 66 to 67.

Non-Executive Directors are initially appointed for a three-year term and their reappointment for a further term is a matter for approval by the Committee. In making recommendations for the annual re-election of the Chairman and Non-Executive Directors, the Committee considers the skills, knowledge, experience, independence and the time commitments of each Director to ensure that they have sufficient time to fulfil their responsibilities to the Group. All Directors will accordingly be put forward for re-election at the 2024 AGM. Details of the reasons each Director continues to contribute to the success of the Group are contained in the Notice of AGM.

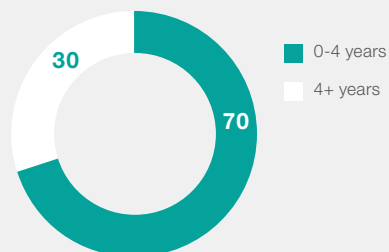
Board composition %



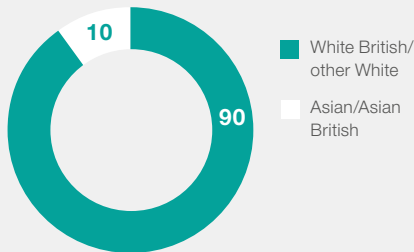
Board gender balance %



Board tenure %



Ethnic diversity %



The information above is as at 4 March 2024 and obtained directly from each Director.

Nominations Committee report / continued

Chief Executive Officer induction

In February 2023, Gavin Slark joined the Group as Chief Executive Officer.

Upon appointment, Gavin embarked on a comprehensive induction programme. The outgoing Chief Executive Officer, Steve Francis, was supportive and played a key role in the handover process to Gavin. During Gavin's induction programme he met with all members of the Board and all members of the ELT.

To gain greater insight into the business, Gavin was able to visit the majority of operating companies before the 2022 financial year investor roadshow began. In addition to the usual periodic business review meetings during the year, he visited all of the operating companies on multiple occasions. Since his appointment Gavin has immersed himself in the business, engaging with employees and other key stakeholders through results presentations, branch visits, investor roadshows and the Capital Markets event held in November 2023.

The Committee is delighted with the smooth transition of CEO. Further details on the induction process for Board members can be found on page 80.

Senior Independent Director appointment

In September 2023, we announced that Kath Durrant, Non-Executive Director, had been appointed as SID. Kath joined the Board in January 2021 and is Chair of the Remuneration Committee. Upon Kath's appointment, Alan Lovell ceased responsibilities as SID and remains as a valued Non-Executive Director. The Board is very grateful for Alan's contribution as SID during his tenure since 2018 and the support he provided as SID to the Board as a whole as well as to the Chairman specifically, notably during highly challenging times in 2020.

The Committee carefully considered Kath's appointment as SID taking into account the current duration of her appointment as a Non-Executive Director and leadership capabilities. The Committee was confident that Kath demonstrated strong potential to take on the position of SID. Kath has extensive experience in leadership positions and is highly familiar with the business.

The Committee was delighted at Kath's decision to accept the role. Further details of Kath's role and responsibilities as SID can be found at www.sigplc.com.

We are pleased to report that following Kath's appointment as SID, we are compliant with the Listing Rules requirement for one of the senior Board positions to be held by a woman. Notwithstanding this, we recognise that female representation on the Board needs improvement and the Committee continues to make a commitment to increase female representation at this level.

Group Executive Leadership Team changes

During the year we were pleased to welcome the following existing SIG employees to the ELT: Chris Lodge (Managing Director UK Exteriors), David Hope (Managing Director UK Construction Accessories & Specialist Markets), Richard Burnley (Managing Director UK Interiors) and Sarah Ogilvie (Head of Investor Relations & Communications). These appointments will strengthen the ELT and reflect progress that has been made with the Group's succession planning processes and development.

In October 2023, Bert de Ru joined SIG as Managing Director Benelux and as a member of the ELT. Bert has a deep understanding of the building materials industry and we are delighted that he has joined SIG. Biographical details of ELT members can be found on pages 78 to 79.

Talent and succession planning

During 2023, the Committee considered succession planning for both the ELT and the European Leadership Group ('ELG'). The Committee has visibility of a range of employees who have been identified as potential succession candidates for such roles in the short, medium and long-term. The Committee reviews the development programmes for these individuals to ensure there is a diverse pipeline of future leaders. The appointments of existing SIG employees to the ELT during the year are examples of succession planning in action.

All ELT members completed an executive development review in 2022, consisting of a psychometric and critical thinking assessment, role and career-based interview and 360-degree feedback. Each ELT member was provided with detailed feedback and a personal development plan. The Committee has reviewed during 2023 the progress of these plans for the operating company Managing Directors. Development reviews have begun for the ELG population and will continue during 2024.

The Committee is committed to proactively identifying and developing leadership from within the Group whilst ensuring that we attract applications from high calibre external candidates. To achieve this we will continue to invest in leadership and executive development to ensure a diverse balance of future successors for key roles within the Group.

Diversity and Inclusion

The Board acknowledges the importance of diversity in its broadest sense in the Boardroom as a driver of Board effectiveness. The Board recognises that gender, ethnic, social and cultural diversity of boards are significant aspects of diversity and acknowledges the role that women and those of different ethnic, social and cultural backgrounds with the right skills, experience, cognitive and personal strengths can play in contributing to diversity of perspective in the Boardroom. The Board also aspires to achieve diversity levels for each of its Committees at least consistent with the diversity achieved for the Board itself. The policy on Board diversity, which complements the Group's wider diversity policies and our strategic vision, was reviewed and updated by the Board during the year following amendments made to the Listing Rules on the reporting of Board diversity and is available on the Group's website.

Gender diversity is a significant aspect of diversity. The Board acknowledges that, as at 31 December 2023, whilst it met two out of the three Listing Rule diversity targets, its composition did not yet meet the Listing Rules requirement of a minimum female representation of 40%. The Board comprises ten Directors, of whom two are women.

Of the six independent Non-Executive Directors, one-third are women. CD&R has the right to appoint two Directors, under the Relationship Agreement, and CD&R's two appointees to the Board are both male. On a statistical level, this makes meeting higher thresholds of gender diversity more challenging whilst maintaining what the Board considers to be an appropriate and effective size. With the appointment of Kath Durrant as SID we have achieved the Listing Rules requirement of having at least one senior Board position held by a female. We also meet the Parker Review and Listing Rules target of ensuring at least one Board member is from an ethnic minority background.

As at 31 December 2023, representation of women within the ELT was 21%, and within the ELT and their direct reports was 27%. The Committee recognises that female representation at Board level and at our most senior levels can be improved and that further steps are required to increase diversity in its wider sense as well. The Board and senior leadership's gender identity and ethnicity data presented in accordance with Listing Rule 9.8.6R (10) can be found on page 123.

The Committee receives regular information on diversity from across the Group except from those countries where the law does not permit such information to be gathered. The Group continues to ensure where possible that recruitment for any new roles has a short-list of diverse candidates.

In 2022, SIG established a Group-wide diversity, equality and inclusion ('DEI') forum, including representation from each operating company and employees across the business. A Group DEI framework was established to direct and guide activities across the business, while allowing each operating company flexibility to ensure alignment to local culture. The programme aims to enhance DEI awareness across SIG and ultimately to improve the representation of under-represented groups in SIG.

In 2023, a monthly spotlight series was launched to draw attention to DEI initiatives across the operating companies. SIG Poland joined the group of signatories of the Diversity Charter to promote diversity and equality policies and enforce the active prevention of discrimination in the workplace.

SIG France developed a DEI Charter which was launched via a webinar to over 1,000 employees, accompanied by a short film showcasing the power of diversity within the business, featuring testimonials from a number of SIG employees, including the Managing Director of SIG France and HR Director. In the UK the DEI forum worked on training and guidance to help hiring managers ensure candidates are considered fairly on their individual merits. Throughout the year, a series of posts were shared with employees on Workplace in support of World Mental Health Day, International Women's Day, International Men's Day, World Menopause Day, Pride Month and Zero Discrimination Day. Further information on our Group-wide DEI activities during the year can be found on page 34.

Review of Committee terms of reference

During the year the Board reviewed the terms of reference of the Committee and made a number of non-material updates to them. These can be found on the Group's website at www.sigplc.com.

Committee performance review

An internal performance review of the Committee was conducted for 2023 and further details can be found on page 81. The recommendations from the Committee's 2022 performance review are set out below together with a summary of the progress that was made to satisfy the recommendations during the year:

2022 Recommendations	Action taken during 2023
Board composition and Non-Executive Director succession planning	The Committee reviewed the composition of the Board and kept under review the succession planning needs of the Non-Executive Directors. In September 2023, the Committee considered and recommended to the Board the appointment of Kath Durrant as SID. Further work will continue throughout 2024 and beyond to enhance diversity at Board level.
ELT succession planning	This year saw a number of new members join the ELT. Existing employees Chris Lodge, David Hope, Richard Burnley and Sarah Ogilvie joined the ELT during the year. The appointments not only strengthen the ELT but also show our progress in development and succession planning.
Wider Company succession planning	The Committee keeps under review the development needs and leadership capabilities of talent below ELT level. A review took place during the year of a range of employees who have been identified as potential succession candidates for senior management roles in the short, medium and long-term.

The priorities that the Committee has established for 2024 include:

- Succession planning for Board membership.
- ELT succession planning.
- Identification and preparation of diverse talent pipelines.

Audit & Risk Committee report



Shatish Dasani

Committee members

Shatish Dasani (Chair)

Alan Lovell

Gillian Kent

Kath Durrant

Simon King

On behalf of the Audit & Risk Committee ('the Committee'), I am pleased to present its report for the year ended 31 December 2023. The report describes how the Committee has carried out its responsibilities during the year.

Committee purpose and aims

To provide effective oversight and governance over the financial integrity of the Group's financial reporting (including climate-related financial disclosures) so as to ensure that the interests of the Company's shareholders and other key stakeholders are considered and protected.

To make recommendations on the reporting, control, risk management and compliance aspects of the Directors' and Group's responsibilities, providing independent monitoring, guidance and challenge to senior management in these areas.

The Committee's aims are to ensure high standards of corporate and regulatory reporting; an appropriate control environment; a robust risk management framework; and effective compliance monitoring. The Committee believes that excellence in these areas enhances effectiveness and reduces the risks of the Group to an acceptable level.

Role and responsibilities

- Monitoring and reviewing the Group's accounting principles, practices and policies, including the integrity of the Group's consolidated financial statements, compliance with legal and regulatory requirements and financial reporting standards, including climate-related financial disclosures.
- Overseeing the adequacy and effectiveness of the internal control environment.
- Monitoring and reviewing the effectiveness of the Group's Internal Audit function.

- Overseeing the relationship with the Group's external Auditor, initiating and conducting the tender process and making recommendations to the Board on their remuneration for audit and non-audit services, terms of engagement, independence, objectivity and effectiveness of the external audit process.
- Advising the Board on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable.
- Developing and implementing a formal policy on non-audit services.
- Reviewing external financial reporting and associated announcements, including significant financial reporting judgements contained in them.
- Monitoring and reviewing the effectiveness of the risk management procedures in place and the steps being taken to mitigate the Group's risks.
- Ensuring the Group's compliance with the audit-related provisions of the Code.

Meetings and membership

The Committee meets regularly throughout the year, with four meetings being held during 2023. Key matters considered at meetings of the Committee are set out below.

The Board considers that each member of the Committee was independent throughout the year, and remains so, and there are no circumstances which are likely to impair their independence according to the factors set out in the Code or otherwise. The knowledge and experience of the Committee members means that the Committee is competent in the sector in which the Group operates. All Committee members have a wide range of business experience and expertise such that the Committee can fulfil its responsibilities. Shatish Dasani, as Chair of the Committee, is a chartered accountant and has recent and relevant financial experience for the purposes of the Code. For more information on the skills and experience of each Committee member see pages 66 to 67.

Attendance by individual members of the Committee is disclosed in the table on page 71. The Committee Chair regularly invites senior management to attend meetings of the Committee to discuss or present specific items; the CFO, Ian Ashton, and the CEO, Gavin Slark, attended all of the meetings in 2023. In addition, the Chairman of the Board also attended all Committee meetings. The external Auditor, the Group Director of Audit and Risk and the Group Financial Controller attended all meetings of the Committee and have direct access to the Committee Chair.

The Committee meets regularly with the external Auditor and the Group Director of Audit and Risk without the Executive Directors being present and the Committee Chair also meets with the external Auditor, the CFO, the Group Financial Controller and the Group Director of Audit and Risk in advance of Committee meetings.

In accordance with the Relationship Agreement with CD&R, Diego Straziota, an observer nominated by CD&R, attended all Committee meetings held this year. As an observer, Diego is entitled to attend meetings but cannot affect the decision-making of the Committee. As noted elsewhere in this document, Diego was also appointed a Non-Executive Director of the Board during 2023, having been the Committee observer since 2020.

Highlights from the year

- Review of cyber risk and mitigation measures
- Finance organisation review
- Review of the 2022 fraud risk assessment
- Review of the 2022 Annual Report and Accounts
- Risk update and Annual Report disclosure
- Review of half-year results announcement
- Post investment reviews
- Risk assessment of the quality and change control processes regarding fabrication activities
- UK Corporate Governance Code consultation

At every meeting the Committee considers:

- Report of the CFO
- Report of the external Auditor
- Report of the Group Director of Audit and Risk
- Minutes and actions from previous meetings

The Committee also considered during the year:

- Internal controls
- Senior Accounting Officer annual review
- Annual external Auditor evaluation
- Report on Tax and Treasury matters
- Review of non-audit services from the external Auditor
- Risk appetite and Group risk register
- Deep-dive risk reviews on people risk and emerging risk
- Committee performance review and 2024 actions
- Review of the effectiveness of the Internal Audit function
- Review of the Committee terms of reference
- Customer credit risk
- ESG reporting and assurance
- Rationalisation of the Group corporate structure

Audit & Risk Committee report / continued

The Committee in 2023

Significant financial judgements

The Committee considered a number of significant accounting matters during the year, related to areas requiring management to exercise particular judgement or a high degree of estimation. These matters were discussed and reviewed with management and the external Auditor and the Committee challenged judgements and sought clarification where necessary. The matters and how they were addressed by the Committee are set out below:

Key financial reporting and significant financial judgements considered in relation to the financial statements	How the issue was addressed by the Committee
Carrying value of goodwill and intangible assets	<p>The carrying value of goodwill and intangible assets is reviewed at the mid-year point and at year-end. The Group estimates a recoverable amount for each individual cash-generating unit ('CGU') based on forecast revenues, operating margins and discount rate risk adjusted where appropriate. For Benelux the recoverable amount is determined based on fair value less costs of disposal as this is higher than value in use.</p> <p>The results of the 2023 impairment review have been reviewed. This indicated that the carrying value of the goodwill and other assets associated with the UK Interiors CGU was not supportable, following the split out of the UK Specialist Markets CGU combined with the downturn in performance in the current year and associated reduction in future forecast cash flows, and an impairment of £33.8m has been recognised.</p> <p>For the Benelux CGU the Committee has considered the assessment of recoverable amount based on fair value less costs of disposal, with the value of the right-of-use assets supported by an independent third party valuation of a number of properties. The Committee has considered the appropriateness of the assumptions and sensitivity analysis performed.</p>
Segmental reporting	<p>The Group presents analysis of trading performance and financial position by operating segment based on the way in which information is reported to the Chief Operating Decision Maker ("CODM"). For SIG the CODM is considered to be the Executive Leadership Team.</p> <p>Following a change to the reporting structures in the UK, there are now considered to be three operating segments in the UK, being UK Interiors, UK Exteriors and UK Specialist Markets. The Group's operating segments are considered to be the businesses as represented by each of the Managing Directors on the ELT. The Committee reviewed the rationale for the change and was satisfied that it was appropriate.</p>
Recognition and measurement of supplier rebate income	<p>Procedures and controls are in place to ensure that the reporting, reviewing and accounting for supplier rebate income is properly managed and that supplier rebates are recognised appropriately in the Consolidated financial statements.</p> <p>The Committee considered the adequacy of work performed in the year to gain assurance that procedures and controls in place were effective.</p>
Disclosure of Other items	<p>The Group presents income statement items in the middle column of the Consolidated income statement, entitled Other items, when they are significant in size and nature, and either do not form part of the trading activities of the Group or where their separate presentation enhances understanding of the financial performance of the Group.</p> <p>The Committee carefully considered the judgements made in the separate disclosure of Other items. In particular, the Committee sought to ensure that the treatment followed consistent principles and that reporting in the Consolidated financial statements is suitably clear and understandable.</p>
Going concern basis and viability statement	<p>The Group is required to assess if it has access to sufficient resources to continue as a going concern and assess the period of viability.</p> <p>The Committee considered the review of going concern and longer-term viability performed by management and reviewed the financial statement disclosures. On the basis of the financing the Group has in place and the Group's latest financial forecasts, the Committee is satisfied with the conclusions over going concern and longer-term viability.</p> <p>Further detail on the going concern assessment prepared by the Group is included on page 55.</p>

Oversight of risk management and internal controls

The Committee reviews and examines the effectiveness of the Group's internal controls and risk management systems and advises the Board in the exercise of its responsibility for maintaining sound risk management and internal control systems. The Board has approved a set of policies, procedures and frameworks for effective internal control and risk management.

These procedures are subject to regular review and provide an ongoing process for identifying, evaluating, and managing the significant risks faced by the Group. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatements or loss.

Risk management

The Committee supports the Board in its oversight of ensuring the integrity of the Group's financial reporting, internal controls, risk management processes and the relationship with the external Auditor. On an annual basis the Committee oversees the review of the Group's key strategic risks and uncertainties. In performing this review, the Committee seeks the opinions, and takes into consideration the inputs, of a broad range of SIG stakeholders. This included the consideration of the outputs of individual strategic risk assessments, performed at each of our operating companies, the insight and views of the ELT and the outputs of one-to-one meetings held between the Group Director of Audit and Risk and individual Board members and senior management.

These risks are also subject to review on a periodic basis whereby the Committee considers the impacts of any changes to SIG's risk profile arising from updates from the Group Director of Audit and Risk on key issues in relation to the Group's risk management systems and processes, the outputs of deep-dive risk reviews, updates to individual operating companies' strategic risk registers and issues identified through other assurance activities completed across the Group during the year.

Risk management roles and responsibilities:

The Committee

- Responsible for reviewing and examining the effectiveness of the risk management systems, processes and internal controls implemented by management.
- Reviews and recommends the annual strategic risk reporting process to the Board for approval. On a periodic basis, it reviews the status of key risks and uncertainties, the effectiveness of internal controls or other mitigations implemented and trends and issues arising from key risk indicators.

Executive Leadership Team

- Each ELT member is responsible for, at least bi-annually, reviewing the status of strategic risks and uncertainties relevant to their area of responsibility.

Operating Company Managing Directors

- Responsible for ensuring their operating company has an appropriate and proportionate risk management process which captures, assesses and prioritises business risks and identifies appropriate mitigation strategies. This process is reviewed and, if necessary, updated, on a regular basis or when changes in business activities or external events are likely to have a

reasonable impact on the operating company's risk profile. Each operating company's Managing Director is also responsible for formally approving and signing-off their operating company's strategic risk report.

Group Director of Audit and Risk

- Provides advice and, where requested, support to Group and operating companies' management to ensure their completion of risk management activities.
- Regularly reviews the output of operating companies' and Group functions' risk management activities and processes in order to provide reasonable assurance to the Committee that appropriate internal controls have been implemented to mitigate the likelihood of risks materialising and minimising potential impacts arising.
- Works collaboratively with the Committee, ELT and operating company Managing Directors to prepare an annual review of strategic risks and uncertainties to ensure that the nature and treatment of critical risks and uncertainties (relative to both the Group and each operating company's strategic plans) are appropriately articulated, and that appropriate mitigations are implemented where necessary.

Internal controls

SIG has adopted an assurance framework which provides a structured means to support the ongoing process of identification, evaluation and management of significant risks faced by the Group. The aim of the framework is to ensure that a single easily explainable framework exists for all aspects of control (financial and non-financial), with individual elements clearly defined and understood and a clear linkage throughout the framework from a branch to Board level. The framework is the basis on which the Group Controls team's annual plan is built.

Audit & Risk Committee report / continued

Some major activities performed as part of the annual controls plan for 2023 were:

- Operating company controls reviews;
- IT general controls review;
- Segregation of duties reviews;
- France controls enhancement;
- Benelux controls framework assessment;
- Key controls framework assessment; and
- Monitoring actions and supporting owners with remediation activities with regular reporting to the Committee.

The Committee has responsibility for reviewing the adequacy and effectiveness of the Group's internal control systems. Reports on the findings of the Group Controls team and Internal Audit's reviews, investigations and management agreed actions are provided at every meeting. The Committee receives regular reports on progress and any issues arising.

Oversight of Internal Audit

The Group Internal Audit function provides independent assurance to senior management and the Board on the adequacy and effectiveness of SIG's risk management and controls framework. Internal audit forms an independent and objective assessment as to whether risks have been adequately identified, adequate internal controls are in place to manage those risks, and whether the controls are working effectively.

The Committee reviewed the remit, organisation, and resources of the function, together with the internal audit plan. The internal audit plan was regularly reviewed during the year to ensure it remained aligned to the key risks of the business and that the function was appropriately resourced.

Group Internal Audit undertakes independent and objective assessments to determine whether risks had been adequately identified, adequate internal controls are in place to manage those risks, and those controls are working effectively. External resources continue to provide co-sourced support, when necessary, to Group Internal Audit to cover specialist areas.

Audit reports were presented to the Committee with areas of weakness resulting in action plans being developed and follow-up reports required to ensure that actions had been completed appropriately. The results of all audits have been presented to the Committee during the year, and follow-up audit checks undertaken to establish that actions have been completed appropriately.

Examples of internal audit reports issued during the year include:

- UK vehicle management
- SIG UK Exteriors supply chain and inventory processes
- Penlaw post-acquisition review
- SIG Ireland cash management and customer rebates
- SIG UK IT business continuity management capabilities

Consistent with previous years, the Committee agreed the process for the evaluation of the performance of the Group Internal Audit function which involved the circulation of a questionnaire tailored for several participating stakeholder groups. The questionnaire was sent to the Committee, Executive Directors, Managing Directors and Finance Directors of the operating companies and the external Auditor. Members of the Internal Audit team were also asked to complete a questionnaire by way of self-assessment.

The areas of focus for the Group Internal Audit Function for 2023 are set out below together with a summary of how these were addressed during the year:

1. Continued focus on the timeliness of managements response and implementation of agreed actions.

Actions arising from work performed by each of the Internal Audit and Internal Controls teams are now tracked via an IT platform, with updates provided through the CFO's reports.

2. Further develop the team induction process to ensure all team members are familiar with all business operations across the Group, including activities conducted only by certain operating companies.

Whilst there were no new team members recruited during the period, all Audit Managers have supported and been involved in operational audits outside of their individual core territories.

3. Review potential for greater use of data analytics in internal auditing.

There has been selected investment in the greater use of data analytics, for example customer segmentation analysis made use of the capabilities of an external provider to review customer demographic and spend data.

The evaluation for 2023 found that the Group Internal Audit function adds value, maintains its independence, provides a broad range of assurance and is effective overall.

The areas of focus for 2024 were agreed by the Committee and include:

- Greater visibility of the preparation process in determining the annual audit plan and discussion at Audit & Risk Committee meetings.
- Assess the quantity of audits to be conducted during the year and maintain focus on ensuring audits have the right level of resource and are completed within the agreed timeframe.
- Explore the use of data analytics to provide insight on the control environment and look at how to streamline the control framework across the operating companies.
- Recruit additional European language skills into the Internal Audit Function to ensure efficiency of audits.

Oversight of external Auditor

The Committee is responsible for maintaining the relationship with the external Auditor on behalf of the Board. The Committee ensures that the external Auditor has full access to Company employees and records. Ernst & Young LLP were appointed as the Group's external Auditor in July 2018 following a tender. Shareholders formally approved their reappointment at the Annual General Meeting in May 2023. There is no intention to conduct any retendering exercise currently, but this will be reviewed annually, taking into account the performance and effectiveness of the Auditor, as assessed by the Committee.

The Committee makes recommendations to the Board in relation to the appointment, reappointment and removal of the external Auditor. The Committee approves the external Auditor's terms of engagement and remuneration and reviews the scope of the audit plan. The Committee monitors the rotation of the lead audit partner every five years in accordance with the FRC's Ethical Standard. At the conclusion of the audit of the 2022 financial statements, the lead audit partner stood down having completed the maximum term of office.

The new lead partner, Mr Adrian Roberts, was recommended by the Committee and went through appropriate induction into the Group including site visits and attendance as an observer at key meetings for the 2022 audit process. Mr Roberts completes his first year as lead partner with the 2023 accounts.

How the Committee assessed the Audit quality and effectiveness

During the year the Committee continually reviewed the external Auditor's effectiveness, through monitoring its progress against the agreed audit plan, taking into consideration UK professional and regulatory requirements. In September, the external Auditor provided the Committee with their plan for undertaking the year-end audit which highlighted the proposed approach and scope of the audit and identified key areas of audit risk, including the audit approach for these areas.

The Committee reviewed and, where appropriate, challenged the basis for the audit plan before agreeing the proposed approach and scope of the external audit. EY prepared a report of their audit findings at year end, which they presented to the Committee. The findings were reviewed and discussed in detail by the Committee. The Committee assessed the quality of the audit planning, delivery and execution and the quality of knowledge and service of the audit team. The Committee assessed the auditor's approach to providing auditor services and concluded that the audit team was providing the required quality in relation to the provision of their services.

External Auditor performance evaluation

For the year ended 31 December 2022, the Group assessed the external Auditor's performance using a questionnaire sent to key finance and non-finance stakeholders across the Group, a commentary-based survey of Committee members and a review of other published information on audit quality.

The questionnaire was sent to the Finance Directors of all in-scope operating companies together with all key members of the Group finance team and others who had involvement with the Auditor, including Tax and Treasury, Company Secretariat, HR, Risk and Internal Audit. The questionnaire covered a range of topics including the audit firm itself, the partner role and involvement, the audit team, audit planning and execution, fees, communication and governance and independence, with respondents asked to rate the Auditor on a scale of 1 to 5 and to provide any additional comments alongside their ratings.

Overall the ratings are slightly higher than the ratings for the year ended 31 December 2021 across all areas. The most notable increases are seen in the areas of audit planning, audit execution and communications, which are key areas contributing to the overall efficiency and effectiveness of the audit process. The increases are due to higher ratings at Group and across all operating companies, with the exception of Germany where the ratings in these areas are consistent with or slightly lower than the prior year.

Results from the feedback process have been shared with the external Auditor and a number of actions taken to address matters raised. The Committee, having reviewed the performance and effectiveness of the external Auditor, was satisfied with the independence, review and challenge, objectivity, expertise, resources and general effectiveness of Ernst & Young LLP and that the Group is subject to a rigorous audit process.

External Auditor independence assessment

The Committee monitors the need for the external Auditor to have an appropriate degree of independence and objectivity. The Committee invites challenge by the external Auditor, giving due consideration to points raised and making changes to the financial statements in response and where appropriate.

Audit & Risk Committee report / continued

The external Auditor reports to the Committee each year on the actions taken to comply with professional and regulatory requirements and best practice designed to ensure its independence, including the rotation of key members of the external audit team. Ernst & Young LLP has formally confirmed its independence to the Committee in respect of the period covered by these consolidated financial statements.

Policy on non-audit services

The Group has a policy with regard to the provision of audit and non-audit services by the external Auditor, which operated throughout 2023. The policy is based on the principle that the external Auditor should undertake non-audit services only where they are the most appropriate and cost-effective provider of the service, and where the provision of non-audit services does not impair, and could not reasonably be perceived to impair, the external Auditor's independence and objectivity. It categorises such services as auditor-permitted services, auditor-excluded services and auditor-authorized services. A number of services as defined by the Committee, require prior approval before the external Auditors are engaged in connection with such service.

The fees permissible for non-audit services should not exceed 70% of the average audit fees paid to the Group's external Auditor in the last three consecutive financial years. The policy was reviewed during 2023 and is reviewed annually. It defines the types of services falling under each category and sets out the criteria to be met and the internal approvals required prior to the commencement of any auditor-

authorised services. In all cases, any instruction must be pre-approved by the CFO and the Committee Chair before the external Auditor is engaged. The external Auditor cannot be engaged to perform any assignment where the output is then subject to their review as external Auditor. The Committee regularly reviews an analysis of all services provided by the external Auditor. The policy and the external Auditor's fees are reviewed and set annually by the Committee and are approved by the Board.

The total fees payable by the Group to its external Auditor for non-audit services in 2023 were £0.2m, primarily the interim review (2022: £0.2m). The total fees payable to the external Auditor for audit services in respect of the same period were £2.5m (2022: £2.7m). Current year costs include £nil in relation to the 2022 audit (2022: £0.1m in relation to the 2021 audit).

The ratio of audit to non-audit fees was 12:1 in respect of the audit for the current year. Details of each non-audit service and reasons for using the Group's external Auditor are provided in Note 3 to the Consolidated financial statements on page 149.

A full breakdown of external Auditor fees is disclosed in Note 3 to the Consolidated financial statements on page 149.

Resolution to reappoint external Auditor

The Committee recommends, and the Board agrees, that a resolution for the reappointment of Ernst & Young LLP as Auditor of the Company for a further year will be proposed at the 2024 Annual General Meeting.

Fair, balanced and understandable

The Board had the opportunity to review early drafts of the Annual Report and Accounts and provided input. Following this, the Committee has reviewed the contents of this year's Annual Report and Accounts and advised the Board that, in its view, the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the necessary information to enable shareholders to assess the position and performance, strategy and business model of the Group.

In reaching this conclusion the Committee has considered the following:

- the preparation of the Annual Report is a collaborative process between the Finance, Investor Relations, Legal, Company Secretariat, Human Resources and Communications functions within the Group, ensuring the appropriate professional input to each section. External guidance and advice is sought where appropriate;
- the coordination and project management is undertaken by a central team to ensure consistency and completeness of the document;
- an extensive review process is undertaken, both internally and using external advisors;
- a report is prepared internally to assess the Annual Report and how it addresses the fair, balanced and understandable assertion; and
- a final draft is reviewed by the Committee members prior to consideration by the Board.

Terms of reference

During the year the Board reviewed the terms of reference of the Committee and made a number of non-material updates to them. These can be found on the Group’s website at www.sigplc.com.

Committee performance review

An internal performance review of the Committee was conducted for 2023 and further details can be found on page 81. The recommendations from the Committee’s 2022 performance review are set out below together with a summary of the progress that was made to satisfy the recommendations during the year:

2022 Recommendations	Action taken during 2023
Review of Finance function across all operating companies	The Committee reviewed a number of changes within the Finance function across the Group, notably in senior appointments within operating companies. 2023 saw the appointment of a new Finance Director to the French business. In early 2024 a new, permanent, Finance Director was recruited to replace the interim Finance Director who had supported the Benelux business through 2023.
Continuing the development of internal controls	Regular updates were received on internal controls throughout the year. Work proceeded in 2023 to embed responsibility for the controls environment within the operating companies, with Group taking an oversight role. The Committee was supportive of operating companies taking appropriate responsibility for their own controls environments.
Ensuring there is a close focus on risk	The Committee spent considerable time during the year focusing on risk. Fraud and ESG risk assessments were carried out by the Internal Audit function and the results of each were reported to the Committee. A risk review on each of cyber security and fabrication activities also took place during the year. In addition the Committee carried out its annual review of the Group risk register and framework, risk appetite and emerging risks.
Continuing to ensure ESG reporting is robust and accurate	In August 2023, the Committee reviewed the relevance and impact of upcoming ESG legislation and regulation. The Committee considered the reporting obligations, key risks and resource to support compliance. The Committee also reviewed the climate-related disclosures in the annual report as at 31 December 2023 and concluded that the reporting was robust and accurate.

The priorities that the Committee has established for 2024 include:

- Continue to exercise oversight of the effectiveness of Finance functions across the Group.
- Maintain focus on overseeing the completion of management agreed actions (‘MAAs’) from audits.
- Continue the monitoring of risk topics and the reviewing of measures being taken to mitigate risks.

Shatish Dasani

Chair of the Audit & Risk Committee

4 March 2024

Risk management and internal control

The Board has ultimate responsibility for establishing procedures to manage risk, oversee the internal control framework and determine the nature and extent of the principal risks the Group is willing to take in order to achieve its long-term strategic objectives. The Board delegates responsibility to the Audit & Risk Committee to consider the adequacy of the risk management and internal control framework, to agree the risk-based internal audit programme and to ensure the risk management and internal control structure and frameworks are robust.

The ELT has responsibility for ensuring that risk management is embedded into all processes and for ensuring that risk profile is in line with the approved risk appetite. Local controls managers support process owners to develop controls and to ensure appropriate control design effectiveness is in place. Group Internal Audit is then responsible for ensuring appropriate operational effectiveness of controls and assurance is provided through a cyclical programme of control effectiveness reviews. Internal Audit also provides regular assurance regarding the quality of the risk management processes, developing a risk-based internal audit programme and providing independent assurance to the Board and the Audit & Risk Committee that the controls in place are designed appropriately and operating effectively.

The Group Internal Audit function comprises an in-house team supported by external resources, where necessary, to assist in providing assurance on specialist areas. The Audit & Risk Committee on behalf of the Board regularly reviews the need for the Group Internal Audit function and its effectiveness in providing regular assurance.

Information on the activities of the Audit & Risk Committee during the year can be found on pages 86 to 93.

Key elements of ongoing process for risk management and internal control

The Group Internal Audit function periodically reviews local risk management arrangements in order to provide reasonable assurance to both the Audit & Risk Committee and the Board that appropriate internal controls have been implemented to mitigate the likelihood of risks materialising and effectively minimising potential impacts arising. In addition, on at least an annual basis, the Group Director of Audit and Risk meets with the operating company leadership teams to perform a detailed review of their key strategic risks and uncertainties, which is used as an input to the annual Group strategic risk review.

The key elements of the existing systems for risk management and internal control, in accordance with the FRC's Guidance on Risk Management and Internal Control and Related Financial and Business Reporting (September 2014), are as follows:

Risk management

- The documented Group risk management framework, approved by the Audit & Risk Committee, provides an overview of the agreed risk management processes within the Group and gives practical guidance to operating companies and individual functions on the management of risk.
- In accordance with the Group risk management framework, the Group Director of Audit and Risk works with the operating companies and central function leadership teams to ensure appropriate local risk registers are maintained.
- The Board maintains an overall Group risk register, the content of which is reviewed and assessed at least twice a year by the Board and includes regular input from the Audit & Risk Committee. A review of the Group's principal risks and how it manages or mitigates them is presented in the Strategic report on pages 58 to 63.

- The Group risk register has been reviewed and updated and contains the principal risks faced by the Group, assessing the potential risk having taken into account likelihood, impact and the current controls to mitigate an identified risk and any further actions required to bring the risk to within risk appetite. Once identified, emerging risks are assessed by identifying and mapping out the core elements of the risk, identifying owners for each element in the operating companies, holding workshops with risk owners to assess the level of risk, identifying potential mitigating actions that reduce the impact of the risk and seeking external guidance if required. Potential emerging risks are monitored and assessed regularly during the year by the Audit & Risk Committee for their relevance and significance.

The Audit & Risk Committee regularly assesses the Group's emerging and principal risks and considers that its assessment is robust. The Audit & Risk Committee reports to the Board following its assessments. A consolidated Group strategic risk report was prepared for review by the ELT and was recommended to the Board for approval in early 2024.

Internal control

The Group assurance framework is the basis on which the Group Controls and Internal Audit teams base their annual plan. The controls plan for 2023 was defined, communicated and agreed with operating companies, and the teams made progress on the delivery of the plan. The teams support the creation and maintenance of a robust financial control environment, and they raise controls awareness across SIG by providing operating company and Group functions with practical and hands-on support and advice. Group Internal Audit proposed and delivered a rolling audit plan for 2023 across the Group, together with a branch audit programme. Regular updates were provided through the year.

Key control activities include:

- operating company controls reviews: in order to continue to build up controls documentation across core financial processes within the operating companies, the 2023 plan contained a number of controls reviews. The objective of controls reviews is to support the operating companies in enhancing their control environments and to build the Risk and Control Matrices ("RACMs") and process map documentation;
- entity-level control and Group function reviews: reviews were performed over Group functions to identify and document process-level and entity-level controls. These reviews were completed in the year and no significant gaps in expected controls were identified;
- IT General Controls ('ITGC'): the Group Controls team have continued to work with each operating company to identify, document and build out the ITGC environment. The team then continued to support operating company IT teams in remediating any control weaknesses identified. This support will continue until fully remediated;
- Key Control Framework ('KCF') submissions: on a quarterly basis operating companies are required to self-certify against 32 areas covering financial controls, entity-level controls, operational controls and ITGC. The Group Controls team performs a review of the responses received to ensure consistency of responses compared to other sources of assurance, as well as to identify significant issues or control weaknesses;
- action remediation and tracking: the Group Controls team document and monitor progress on all remediation actions arising from controls work. Monthly updates are obtained from operating companies, which are analysed, investigated and reported to the ELT and the Audit & Risk Committee;
- the Group Delegation of Authority policy was refreshed and approved by the Board in September 2023 and it was communicated to the operating companies and Group functions during the year;
- training and guidance: to raise the awareness of controls across the business, the Group Controls team delivered a series of training modules and guidance covering control topics relevant to operating companies and Group;
- UK Corporate Reform update: the Group Controls team has considered the Government's decision not to press ahead with the legislation in this area together with the FRC's decision to only make limited changes to the Corporate Governance Code to be introduced from January 2025. The SIG controls programme since 2021 has been built to ensure readiness for any potential future legislative developments. These activities, which focus on formalising, documenting, remediating and evidencing controls as well as training stakeholders, remain valid given the current regulatory requirements. The Government's decision provides greater flexibility than would have been the case and the team continues to assess the controls programme to ensure it remains suitable for the Group.
- as part of the sanctions policy adopted in 2022, Internal Audit regularly screens the top 20 product suppliers for each operating company and other strategic suppliers, and no compliance exceptions were noted;
- to help assess and prioritise investments in IT infrastructure, applications and services, the Internal Audit team continues to review and assess IT capabilities based on an industry standard process assessment methodology.

Financial reporting

- In addition to the general internal controls and risk management processes described on pages 58 to 63, the Group also has specific systems and controls to govern the financial reporting process and preparation of the Annual Report and Accounts.
- These systems include clear policies and the procedures for ensuring that the Group's financial reporting processes and the preparation of its financial statements comply with all relevant reporting requirements.
- Group accounting policies are comprehensively detailed in the Group accounting policy manual, which all businesses are required to comply with in the preparation of their results.
- Financial reporting control requirements are set out in relevant RACMs, which have been reviewed and updated during the current year.

Annual assessment of the effectiveness of systems of risk management and internal control systems

The Board assessed the effectiveness of the Group's system of risk management and internal controls. This assessment covered all controls including operational, compliance and risk management procedures, as well as financial controls.

The Board considers that the information that it receives is sufficient to enable it to review the effectiveness of the Group's risk management and internal controls in accordance with the FRC's guidance. The Board considers that the framework of controls in place is effective and enables risk to be assessed and managed. The Board also considers its risk management and internal control processes provide it with the assurance that all the necessary resources are in place for the Group to meet its objectives and to measure performance against them for 2023 and up to and including the date of this report.

Directors' remuneration report



Kath Durrant

Committee members

Kath Durrant (Chair)

Andrew Allner

Shatish Dasani

Bruno Deschamps

Gillian Kent

Simon King

Alan Lovell

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Dear Shareholder,

On behalf of the Remuneration Committee, I am pleased to present the Directors' remuneration report for 2023. As in previous years, the Annual report on remuneration and this annual statement are subject to an advisory vote at the 2024 AGM.

The Committee was appreciative of the high level of shareholder approval at the 2023 AGM for both the 2022 Director's remuneration report, which received 92.7% of votes in favour of the resolution, and the amended Remuneration Policy, which received 96.9% of votes in favour of the resolution.

Role and responsibilities

To provide effective governance over the integrity of the Group's remuneration arrangements for executive and senior management aligned to the interests of the Company's shareholders.

The Committee's key responsibilities are to assist the Board in discharging its responsibilities for:

- Reviewing the broad remuneration policy for the senior management;
- Recommending and monitoring the level and structure of remuneration for senior management;
- Governing all share plans; and
- Reviewing any major changes in employee remuneration and benefit structures throughout the Group.

Remuneration Policy

The Committee considers that the current Policy continues to appropriately support our remuneration principles, which are designed to:

- Attract and retain the best talent;
- Encourage behaviours that support delivery of the Group's strategy and business objectives, which are developed in the long-term interests of the Company and its shareholders;
- Incentivise employees to deliver our business goals together by rewarding individual and team contribution and performance; and

- Ensure that a significant percentage of the overall remuneration package of the Executive Directors and senior management remains at risk, dependent on performance, and that their pay and benefits adequately take account of reward versus risk.

The suitability of the Policy is monitored by the Committee to ensure that it meets these principles.

Performance in 2023

Market conditions in 2023 were challenging across all our geographies throughout the year, with demand softening as the year progressed. As a result, we saw weaker year over year volumes, and this was combined with a moderation in input price inflation as expected. Despite this, we continued to benefit from execution of our commercial strategy, retaining a strong focus on customer service across our branch network, and ensuring we maintained strong momentum in our markets.

Overall, the Group delivered robust trading results against the challenging market backdrop, reporting an underlying operating profit of £53.1m. However, this was below the expectations we had at the beginning of the year, which had not anticipated the extent of the demand softness that the industry across Europe experienced during the year. This is reflected in the lower than target bonus payments for the Executive Directors and Executive Leadership Team.

Cash flow continued to receive much attention during 2023, with capex and working capital tightly managed across the Group. We incentivise the business on efficient and sustainable working capital management and as a result, the lower than expected sales and profit during the year was offset, in the majority of cases, by reductions in trade working capital.

Group performance

Metric	2023	2022
Revenue	£2,761.2m	£2,744.5m
Like-for-like sales (decline)/growth	(2%)	17%
Gross margin	25.3%	25.9%
Underlying operating profit	£53.1m	£80.2m
Average trade working capital to sales ratio	14.3%	14.6%
Underlying operating margin	1.9%	2.9%

Net debt continued to be closely managed during the year, and, as always, appropriate care and diligence has been exercised in potential M&A activity. In the event no deals were closed during 2023. Capital and operating spend has been directed towards modernisation of the business through branch upgrades and digitising core commercial processes. As we continue to navigate challenging market conditions into 2024, management's focus on the balance sheet will continue to be important. Leverage has increased, primarily due to the reduction in profitability explained above, with the expected inflation-driven growth in our lease liabilities another but lesser factor. Further details on our trading and financial results are set out in the CEO's review on pages 10 to 13.

Management across the Group continue to make good progress against the Group and operating company level sustainability plans. For 2023, all members of the Executive Leadership Team had robust and stretching ESG targets set as part of their strategic objectives, which make up 20% of the annual bonus measures. To take one example of progress made, GHG emissions per £m of revenue decreased to 17.1 metric tonnes from 17.5 metric tonnes in 2022.

Despite the market challenges facing our industry, our colleagues have continued to show great commitment and resilience during 2023, demonstrating the value of the work we've undertaken to strengthen performance across our branch network over the last two or three years. As a result, we have continued to deliver

robust results on customer and employee engagement, with Customer NPS on an upwards trajectory at +50 compared to +46 in 2022 and employee NPS maintaining its 2022 achievement of +14, which was an 11-point improvement on 2021.

Lost time injury frequency rate (LTIFR) has significantly reduced to 8.4, from 11.1 in 2022, as a result of a focus on our new strategy and the associated activities during the year. Further work is still required and is reflected in the individual objectives of senior managers across the business.

Turning to the individual performance of the CEO and CFO, clear objectives were set at the start of the year and agreed with the Committee. The Group's performance management system supported the Committee's consideration of personal performance. More detail can be found on pages 113 and 114.

Corporate governance and remuneration

The Committee sets high standards in corporate governance, and during the year the Committee:

- Approved 2022 annual bonus outcomes for the Executive Directors and Executive Leadership Team, taking into consideration business performance, stakeholder interests, Health and Safety performance, and achievement against individual strategic objectives;
- Approved the grant of Restricted Share Awards to 63 individuals, including the Executive Directors, under the terms of the SIG plc 2020 Restricted Share Plan;

- Approved the vesting of the December 2020 Restricted Share Award and approved in principle the March 2021 award vesting, giving consideration to the underpinning factors and the windfall gain test;
- Engaged with employees on executive remuneration, receiving feedback via listening sessions hosted by the workforce engagement designated director and the employee engagement survey;
- Received data, information and analysis on all employee terms and conditions of employment across the Group and used this information in making executive remuneration decisions;
- Reviewed the effectiveness of the advice received from Korn Ferry in supporting the Committee. The Committee is satisfied with the high-quality support and advice it receives from Korn Ferry;
- Approved funding for the independently managed Employee Benefit Trust ("EBT") to buy shares in the market; and
- Formally reviewed an analysis of the underpin and windfall tests that apply to the outstanding Restricted Share Plan ("RSP") awards.

An internal evaluation of the Committee was conducted for 2023 and further details can be found on page 121.

Remuneration decisions

Following careful consideration, there were no matters that the Committee felt warranted the exercise of its discretion during the year.

Directors' remuneration report / continued

Change of CEO

Remuneration received in 2023 by Steve Francis, who stepped down from his role as CEO and from the Board on 1 February 2023, were aligned to the details disclosed in the 2022 Directors' Remuneration Report and can also be found on page 112.

Gavin Stark was appointed CEO on 1 February 2023 and his remuneration package was finalised in accordance with the disclosure made in last year's report. In summary, his base salary for 2023 was set at £675,000, whilst his benefits are aligned with policy, including a car allowance of £23,000 per annum and pension allowances set in line with the workforce rate at 5% of salary. Gavin also received an annual bonus opportunity of up to 150% of base salary and was granted a Restricted Share Award at 125% of base salary, which both align to the Remuneration Policy. Further details can be found on pages 112 to 115.

Salary increases

Throughout our businesses we have implemented an annual salary review. The Committee determined a salary increase for the CEO and CFO of 3% for 2024, which is below the UK workforce average increase of 3.75%. The Committee also determined that the Chairman's fee would rise by 3%. Annual salary reviews in our France, Germany, Poland and Ireland companies take place between January and April, with average increases ranging from 2.5% and 6%. The annual salary reviews in our Benelux operation are subject to a collective labour agreement.

Annual bonus outcomes for 2023

In reviewing the overall remuneration outcomes, the Committee ensured they were reflective of the business performance and the experience of our stakeholders. The Committee was comfortable that the bonuses were appropriate in this context, and we

determined that the CEO and CFO should be awarded 22.5% and 21.0% of maximum respectively. In addition, as Steve Francis was treated as a good leaver for the purposes of the annual bonus plan, a bonus of 22.1% of maximum was awarded, pro-rated for time served during 2023, payable in March 2024 partly in cash and partly deferred in shares in line with Policy.

Annual bonus design for 2024

Financial measures will continue to represent 80% of the overall opportunity with the remainder reflecting strategic objectives. Underlying operating profit will continue as the measure of profit representing a 60% weighting, with cash based measures having a 20% weighting. Half of the cash weighting will be on average Group working capital, whilst leverage is being replaced with Group free cash flow. The change is to provide a more comprehensive way to focus management on the generation of cash from operations. The new free cash flow metric will apply to Group function colleagues, including the Executive Directors. An ESG measure will again be included in individual strategic objectives for the Executive Directors and Executive Leadership Team.

RSP awards

Under the terms of the 2020 Restricted Share Plan, awards granted in December 2020 vested on 1 December 2023, whilst awards granted in March 2021 will vest on 29 March 2024. Prior to vesting, the Committee considered the underpinning factors and assessed whether a windfall gain may have been created and concluded that neither the underpinning factors nor the windfall gain test gave rise to scaling back of any award.

The Committee intends to make awards in 2024 of 125% of salary to the CEO and 100% of salary to the CFO, subject to a similar underpin.

Focus for the year ahead

The priorities that the Committee has established for 2024 include:

- Monitoring the impact of the execution of the Group's new four-pillar business strategy and ensuring that incentive arrangements and targets remain appropriate to support that in a volatile economic environment;
- Monitoring ESG-based incentives;
- Operating the annual bonus plans and RSP, and assessing performance against the corresponding targets/underpins. A regular formal review of underpin and windfall tests will take place;
- Ensuring talent is appropriately incentivised and that SIG remains able to attract the right capabilities to meet the differing needs of its different businesses; and
- Reviewing updates received from the Chief People Officer in relation to developments in employee reward, incentive, and benefit structures.

Conclusion

Despite challenging market conditions, in 2024 we expect our senior management to build momentum around our business strategy designed to reach our medium-term target of a 5% operating profit margin, with the focus firmly on growing the business, strengthening execution and margin across all geographies, modernising the business and accelerating our specialist, high return businesses.

Looking forward, the Committee remains focused on supporting the Group to achieve its strategic objectives and continuing to operate with rigor and transparency.

I hope you find this report clear and useful in explaining our approach to remuneration. If you have any questions on the policy or the report, please contact me through the Group General Counsel & Company Secretary.

Kath Durrant

Chair of the Remuneration Committee

4 March 2024

How do our incentive performance measures align to our vision and strategy?

In November 2023, we communicated the next steps in our business strategy, which is aimed on improving the Group’s medium-term financial performance to achieve our 5% margin, enhancing value for shareholders and all other stakeholders. As set out in our remuneration policy, the RSP operates a general underpin on business performance, allowing the Committee to review holistically the overall performance of the Group, individual performance, and wider Group considerations. In addition, we continually consider the performance measures we use for the annual bonus incentives to ensure they support the delivery of our strategy.



Annual bonus

Measures	Link to strategy	Link to KPIs
Underlying operating profit	Focus on growth in sales and returns	✓
	Key measure of organic growth	✓
	Linked to shareholder value	✓
Free cash flow Working capital	Focus on operational efficiency	✓
	Focus on sustainable investment	✓
	Linked to shareholder value	✓
Strategic objectives	Strategic objectives and targets for the bonus are commercially sensitive and will be disclosed retrospectively	✓
Health and safety override	All colleagues, customers and suppliers should be able to work in a safely managed environment across every part of the Group. The Committee looks for evidence of a positive health and safety culture including visible leadership, sufficient resources, effective reporting and follow-up, employee feedback, and improvements in metrics	✓

RSP

Measures	Link to strategy	Link to KPIs
General underpin	Focus on long-term sustainable performance, including our ESG strategy and sustainability commitments	✓
	Allows overall performance of the Group, individual performance, and wider Group considerations, such as the level of employee and customer engagement, to be taken into account	✓
Shareholding guidelines	Linked to shareholder value	✓

Directors' remuneration report / continued

The Code requires the Committee to determine the policy and practices for Executive Directors in line with a number of factors set out in Provision 40. The following table sets out how the remuneration policy aligns with the Code.

Provision 40 element	How the remuneration policy aligns
<p>Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.</p>	<p>The annual bonus plan performance conditions are based on the core KPIs of the strategy and therefore there is a clear link to all stakeholders between their delivery and reward provided to management. Similar KPIs also flow logically in the wider workforce incentive schemes.</p> <p>Remuneration Committee members engage with the workforce on a wide range of topics.</p>
<p>Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand.</p>	<p>Annual bonus plan performance conditions are based on the Group's KPIs.</p> <p>Reward is aligned with the delivery of the key markers of successful implementation of strategy.</p> <p>Restricted shares are a simple mechanism and avoid the setting of long-term performance conditions which tend to inherently make remuneration more complex.</p>
<p>Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.</p>	<p>The remuneration policy includes:</p> <ul style="list-style-type: none"> – setting defined limits on the maximum awards which can be earned; – requiring the deferral of a substantial proportion of the incentives in shares for a material period of time; – aligning the performance conditions with the strategy of the Group; – ensuring a focus on long-term sustainable performance through the RSP; and – ensuring there is sufficient flexibility to adjust payments through malus and clawback and an overriding discretion to depart from formulaic outcomes. <p>These elements mitigate against the risk of target-based incentives by:</p> <ul style="list-style-type: none"> – limiting the maximum value that can be earned; – deferring the value in shares for the long-term, which helps ensure that the performance earning the award was sustainable and thereby discourages short-term behaviours; – aligning any reward to the agreed strategy of the Group; – supporting a focus on the sustainability of the performance over the longer-term through the use of an RSP; – reducing the awards or cancelling them if the behaviours giving rise to the awards are inappropriate or the criteria on which the award was based do not reflect the underlying performance of the Group.
<p>Predictability – the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.</p>	<p>The remuneration policy sets out clearly the range of values, limits and discretions in respect of the remuneration of management.</p> <p>The RSP increases the predictability of the rewards received by management.</p>
<p>Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the Group should be clear. Outcomes should not reward poor performance.</p>	<p>The remuneration policy sets out clearly the range of values and discretions in respect of the remuneration of management. In a competitive market for quality leaders the Group pays sufficiently to attract, incentivise and retain.</p> <p>The primary value of an RSP discounted vs. a traditional LTIP is in share price appreciation over time and is therefore aligned with the development of a sustainable business and shareholder value.</p>
<p>Alignment to culture – incentive schemes should drive behaviours consistent with Group purpose, values and strategy.</p>	<p>The annual bonus plan drives behaviours consistent with SIG's strategy and this flows logically through the KPIs of the wider workforce incentive schemes.</p> <p>The RSP drives behaviours consistent with the Group's long-term objectives, purpose and values.</p>

Remuneration principles

Our remuneration principles are designed to support and reinforce our culture and behaviours. They provide a best practice framework for the design, implementation and operation of Group and local reward policies and practices that apply across the Group.

Alignment and fairness

In action

- Clear and appropriate governance structures are in place for decision making at all levels.
- Remuneration programmes and processes are run fairly, with integrity and are supported with clear communication to individuals.
- Pay arrangements are fair and equitable across the Group.

Rewarding contribution and performance

In action

- Bonus plans are designed for the Executive Directors and all other colleagues to incentivise sustainable profitable growth and cash generation.
- Incentive plans reward the delivery of our business strategy, targets are appropriately stretching, and objectives are focused on value creation.
- Performance measures are reviewed regularly, personal and strategic objectives are accurately assessed, and targets are set relative to strategic priorities.
- Health and safety is a feature of all management and executive plans.

Transparency and participation

In action

- There is a focus on effectively communicating remuneration decisions through stakeholder engagement.
- Incentive and benefits plans are clear, simple and understood by participants to maximise engagement.

Wider workforce considerations and remuneration

The Committee considers the wider workforce when making pay decisions and it reviews employee policies and practices to ensure reward and incentives are aligned with SIG's strategy, vision and culture.

In addition to the Executive Directors, its remit extends to senior management teams operating across all countries within the Group, and the annual bonus plan and share incentive plans align with those of the Executive Directors, creating a shared strategic focus. The Committee believes that it is important to be transparent with how decisions on reward are made and this section seeks to provide context to our Director pay by providing information on whether our approach to executive remuneration is consistent with the wider workforce.

Delivery of our strategy depends on attracting and retaining an engaged workforce that has the right skills and behaviours to make a valuable contribution to our business. The Board is focused on employee engagement and the Remuneration Committee specifically is committed to ensuring that appropriate engagement takes place with employees to explain how executive remuneration aligns with SIG's approach to wider Group pay. The Committee undertook a review of workforce terms and conditions, and engaged directly with employees through listening sessions hosted by the designated workforce engagement director to solicit employee views and sentiment, including discussions focused on executive remuneration and corporate governance, led by the Group Head of Reward. Additionally, a review of the Group-wide employee engagement survey was undertaken by the Board to ensure that employee sentiment was understood and considered as part of their decision-making.

Engagement with shareholders

We have received views from key stakeholders on remuneration and the application of the policy, and we are grateful for their feedback.

Key elements of remuneration

The Committee reviews all key elements of remuneration across the Group annually. The levels and types of remuneration vary across the Group depending on the employee's level of seniority, country of operation and role. The Group operates a broad range of benefits including an all-employee Share Incentive Plan ('SIP') in the UK.

It is important to highlight that the Committee is not looking for a homogeneous approach across the Group. However, when conducting its review, it pays particular attention to:

- Whether the element of remuneration is consistent with the Group remuneration principles (see above);
- If there are differences, they are objectively justifiable; and
- If the approach seems fair and equitable in the context of other employees.

Directors' remuneration report / continued

A summary of the employee remuneration structure and how it compares to the remuneration of the Executive Directors is below:

Pay element	Employees	Executive Directors
Salary	<p>We conduct an annual pay review for all employees. In setting the budget, many factors are considered, such as market rates, economic context, business performance and affordability.</p> <p>In 2023, the average UK employee base salary increase was 5.9%. 75% of employees received a minimum increase of 6%.</p>	<p>Salary increases are considered in the context of the wider workforce review and performance of the Group.</p> <p>A salary increase of 5% was awarded to the CFO in 2023. The CEO's salary was set on appointment at £675,000.</p>
Pensions and benefits	<p>We offer market-aligned benefits packages reflecting normal practice in each country in which we operate. Where appropriate, we offer benefit choices to our employees.</p>	<p>Pension contributions are no higher than those provided to UK employees.</p> <p>Benefits are aligned to the senior leadership team in the country of operation.</p>
Bonus plan	<p>Over 92% of our workforce participate in a cash bonus scheme. The level and performance targets differ depending on the role and country of operation.</p>	<p>CEO annual bonus of up to 150% of base salary, CFO annual bonus of up to 125% of base salary.</p> <p>One-third of the total amount payable in shares, and the remaining two-thirds payable in cash.</p>
RSP	<p>61 senior leaders participated in the RSP in 2023, with a range of annual awards between 20% to 80% of salary. A holding period does not apply below the Executive Director level.</p>	<p>Maximum annual award of 125% of salary; three-year vesting period with underpin on vesting; and a two-year holding period.</p> <p>Award of 125% of salary was made to the CEO, and an award of 100% of salary was made to the CFO in 2023.</p>
SIP	<p>All UK employees are invited to participate in the SIP.</p>	<p>Executive Directors are invited to participate in the SIP.</p>

In summary, the Committee is satisfied that the Group's remuneration approach is consistent with our remuneration principles. Further, in the Committee's opinion the approach to executive remuneration aligns consistently with the wider Group pay policy.

Summary of the application of the remuneration policy

We have set out below how the remuneration policy operated in 2023. The full remuneration policy is detailed in the 2022 Annual Report and Accounts.

The Group's policy is to provide remuneration packages that fairly reward the Executive Directors for the contribution they make to the business and that are appropriately competitive to attract, retain and motivate Executive Directors and senior managers of the right calibre. A significant proportion of remuneration takes the form of variable pay, which is linked to the achievement of specific and stretching targets that align with the creation of shareholder value and the Group's strategic goals.

In order to avoid any conflict of interest, remuneration is managed through well-defined processes ensuring no individual is involved in the decision-making process related to their own remuneration. In particular, Executive Director remuneration is set and approved by the Committee. The Committee also uses external advisors and evaluates this annually to ensure that advice is independent, appropriate and cost-effective.

Element and link to strategy	How we implemented the policy in 2023	How we will implement the policy in 2024
<p>Base salary</p> <p>Provides a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Group's strategy.</p>	<p>Executive Director salaries for 2023 were as follows:</p> <ul style="list-style-type: none"> – CEO – £675,000 – CFO – £411,646 <p>The general UK employee base salary increase was 5.9%. 75% of employees received a minimum increase of 6%.</p>	<p>Executive Director salaries for 2024 will increase by 3% to:</p> <ul style="list-style-type: none"> – CEO – £695,250 – CFO – £424,000 <p>The general employee base salary increase in the UK will be 3.75%.</p>

Element and link to strategy	How we implemented the policy in 2023	How we will implement the policy in 2024
<p>Pension Provides a fair level of pension provision for all employees.</p>	<p>The Executive Directors received a pension allowance of 5% of salary. This is 2.5% of salary below the workforce rate and what is permissible under the policy.</p>	<p>No change.</p>
<p>Benefits Provides a market standard level of benefits.</p>	<p>The benefits received were as follows:</p> <ul style="list-style-type: none"> – Car allowance – Private medical insurance – Group income protection – Group life assurance 	<p>No change.</p>
<p>Annual bonus The annual bonus plan provides a significant incentive to the Executive Directors linked to achievement in delivering goals that are closely aligned with the Group’s strategy and the creation of value for shareholders. Bonus operation for 2023:</p> <ul style="list-style-type: none"> – one-third of any bonus earned is deferred in shares; and – all shares deferred for three years. 	<p>Maximum opportunity in 2023 was as follows:</p> <ul style="list-style-type: none"> – CEO – 150% of base salary – CFO – 125% of base salary <p>Any bonus is subject to a health and safety override, where the Committee will review the health and safety performance of the Group for the year in question.</p> <p>See page 113 for bonus outcomes for 2023.</p>	<p>No change.</p> <p>The health and safety override will continue to operate in 2024.</p> <p>The performance measures for 2024 are underlying operating profit (60%), average Group working capital divided by annual sales (10%), free cash flow (10%) and strategic objectives (20%).</p> <p>The targets for the bonus are commercially sensitive as they are primarily related to Group’s budgeted future profit and debt levels, and therefore their disclosure in advance is not in the interests of the Group or shareholders.</p> <p>The Committee will, however, provide full retrospective disclosure to enable shareholders to judge the level of award against the targets set.</p>
<p>RSP Awards are designed to incentivise the Executive Directors over the longer-term to successfully implement the Group’s strategy. RSP operation:</p> <ul style="list-style-type: none"> – maximum annual award up to 125% of salary based on the market value at the date of grant; – awards vest at the end of a three-year period subject to: – continued employment to the date of vesting; – the satisfaction of an underpin (whereby the Committee can adjust vesting for business, individual and wider Group performance). Further details of the underpin test are included in the remuneration policy section; and – a two-year holding period will apply following the three-year vesting period. 	<p>RSP awards granted in 2023 were as follows:</p> <ul style="list-style-type: none"> – CEO – 125% of base salary – CFO – 100% of base salary <p>The Committee regularly reviews Group and individual performance against the underpin and considers whether a windfall was felt to be made for all outstanding awards each year.</p>	<p>No change.</p>

Directors' remuneration report / continued

Element and link to strategy	How we implemented the policy in 2023	How we will implement the policy in 2024
<p>Share ownership requirements</p> <p>The Group has an established principle of requiring Executive Directors to build up and maintain a beneficial holding of shares in the Company. It is expected that this should be achieved within five years of the relevant Executive Director's appointment. Adherence to these guidelines is a condition of continued participation in the share incentive arrangements. Executive Directors will be required to retain 100% of the post-tax amount of vested shares from the Company incentive plans until the minimum shareholding requirement is met and maintained.</p>	<p>Share ownership requirements:</p> <ul style="list-style-type: none"> – CEO – 300% of base salary – CFO – 300% of base salary <p>This applies for two years post-cessation, or the actual shareholding on cessation if lower.</p>	<p>No change.</p>
<p>Chairman and Non-Executive Directors' fees</p> <p>Provides a level of fees to support recruitment and retention of a Chair and Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Group's strategic objectives.</p>	<p>Fees for 2023 were increased by 4%, which was reflective of the cost of living challenges and below the general workforce increase for the UK.</p> <p>Fees for 2023 were as follows:</p> <ul style="list-style-type: none"> – Chairman – £233,763 – Non-Executive Directors fee – £65,236 – Senior Independent Director – £10,000 – Designated Non-Executive Director for Workforce Engagement – £10,000 – Remuneration Committee Chair – £12,000 – Audit & Risk Committee Chair – £12,000 	<p>Fees for 2024 were reviewed in December 2023 and it was agreed that the fees be increased by 3%, which is below the general workforce increase for the UK.</p> <ul style="list-style-type: none"> – Chairman – £240,776 – Non-Executive Directors fee – £67,193 – Senior Independent Director – £10,000 – Designated Non-Executive Director for Workforce Engagement – £10,000 – Remuneration Committee Chair – £12,000 – Audit & Risk Committee Chair – £12,000

Directors' remuneration policy

This section summarises the Company's remuneration policy for Executive and Non-Executive Directors, which was approved by shareholders at the Annual General Meeting on 4 May 2023. The remuneration policy is intended to operate for up to three years. The full remuneration policy can be found in the 2022 Annual Reports and Accounts.

Directors' remuneration policy table

Element and link to strategy	Operation	Maximum	Performance conditions and recovery provisions
Salary			
Provides a base level of remuneration to support recruitment of Executive Directors with the necessary experience and expertise to deliver the Group's strategy.	<p>An Executive Director's basic 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:</p> <ul style="list-style-type: none"> – pay increases for other employees; – remuneration practices within the Group; – any change in scope, role and responsibilities; – the general performance of the Group and each individual; – the experience of the relevant Director; and – the economic environment. <p>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.</p>	<p>The Committee ensures that maximum salary levels are positioned in line with companies of a similar size or sector to SIG and validated against an appropriate comparator group, so that they are competitive against the market.</p> <p>The Committee reviews the comparators each year and will add or remove companies from the groups as it considers appropriate.</p> <p>In general, salary increases for Executive Directors will be in line with the increase for employees. However, larger increases may be offered if there is a material change in the size and responsibilities of the role (which covers significant changes in Group size and/or complexity).</p>	<p>A broad assessment of individual and business performance is used as part of the salary review.</p> <p>No recovery provisions apply.</p>
Pension			
Provides a fair level of pension provision for all employees.	<p>The Group provides a pension contribution allowance that is fair, competitive and in line with corporate governance best practice. Pension contributions will be a non-consolidated allowance and will not impact any incentive calculations.</p>	<p>The maximum value of the pension contribution allowance for Executive Directors will be aligned to that available to the majority of the UK workforce.</p>	<p>No performance or recovery provisions apply.</p>
Benefits			
Provides a market standard level of benefits.	<p>Benefits include market standard benefits. The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support its objective of attracting and retaining talent.</p> <p>Additional benefits which are available to other employees (including any all-employee plans) on broadly similar terms may therefore be offered, such as relocation allowances on recruitment.</p>	<p>The maximum is the cost of providing the relevant benefits and in the case of all-employee plans, in line with HMRC approved limits.</p>	<p>No performance or recovery provisions applicable.</p>

Directors' remuneration policy / continued

Element and link to strategy	Operation	Maximum	Performance conditions and recovery provisions
Annual bonus plan			
<p>The annual bonus plan provides a significant incentive to the Executive Directors linked to achievement in delivering goals that are closely aligned with the Group's strategy and the creation of value for shareholders.</p> <p>In particular, the annual bonus plan supports the Group's objectives, allowing the setting of targets for the year based on the Group's strategic objectives at that time, meaning that a wider range of performance metrics can be used that are relevant and achievable.</p>	<p>The Committee will determine the maximum annual participation in the annual bonus plan for each year, which will not exceed 150% of salary.</p> <p>Details of the performance conditions, targets and their level of satisfaction for the year being reported on will be set out in the Annual report on remuneration.</p> <p>In extreme circumstances as determined by the Committee, targets may be established for periods of less than a full year, for example six months. At the end of the period, targets will be reviewed and adjusted for the remainder of the year.</p> <p>The Committee can determine that part of the bonus earned under the annual bonus plan is provided as an award of deferred shares.</p> <p>One-third of any bonus earned is deferred in shares.</p> <p>The Committee may determine that a greater portion or in some cases the entire bonus be paid in deferred shares. The main terms of these deferred share awards are:</p> <ul style="list-style-type: none"> – minimum deferral period of three years; and – the participant's continued employment at the end of the deferral period unless he/she is a good leaver. <p>The Committee may award dividend equivalents on deferred bonus awards to the extent that these vest.</p>	<p>Each year, the Committee will determine the maximum annual participation in the annual bonus plan, which will not exceed 150% of salary.</p> <p>Percentage of bonus maximum earned for levels of performance:</p> <ul style="list-style-type: none"> – threshold up to 25% – target 50% – maximum 100% 	<p>The annual bonus plan is based on a mix of financial and strategic/operational conditions. Measures will normally be set across one financial year and shall be measured accordingly. The financial measures will account for no less than 50% of the bonus opportunity.</p> <p>The Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures 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.</p> <p>Discretion may also be exercised where the Committee believes that the bonus outcome is not a fair and accurate reflection of business, individual and wider Group performance. The exercise of this discretion may result in a downward or upward movement in the bonus earned resulting from the application of the performance measures.</p> <p>Any adjustments or discretion applied by the Committee will be fully disclosed in the following year's Directors' remuneration report.</p> <p>The financial targets used for the annual bonus are commercially sensitive, and disclosing these in advance would not be in shareholder interests. Actual targets, performance achieved, and awards made will be published in the Directors' remuneration report at the end of the performance periods, so shareholders can fully assess the basis for any payouts under the annual bonus. The annual bonus plan contains malus and clawback provisions.</p>

Element and link to strategy	Operation	Maximum	Performance conditions and recovery provisions
RSP			
Awards are designed to incentivise the Executive Directors over the longer-term to successfully implement the Group's strategy.	<p>Awards are granted annually to Executive Directors in the form of conditional awards or options.</p> <p>Awards vest at the end of a three-year period subject to:</p> <ul style="list-style-type: none"> – the Executive Director's continued employment at the date of vesting; and – the satisfaction of an underpin as determined by the Committee whereby the Committee can adjust vesting for business, individual and wider Group performance. <p>A two-year holding period will apply following the three-year vesting period for all awards granted to the Executive Directors.</p> <p>Upon vesting, sufficient shares may be sold to pay tax on the shares.</p> <p>The Committee may award dividend equivalents on RSP awards to the extent that these vest.</p>	<p>Maximum value of 125% of salary per annum based on the market value at the date of grant in accordance with the rules of the RSP.</p> <p>There are no performance conditions on grant, however the Committee will consider prior year business and personal performance to determine whether the level of grant remains appropriate.</p>	<p>No specific performance conditions are required for the vesting of RSP awards but there will be an underpin as the Committee will have the discretion to adjust vesting taking into account business, individual and wider Company performance.</p> <p>The Committee will take into account the following factors (amongst others) when determining whether to exercise its discretion to adjust the number of shares vesting:</p> <ul style="list-style-type: none"> – whether threshold performance levels have been achieved for the performance conditions for the annual bonus plan for each of the three years covered by the vesting period; – whether there have been any sanctions or fines issued by a regulatory body; – participant responsibility may be allocated collectively or individually; – whether there has been material damage to the Group's reputation; – the potential for windfall gains; – whether there has been sufficient progress against the sustainability plan approved by the Board; and – the level of employee and customer engagement over the period. <p>Awards are subject to clawback and malus provisions.</p>

Shareholding requirement

The Committee has in place strong shareholding requirements of 300% of base salary that encourage Executive Directors to build up their holdings over a five-year period. Adherence to these guidelines is a condition of continued participation in the share incentive arrangements.

Executive Directors are required to retain 100% of the post-tax amount of vested shares from the Company incentive plans until the minimum shareholding requirement is met and maintained. There is a post-cessation shareholding requirement aligned to the full in-employment requirement (or the executive's actual shareholding on cessation if lower) for two years following cessation of employment.

Non-Executive Directors' remuneration policy table

Chair & Non-Executive Director fees	Operation	Maximum	Performance conditions and recovery provisions
Provides a level of fees to support recruitment and retention of a Chair and Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Group's strategic objectives.	<p>The Board is responsible for setting the remuneration of the Non-Executive Directors, whilst the Committee is responsible for setting the Chair's fees.</p> <p>Non-Executive Directors are paid an annual basic fee and additional fees for chairing of committees. The Group retains flexibility to pay fees for membership of committees. The Chair does not receive any additional fees for membership of committees.</p> <p>Additional fees may be paid by the Group to the Chair and Non-Executive Directors for additional time commitments or roles outside the normal scope of their appointments.</p> <p>Fees are reviewed annually based on equivalent roles in the comparator group used to review salaries paid to the Executive Directors.</p> <p>Non-Executive Directors and the Chair do not participate in any variable remuneration or benefits arrangements.</p>	<p>The fees for Non-Executive Directors and the Chair are broadly set at a competitive level against the comparator group.</p> <p>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 will take into account the general rise in salaries across the UK workforce.</p> <p>The Group will pay reasonable expenses incurred by the Non-Executive Directors and Chair and may settle any tax incurred in relation to these.</p>	No performance or recovery provisions applicable.

Directors' remuneration policy / continued

Discretion within the Directors' remuneration policy

The Committee has discretion in several areas of the amended remuneration policy, including discretion to adjust the formulaic outcome of the incentive plans, if, in the opinion of the Committee, is not consistent with the overall, or underlying, performance of the Group and the operating companies.

Additionally, Committee discretion can be applied in implementing the post-employment shareholding requirement including in cases of significant financial hardship, material ill-health and conflict of interest.

Malus and clawback

Malus and clawback may apply to all or part of a participant's payment under the bonus plan or RSP awards and may be effected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards or bonuses.

The circumstances in which malus and clawback could apply are as follows:

- discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group company;
- the assessment of any vesting condition or any other condition under the plan was based on error, or inaccurate or misleading information;
- the discovery that any information used to determine the award was based on error, or inaccurate or misleading information;
- action or conduct of a participant which amounts to fraud or gross misconduct;
- events or the behaviour of a participant have led to the censure of a Group company by a regulatory authority, or have had a significant detrimental impact on the reputation of any Group company provided that the Board is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure, or reputational damage is attributable to the participant;
- material failure of risk management; or
- corporate failure.

	Annual bonus (cash)	Annual bonus (deferred shares)	RSP awards
Malus	Up to the date of the cash payment.	To the end of the three-year vesting period.	To the end of the three-year vesting period.
Clawback	Two years post the date of any cash payment.	n/a	Two years following the end of the vesting period. The total malus and clawback period may be extended where there is an ongoing internal or regulatory investigation.

Loss of office policy

When considering compensation for loss of office, the Committee will always seek to minimise the cost to the Group whilst applying the following philosophy:

Remuneration element	Treatment on cessation of employment
General	The Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case. There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement. There is no agreement between the Group and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.
Salary, benefits and pension	These will be paid over the notice period. The Group has discretion to make a lump sum payment in lieu.

Annual bonus plan	Good leaver reason	Other reason	Discretion
Cash	Performance conditions will be measured at the bonus measurement date. Bonus will normally be pro-rated for the period worked during the financial year.	No bonus payable for the year of cessation.	The Committee has discretion to determine: <ul style="list-style-type: none"> – that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; and – whether to pro-rate the bonus to time. The Committee's normal policy is that it will pro-rate bonus for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders.

Annual bonus plan	Good leaver reason	Other reason	Discretion
Deferred share awards	All subsisting deferred share awards will vest.	Lapse of any unvested deferred share awards.	<p>The Committee has discretion to:</p> <ul style="list-style-type: none"> – determine that an Executive Director is a good leaver. It is the Committee’s intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; – vest deferred shares at the end of the original deferral period or at the date of cessation. The Committee will make this determination depending on the type of good leaver reason resulting in the cessation; and – determine whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Committee’s normal policy is that it will not pro-rate awards for time. The Committee will determine whether or not to pro-rate based on the circumstances of the Executive Director’s departure.
RSP	Good leaver reason	Other reason	Discretion
For the year of cessation	The award will normally be pro-rated for the period worked during the financial year.	No award for year of cessation.	<p>The Committee has discretion to determine:</p> <ul style="list-style-type: none"> – that an Executive Director is a good leaver. It is the Committee’s intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; – whether to pro-rate the award to time. The Committee’s normal policy is that it will pro-rate for time. It is the Committee’s intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders; and – whether the award will vest on the date of cessation or the original vesting date. The Committee will make its determination based amongst other factors on the reason for the cessation of employment.
Subsisting awards	Awards will be pro-rated to time and will vest on their original vesting dates and remain subject to the holding period.	<p>Unvested awards will be forfeited on cessation of employment.</p> <p>Vested awards will remain subject to the holding period.</p>	<p>The Committee has discretion to determine:</p> <ul style="list-style-type: none"> – that an Executive Director is a good leaver. It is the Committee’s intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; – whether to pro-rate the award to the date of cessation. The Committee’s normal policy is that it will pro-rate. The Committee will determine whether to pro-rate based on the circumstances of the Executive Director’s departure; – whether the awards vest on the date of cessation or the original vesting date. The Committee will make its determination based amongst other factors on the reason for the cessation of employment; and – whether the holding period for awards applies in part or in full. The Committee will make its determination based amongst other factors on the reason for the cessation of employment.
Other contractual obligations	There are no other contractual provisions other than those set out above agreed prior to 27 June 2021.		

The following definition of leavers will apply to all the above incentive plans. A ‘good leaver’ is defined as cessation in the following circumstances:

- death;
- ill-health;
- injury or disability;
- retirement with agreement of the employing Group company;
- employing company ceasing to be a Group company;
- transfer of employment to a company which is not a Group company; and
- at the discretion of the Committee (as described above).

Cessation of employment in circumstances other than those set out above is cessation for other reasons.

Directors' remuneration policy / continued

Recruitment and promotion policy

The Company's principle is that the remuneration of any new recruit will be assessed in line with the same principles as for the Executive Directors, as set out in the remuneration policy table. The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure a preferred candidate with the appropriate calibre and experience needed for the role. In setting the remuneration for new recruits, the Committee will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short-term or long-term incentive payments, as well as giving consideration for the appropriateness of any performance measures associated with an award. The Group's policy when setting remuneration for the appointment of new Directors is summarised in the table below:

Salary, benefits and pension	Salary, benefits and pension will be set in line with the policy for existing Executive Directors. Maximum pension contribution will be aligned to that of the majority of employees.
Annual bonus	Maximum annual participation will be set in line with the Group's policy for existing Executive Directors and will not exceed 150% of salary.
Restricted shares	Maximum annual participation will be set in line with the Group's policy for existing Executive Directors and will not exceed 125% of salary for restricted shares.
Maximum variable	The maximum variable remuneration which may be granted is the sum of the annual bonus and restricted shares award (excluding the value of any buyouts) which is 275% of salary.
'Buy out' of incentives forfeited on cessation of employment	<p>Where the Committee determines that the individual circumstances of recruitment justifies the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of an Executive Director's previous employment will be calculated taking into account the following:</p> <ul style="list-style-type: none"> – the proportion of the performance period completed on the date of the Executive Director's cessation of employment; – the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied; and – any other terms and condition having a material effect on their value ('lapsed value'). <p>The Committee may then grant up to the same value as the lapsed value, where possible, under the Group's incentive plans. To the extent that it is not possible or practical to provide the buyout within the terms of the Group's existing incentive plans, a bespoke arrangement would be used.</p>
Relocation policies	In instances where the new Executive Director is required to relocate or spend significant time away from their normal residence, the Group may provide one-off compensation to reflect the cost of relocation for the Executive Director. The level of the relocation package will be assessed on a case-by-case basis but will take into consideration any cost of living differences/housing allowance and schooling and will not exceed a period of two years from recruitment.

Where an existing employee is promoted to the Board, the remuneration policy set out above would apply from the date of promotion but there would be no retrospective application of the remuneration policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the person concerned. These would be disclosed to shareholders in the remuneration report for the relevant financial year.

The Group's policy when setting fees for the appointment of a new Chair or Non-Executive Directors is to apply the policy which applies to the current Chair or Non-Executive Directors.

Where an interim CEO or deputy CEO are appointed but without being a Director of the Company, the remuneration policy set out above will apply from appointment but there will be no retrospective application of the remuneration policy, therefore any existing remuneration arrangements, subsisting incentive awards and notice period are permitted to continue for up to the earlier of 12 months from appointment or the next date of award/review date. A stepping-up allowance may be paid for the duration of their appointment.

Consideration of employment conditions elsewhere in the Group

Each year, prior to reviewing the remuneration of the Executive Directors and the members of the Executive Leadership Team, the Committee considers a report prepared by the Chief People Officer detailing base pay and share schemes practice across the Group. The report provides an overview of how employee pay compares to the market and any material changes during the year and includes detailed analysis of basic pay and variable pay changes within the UK.

While the Group does not directly consult with employees as part of the process of reviewing Executive Director pay and formulating the remuneration policy, the Group does receive an update and feedback from the broader employee population on an annual basis using an engagement survey, which collates information relating to remuneration, and consults a representative sample of employees on executive remuneration as part of the workforce engagement agenda. The Group does not use remuneration comparison measurements.

The Group aims to provide a remuneration package for all employees that is market competitive and operates the same core structure as for the Executive Directors. The Group operates employee share and variable pay plans, with pension provisions provided for all Executive Directors and employees. In addition, any salary increases for Executive Directors are expected to be generally in line with those for UK-based employees. The Committee annually publishes information relating to wider workforce considerations as part of the Directors' remuneration report.

Annual report on remuneration

The following section provides details of how SIG's remuneration policy was implemented during the financial year ended 31 December 2023.

This part of the report has been prepared in accordance with the Companies Act, various companies regulations, and relevant sections of the Listing Rules. The Annual report on remuneration and the Chair's statement will be put to an advisory shareholder vote at the 2024 AGM. The information on pages 112 to 121 has been audited where required under the regulations and indicated as such.

Single total figure of remuneration for Executive Directors (audited)

The table below sets out the single total figure of remuneration received by each Executive Director for the year ended 31 December 2023 and the prior year.

Executive Director		Base salary ¹	Taxable benefits ² £'000	Annual bonus ³ £'000	LTIP £'000	Pension ⁴ £'000	Other £'000	Total remuneration £'000	Total fixed remuneration £'000	Total variable remuneration £'000
Gavin Slark ⁵	2023	619	16	208	0	31	0	874	666	208
	2022	—	—	—	—	—	—	—	—	—
Ian Ashton	2023	412	23	108	658 ⁶	21	0	1,222	456	766
	2022	392	22	464	0	20	0	898	434	464
Steve Francis ⁷	2023	47	2	16	809 ⁶	2	0	876	51	825
	2022	565	25	817	0	28	0	1,435	618	817

The figures in the table above have been calculated as follows:

1. Base salary: amount earned for the year as Directors and rounded up.
2. Taxable benefits: include, but are not limited to, car allowance/company car, private medical insurance and income protection.
3. Annual bonus: payment for performance during the year (including any deferred portion).
4. Pension: the Company's pension contribution during the year of 5% of salary.
5. Gavin Slark was appointed CEO on 1 February 2023. The 2023 figure pertains to the period 1 February to 31 December 2023.
6. The value for the RSP represents the awards vesting on 1 December 2023 and 29 March 2024 and are based on the executed price on 1 December 2023 of 28.725p and the three-month average to 31 December 2023 of 30.59p respectively. Neither award is subject to performance conditions, but is subject to an underpin applicable during the three year vesting period.
7. Steve Francis' remuneration reflects the remuneration received as an executive director, until he stepped down on 1 February 2023.

Payments for loss of office and payments to past Directors (audited)

Steve Francis stood down from the role of CEO and the Board on 1 February 2023 and no payments for loss of office have been made. However, as previously disclosed to the market, he continued to receive fixed pay and bonus eligibility (on the same pro-rata basis he received from 1 January as disclosed in the table above) for the period from 1 February until his leave date of 8 March 2023.

Single total figure of remuneration for Non-Executive Directors (audited)

The table below sets out the single total figure of remuneration received by each Non-Executive Director for services rendered to the Group as a Non-Executive Director for the year ended 31 December 2023 and the prior year.

	Base fee		Committee Chair/Senior Independent Director fees		Additional advisory Board fees		Total fees	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Andrew Allner (Chairman)	234	225	—	—	—	—	234	225
Alan Lovell¹	65	63	7	10	—	—	72	73
Bruno Deschamps²	65	63	—	—	—	—	65	63
Christian Rochat^{2,3}	22	63	—	—	—	—	22	63
Gillian Kent	65	63	—	—	—	—	65	63
Kath Durrant⁴	65	63	15	12	—	—	80	75
Shatish Dasani	65	63	12	12	—	—	77	75
Simon King	65	63	10	10	—	—	75	73
Diego Straziota^{2,5}	43	—	—	—	—	—	43	—

1. Alan Lovell stood down as Senior Independent Director on 25 September 2023 and his fees for 2023 reflect the reduction in remuneration earned from that date.
2. The fees paid to Bruno Deschamps, Christian Rochat and Diego Straziota are not retained by them individually but paid to CD&R.
3. Christian Rochat stood down from the Board on 4 May 2023 and his fees for 2023 reflect remuneration earned to that date.
4. Kath Durrant was appointed as Senior Independent Director on 25 September 2023 and her fees for 2023 reflect the additional remuneration earned from that date.
5. Diego Straziota was appointed as a Non-Executive Director on 4 May 2023 and his fees for 2023 reflect remuneration earned from that date.

2023 bonus out-turn

The maximum potential bonus opportunity for Gavin Slark (CEO) was 150% of salary and for Ian Ashton (CFO) was 125% of salary. The table below sets out the targets and level of achievement that were considered when determining the bonus. The Committee also considered the targets that would apply to the Executive Leadership Team for 2023, which were based on operating profit, average working capital and leverage.

Performance condition (weighting)	Actual	Threshold	Interim	Maximum	Outcome	CEO Actual £'000	CFO Actual £'000
Operating profit (60%)	£53.1m	25% 72.0m	50% 80.0m	100% 88.0m	0%	0	0
Average working capital ¹ (10%)	14.3%	25% 15.1%	50% 14.3%	100% 13.6%	50%	46	26
Leverage ² (10%)	3.60x	25% 3.12x	50% 2.97x	100% 2.82x	0%	0	0
Strategic objectives (20%)	See below						
pay-out level						162	82
Total³						208	108

1. Average working capital – average of month end trade balances divided by annual sales.
2. Average net debt divided by LTM EBITDA.
3. The Committee reviewed health and safety leadership and performance and determined that there was no requirement to exercise its override discretions.

Annual report on remuneration / continued

Chief Executive Officer

Bonusable objectives	Measures	Outcome
Strategy	Progress on our path to deliver a 5% group margin.	Strategy reviewed, plans and progress discussed with the Board. Communication of initial review and strategy presented at the successful Capital Markets Day held in November.
Operational excellence	Drive modernisation journey through digitisation/technology throughout the Group.	Initial review of all OpCo modernisation plans undertaken with solid OpCos plans evidenced in place, aligned to budgets and business outcomes, adjusted as appropriate in line with amended forecasts throughout the year.
Corporate development	Improved M&A processes and investor relationships.	Improvements to M&A process and adjudication approach undertaken as with significant work undertaken on improving investor relationships, as evidenced in part by movements in share register.
Talent management	Ensure SIG has in place the right level of leadership, engaged talent and robust succession planning.	Talent and Organisation capability reviews completed across the Group with follow up plans in place. Where required, leadership changes implemented and development opportunities identified. Group engagement score 71%.
ESG	Improved processes and performance for a reduction in carbon emissions and Health & Safety.	Group LTIFR numbers reduced YOY to 8.4. Reduction in carbon emissions by 3% YOY.

The Committee evaluated the performance of the CEO against the above outcomes and awarded a bonus of 17.5% out of the 20% available for these strategic objectives.

Chief Financial Officer

Bonusable objectives	Measures	Outcome
Business performance	Support CEO transition; cash performance; focus on cost efficiency in a challenging market environment.	Strong focus on cash generation and working capital, which resulted in a second year of positive free cash flow despite lower profits. Key focus on cost savings across the business. Managed well the evolving profit forecasts and expectations, driven by challenging construction market backdrop.
People	Continue to strengthen finance function.	Further strong progress on finance employee engagement scores, achieved through a variety of activities. Strengthened finance talent in key roles across the business and provided development opportunities for high performers.
Corporate development & investor relations	Further development of share register; hold capital markets event.	The first capital markets event for many years successfully delivered. Positive changes evidenced in share register. Positive engagement with both equity and debt investors.
Audit and control	Continued improvement in audit process and results; manage credit risk.	Strong delivery on external audit again, including first year with a new EY audit partner. Credit risks managed and communicated effectively. Meaningful progress on several internal initiatives involving tax, treasury and corporate structure.
ESG	Deliver roadmap for delivery of emissions targets.	Provided positive input, challenge and leadership on all ESG matters; ensured appropriate rigour in reporting and in thinking on trade-offs involved.

The Committee evaluated the performance of the CFO against the above outcomes and awarded a bonus of 16.0% out of the 20% available for these strategic objectives.

Steve Francis

In line with the Policy, the Committee evaluated the performance of Steve Francis in January 2023 against the objective of transitioning his role to the CEO. The Committee concluded that this objective had been met in full, but scaled back the amount of bonus to reflect internal relativities with other Executive Directors and rewarded an achievement of 17.1% out of the 20% available for strategic objectives. A total bonus of £15,895 was awarded, pro-rated for time served as CEO in 2023.

The Committee considered the overall stakeholder experience (in particular employees and shareholders) in the year and was satisfied that the formulaic outcome from the bonus for all individuals was appropriate.

Restricted share plan awards vesting in December 2023 and March 2024

Awards granted under the RSP on 1 December 2020 have vested and 29 March 2021 are due to vest shortly after the date of publication of this document.

As part of its final assessment of the underpin, the following factors have been considered:

- whether threshold performance levels have been achieved for the performance conditions for the Bonus Plan for each of the three years covered by the vesting period for the RSP award;
- whether there have been any sanctions or fines issued by a Regulatory Body; (in which case participant responsibility may be allocated collectively or individually);
- whether there has been material damage to the reputation of the Company; (in which case participant responsibility may be allocated collectively or individually);
- the level of employee and customer engagement over the period; and
- in all cases subject to the Committee’s holistic assessment at vesting based on business performance, individual performance or wider Company considerations.

In relation to the operation of the underpins, the Remuneration Committee’s intention is not to reduce the value of the awards unless there are clear and specific failures to achieve the underpins. The failure to achieve the threshold performance measure in any one year is not, in itself a reason to reduce the value of the award.

The Committee is comfortable the requirements under the underpin have been met and the awards will vest in full.

2023 restricted share plan awards

Gavin Slark and Ian Ashton were granted RSP awards of 125% and 100% of salary, respectively on 10 March 2023. No consideration was paid for the grant of the awards which are structured as nil-cost options. The number of ordinary shares over which RSP awards were granted was based on an ordinary share price of 39.95 pence per share, based on the closing share price of 8 March 2023.

The normal vesting date of the awards will be 10 March 2026, being the third anniversary of the award date. The awards will ordinarily vest after three years subject to continued service and a discretionary underpin that allows the Remuneration Committee to make adjustments to the level of vesting if it believes due to business performance, individual performance or wider Group considerations that the vesting should be adjusted. This will include consideration of all relevant factors, including any windfall gains. Once vested, the awards will normally be exercisable until the day before the tenth anniversary of the award date. The awards are subject to a two-year holding period commencing on vesting.

Executive Director	Date of grant	% of award for minimum performance	Shares subject to award	Face value at date of award
Gavin Slark	10 March 2023	100	2,112,015	£843,750
Ian Ashton	10 March 2023	100	1,030,403	£411,646

Annual report on remuneration / continued

Directors' interests in SIG shares (audited)

The interests of the Directors in office during the year ended 31 December 2023, and their families, in the ordinary shares of the Company at the dates below were as follows:

	Shares held		Nil-cost options held			Shareholding required (% basic salary) ¹	Current shareholding as a % of basic salary ²	Requirement met ²
	Owned outright or vested	Vested but subject to holding period	Vested but not exercised	Unvested subject to vesting and holding period	Unvested and subject to deferral			
Gavin Slark ³	890,000	—	—	2,112,015	—	300	99%	No
Steve Francis ⁴	864,454	—	—	5,307,449	—	300	228%	N/A
Ian Ashton ⁵	166,666	660,436	—	3,992,231	—	300	239%	No
Andrew Allner	288,384	—	—	—	—	—	—	—
Kath Durrant	100,774	—	—	—	—	—	—	—
Gillian Kent	Nil	—	—	—	—	—	—	—
Alan Lovell	330,000	—	—	—	—	—	—	—
Bruno Deschamps	Nil	—	—	—	—	—	—	—
Simon King	166,666	—	—	—	—	—	—	—
Christian RoCHAT	Nil	—	—	—	—	—	—	—
Shatish Dasani	250,000	—	—	—	—	—	—	—
Diego Straziota ⁶	Nil	—	—	—	—	—	—	—

1. This relates to the in-employment shareholding requirement. Executive Directors are expected to achieve target shareholdings within five years of appointment. In the event of cessation, Executive Directors are expected to hold the lower of this shareholding requirement and their actual holding on cessation.

2. Gavin Slark and Ian Ashton's holdings are based on SIG share price of 33.4p as at 31 December 2023. The post-tax value of the RSP awards granted in March 2021, March 2022 and March 2023 have been included in the current shareholding figure. The % shareholding will fluctuate due to share price movements at each year-end.

3. Gavin Slark was appointed as CEO on 1 February 2023.

4. Steve Francis was appointed as CEO on 25 February 2020 and stood down on 1 February 2023. His shareholdings are shown as at the date he stepped down based on the share price of 34.95p as at 31 January 2023. He is required to maintain a shareholding during the two years post cessation of 3,093,323 shares. After stepping down, 1,729,315 shares vested on 1 December 2023 which he subsequently exercised, retaining his post tax balance of shares.

5. Ian Ashton was appointed as CFO on 1 July 2020.

6. Diego Straziota was appointed to the Board on 4 May 2023.

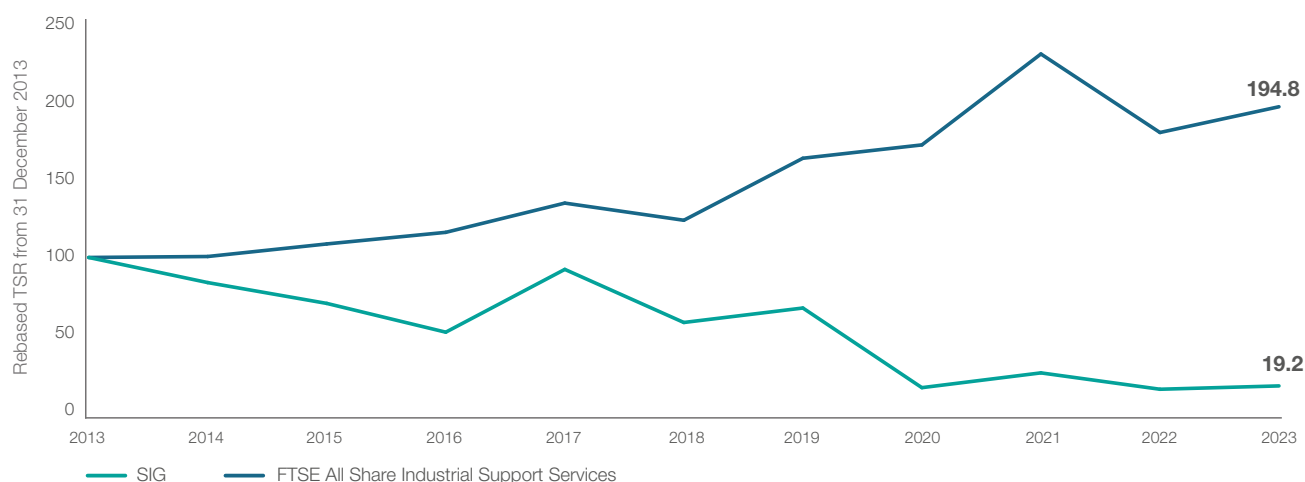
There have been no changes to shareholdings between 1 January 2024 and the date of this report.

Ian Ashton exercised 1,250,000 share options during the year such that the pre-tax gain on exercise was £359,063 (2022: nil).

Total Shareholder Return (“TSR”)

The graph below shows the Group’s TSR performance (share price plus dividends paid) compared with the performance of the FTSE All Share Industrial Support Services Index over the ten-year period to 31 December 2023. This index has been selected because the Group believes that the constituent companies comprising the FTSE All Share Industrial Support Services Index are the most appropriate for this comparison as they are affected by similar commercial and economic factors to SIG.

Ten Year Company TSR Performance v FTSE All Share Industrial Support Services



CEO pay in the last ten years

The table below shows how pay for the CEO role has changed in the last ten years.

Year	2014	2015	2016	2016	2017	2017	2018	2019	2020	2020	2021	2022	2023	2023
Incumbent	Stuart Mitchell	Stuart Mitchell ¹	Stuart Mitchell ²	Mel Ewell ³	Mel Ewell	Meinie Oldersma ⁴	Meinie Oldersma	Meinie Oldersma	Meinie Oldersma ⁵	Steve Francis ⁶	Steve Francis	Steve Francis	Steve Francis ⁷	Gavin Slark ⁸
Single figure of remuneration £'000	968	765	581	100	150	794	669	688	258	850	1,315	1,435	876	874
% of max annual bonus earned	57	0	n/a	n/a	n/a	70	0	0	0	57	87	96.5	22.1	22.5
% of max LTIP awards vesting	n/a	19.5	n/a	n/a	n/a	n/a	n/a	0	n/a	n/a	n/a	n/a	100	n/a

1. Stuart Mitchell took the decision to waive his entitlement to the 2015 annual bonus.
2. Stuart Mitchell stepped down as CEO with effect from 11 November 2016, and his remuneration relates to the period served. He did not receive a bonus for 2016, and his outstanding LTIP awards lapsed.
3. Mel Ewell was appointed as Interim CEO with effect from 11 November 2016 and stepped down on 31 March 2017. He continued as an Executive Director until 20 April 2017, and his remuneration relates to the period served as CEO. Mel Ewell did not participate in any Group incentive schemes.
4. Meinie Oldersma was appointed CEO on 3 April 2017. The 2017 figure pertains to the period 3 April 2017 to 31 December 2017.
5. Meinie Oldersma stepped down as CEO with effect from 24 February 2020, and his remuneration relates to the period served. He did not receive a bonus for 2020, and his outstanding LTIP awards lapsed.
6. Steve Francis was appointed CEO on 25 February 2020. The 2020 figure pertains to the period 25 February 2020 to 31 December 2020. His single figure reflects the temporary 20% salary reduction between 1 April 2020 and 30 June 2020 as a result of the Covid-19 pandemic as well as the one-off bonus arrangement received for 2020.
7. Steve Francis stepped down from his role as CEO on 1 February 2023, and his remuneration relates to the period he served. As per his settlement agreement, he received a pro-rata bonus for 2023 and his outstanding RSP awards were also pro-rated.
8. Gavin Slark was appointed CEO on 1 February 2023. The 2023 figure pertains to the period 1 February to 31 December 2023.

Annual report on remuneration / continued

Percentage change in Directors' remuneration

The Executive Directors are the only employees of SIG plc. The table below shows the annual percentage change in salary/fees, benefits and bonus between 2023 vs. 2022 and 2022 vs. 2021 of the Directors of the Group compared to the average for all other UK-based employees. The year-on-year analysis prior to this is not presented as the comparatives were not meaningful. Over time, the percentage over five years will be disclosed.

	% change 2023 v 2022			% change 2022 v 2021		
	Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus
Gavin Slark (CEO)	—	—	—	—	—	—
Steve Francis (CEO) ¹	(92)	(92)	(98)	3	0.8	14.2
Ian Ashton (CFO)	5	2	(77)	3	0.6	12.4
Andrew Allner (Chairman)	4	—	—	3	—	—
Shatish Dasani	3	—	—	11.8	—	—
Bruno Deschamps	4	—	—	3	—	—
Kath Durrant ²	7	—	—	3	—	—
Gillian Kent	4	—	—	3	—	—
Simon King	3	—	—	19.4	—	—
Alan Lovell ³	(0.25)	—	—	3	—	—
Christian Rochat ⁴	(64)	—	—	3	—	—
Diego Straziota	—	—	—	—	—	—
Average % increase for employees	6.7	0	(41.1)	5.6	(5.6)	(18.3)

1. Steve Francis stood down as CEO on 1 February 2023. The reduced % change reflects that only one month of salary is reported for 2023.

2. From 25 September 2023, Kath Durrant was paid an additional fee as Senior Independent Director.

3. Alan Lovell stood down as Senior Independent Director on 25 September 2023. The % change reflects the removal of the additional fee from this date.

4. Christian Rochat stood down as Non-Executive Director on 4 May 2023. The reduced % change reflects his 2023 fees to his leave date.

CEO pay ratio

Financial year	Method used	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2023	Option B (Gender Pay Data)	66:1	49:1	39:1
2022	Option B (Gender Pay Data)	46:1	42:1	27:1
2021	Option B (Gender Pay Data)	53:1	45:1	31:1
2020	Option B (Gender Pay data)	44:1	38:1	31:1
2019	Option B (Gender Pay data)	32:1	28:1	20:1

For 2023, the Company has used Option B given the availability of data, in order that a direct comparison can be shown against last year. Gender Pay for 2023 has been calculated in line with the guidance and details of the data used in the analysis can be found in the Gender Pay Gap Report which will be published on our website (www.sigplc.com) in late March 2024.

In determining the quartile figures, one UK employee with the relevant hourly rate was chosen for each quartile and the single total remuneration figure was calculated for them to compare to the CEO.

The Group feels that using Gender Pay Data ensures that these individuals are reasonably representative of pay levels at the 25th, 50th and 75th percentile as the single total remuneration figure for these individuals is similar to other employees with a similar annual salary.

	2023				2022			
	CEO	25th	50th	75th	CEO	25th	50th	75th
Basic salary	665,795	23,387	32,812	40,090	564,543	24,046	32,960	41,227
Benefits	18,433	0	0	0	24,644	131	90	1,001
Pension	33,290	1,754	2,574	3,145	28,227	1,891	805	1,074
Bonus plan	224,359	1,200	0	1,876	817,176	5,251	100	10,500
LTIP	809,263	0	0	0	0	0	0	0
Total pay	1,751,140	26,341	35,386	45,111	1,434,590	31,319	33,955	53,802

Aggregate CEO pay for 2023 has been calculated for the period 1 January 2023 to 31 December 2023 based on the single total figure of remuneration table for S Francis and G Slark.

The following elements have been used to calculate the single total figure of remuneration for the employee at each quartile; base salary, bonus, employer pension contribution, car/car allowance, private medical insurance, Group income protection, and employer share incentive plan contribution. No pay elements were omitted or adjusted to calculate CEO pay. Non-guaranteed overtime was omitted for employees due to its variable nature.

The increase in the CEO pay ratio for 2023 is largely driven by the change of CEO and the vesting of the first two awards under SIG plc's 2020 Restricted Share Plan for the former CEO. We expect the CEO pay ratio to show less movement in future years.

The Committee continues to be committed to ensuring that CEO pay is commensurate with performance. For 2022 and 2023, the CEO was paid a bonus in line with the scheme and treatment for all participants.

To ensure pay is managed appropriately at all levels in the organisation, we regularly review our salaries against those of similar roles in both the wider market and our sector. We also undertake additional pay analysis, such as gender pay reporting, to ensure we can identify, and, if appropriate, address any pay issues that arise. The ratio is driven by the differences in the structure of the pay of our CEO, which is made up of a higher proportion of variable pay, versus that of our wider workforce colleagues. What is important from our perspective is that this ratio is influenced only by the differences in structure, and not by divergence in fixed pay between the CEO and wider workforce.

Relative importance of the spend on pay

The table below shows the percentage change in total employee pay expenditure and shareholder distribution (i.e. dividends and share buybacks) from the financial year ended 31 December 2022 to the financial year ended 31 December 2023.

	2023 £m	2022 £m	% Change
Distribution to shareholders	—	—	—
Employee remuneration ¹	342.4	331.7	3.2%

1. Continuing operations employee remuneration.

The Company has declared that no final dividend would be paid for 2023 and no interim dividend was paid in 2023 (2022: nil).

Annual report on remuneration / continued

Service contracts and letters of appointments

The Committee's policy for setting notice periods is that normally they will be a maximum of 12 months. The Non-Executive Directors of the Company do not have service contracts. The Non-Executive Directors are appointed by letters of appointment. Each independent Non-Executive Director's term of office runs for a three-year period.

The details of the service contracts in place during 2023 are as follows:

Executive Directors

Name	Date of contract	Company notice	Executive notice	Guaranteed payments on change of control or cessation
Gavin Slark	1 February 2023	12 months	12 months	None
Steve Francis ¹	25 February 2020	6 months	6 months	None
Ian Ashton	1 July 2020	6 months	6 months	None

1. Steve Francis stood down as CEO on 1 February 2023.

Terms of appointment of the Non-Executive Directors

Name	Date of appointment	Date of most recent term	Date of expiry
Alan Lovell	1 August 2018	13 May 2021	12 May 2024 ¹
Andrew Allner	1 November 2017	1 November 2023	31 October 2026
Bruno Deschamps	10 July 2020	10 July 2023	9 July 2026
Christian Rochat ²	10 July 2020	10 July 2020	N/A
Gillian Kent	1 July 2019	12 May 2022	11 May 2025
Kath Durrant	1 January 2021	1 January 2024	31 December 2026
Shatish Dasani	1 February 2021	1 February 2024	31 January 2027
Simon King	1 July 2020	1 July 2023	30 June 2026
Diego Straziota ³	4 May 2023	4 May 2023	3 May 2026

1. This term of office was renewed for a further three years following the year-end date.

2. Christian Rochat stood down as Non-Executive Director at the 2023 AGM.

3. Diego Straziota was appointed on 4 May 2023.

Advisors to the Remuneration Committee

External

To ensure that the Group's remuneration practices are in line with best practice, the Committee appointed independent external remuneration advisors, Korn Ferry, through a competitive tender process in 2021. Korn Ferry confirms that it has no connection with the Company or its individual directors.

The Committee sought advice from Korn Ferry in relation to various matters including emerging market practices in executive and wider workforce incentive design and peer group analysis.

Korn Ferry is a member of the Remuneration Consultants Group and adheres to its Code of Conduct in its dealings with the Committee. The Committee has reviewed, and is satisfied that, the advice received during 2023 was independent and robust.

The fees for the advice provided by Korn Ferry in 2023 were £90,250 (2022: £114,611) and were based on the time spent during the year.

Internal

The Committee also sought internal support from the CEO, CFO, Chief People Officer, Group Head of Reward, and the Company Secretary, at Committee meetings to address specific question and matters on the performance and remuneration of the senior management team. This excluded any matter concerning their own remuneration. The Company Secretary acts as secretary to the Committee.

Voting outcomes

The following table shows the results of the advisory vote on the 2022 Directors' remuneration report and the remuneration policy at the AGM held on 4 May 2023.

Resolution	Votes cast 'for'	%	Votes cast 'against'	%	Votes 'withheld'
To approve the annual statement by the Chair of the Remuneration Committee and the Directors' remuneration report for the year ended 31 December 2022	885,105,448	92.7	69,655,331	7.3	5,826,470
To approve the remuneration policy	925,096,437	96.9	29,655,028	3.1	5,835,784

Review of Committee terms of reference

Revised terms of reference were adopted in December 2020. During 2023 the Committee has reviewed the appropriateness of these terms and made a number of reasonably minor amendments. The latest version can be found on the Group's website at www.sigplc.com.

Committee performance review

An internal performance review of the Committee was conducted for 2023 and further details can be found on page 81. The recommendations from the Committee's 2022 performance review are set out below together with a summary of the progress that was made to satisfy the recommendations during the year:

2022 Recommendations	Action taken during 2023
Ensuring that incentive arrangements and targets remain appropriate in a high-inflation and recessionary environment	The Committee reviewed the incentive arrangements in place across the Group to ensure they are driving the right performance and behaviours and delivering value on investment. A number of recommendations were put forward to be actioned by management in 2024.
Wider workforce remuneration	The Committee received data, information and analysis on all employment terms and conditions and remuneration arrangements across the Group. In addition, the Committee reviewed SIG UK's pay approach for its lowest paid employees and supported the business' commitment to pay all employees above the National Living Wage rate.
ESG-based incentives	The Committee reviewed and approved the ESG measures included in individual strategic objectives for the Executive Directors and Executive Leadership Team. A review of the development of ESG-based incentives will be undertaken in 2024.

Kath Durrant

Chair of the Remuneration Committee

4 March 2024

Directors' report

The Directors present their report and consolidated financial statements of the Group for the year ended 31 December 2023.

In accordance with the Companies Act 2006 ('CA 2006') other information required to be included in this Directors' report are included in the Strategic Report on pages 1 to 63. The Corporate Governance Report is deemed to be incorporated into this Directors' report by reference and can be found on pages 64 to 121. Further disclosure requirements contained in the CA 2006, Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Part 3 of the Companies (Miscellaneous Reporting) Regulations 2018, the Listing Rules and the Disclosure Guidance and Transparency Rules ('DTRs') of the Financial Conduct Authority, which are not located in this Directors' report can be found:

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Substantial shareholdings

The Company had received notification of the following shareholdings in its issued share capital pursuant to the DTRs as at 31 December 2023 and 22 February 2024.

Shareholder	Interests disclosed to the Company as at 31 December 2023		Interests disclosed to the Company as at 22 February 2024	
		%		%
CD&R Sunshine S. a. r. l.	342,220,120	28.96%	342,220,120	28.96%
IKO Enterprises Limited	174,918,803	14.8%	174,918,803	14.8%
Aberforth Partners LLP	116,611,521	9.87%	116,611,521	9.87%
BlackRock Investment Management	88,657,870	7.50%	87,699,281	7.42%
AzValor Asset Management	81,997,277	6.94%	84,882,919	7.18%

Whistleblowing

The Group has in place a Whistleblowing policy under which employees may, in confidence, raise concerns about possible wrongdoing in financial reporting or other matters. A copy of this policy is available on the Group's website (www.sigplc.com).

The Group also has a confidential hotline in place, which is available to all Group employees and provides a facility for them to bring matters to management's attention on a confidential basis. The hotline is provided by an independent third-party. During 2023, these systems were operational throughout the Group.

A full investigation is carried out on all matters raised and where a whistleblowing report has been prepared, an update is provided to the Board as part of the Group General Counsel & Company Secretary's report. The Group General Counsel & Company Secretary also reports to the Board concerning ongoing investigations and conclusions reached. During 2023, Group employees used this system to raise concerns about a number of separate issues, all of which were appropriately responded to.

Statement of the Directors on the disclosure of information to the Auditor

The Directors who held office at the date of approval of the 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 steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the CA 2006.

On the recommendation of the Audit & Risk Committee (see page 92), in accordance with Section 489 of the CA 2006, resolutions are to be proposed at the AGM for the reappointment of Ernst & Young LLP as Auditor of the Company and to authorise the Audit & Risk Committee to agree its remuneration. The remuneration of the Auditor for the year ended 31 December 2023 is fully disclosed in Note 3 to the Consolidated financial statements on page 149.

Powers of Directors

The Directors are responsible for the management of the business of the Company and may exercise all powers of the Company subject to the provisions of the Company's articles and of the CA 2006. A copy of the articles is available at www.sigplc.com.

Employees

The Group is committed to investing in, and rewarding, its workforce and accordingly it continues to develop and improve upon local recognition programmes, which recognise outstanding work, efforts and achievements that are aligned with Group behaviours. The Group provides regular training opportunities for its employees and also operates a share incentive plan for UK employees.

It is important that each employee understands the Group's strategies, policies and procedures. Regular communication with employees takes place through Workplace and employees are invited to attend results presentations held by the CEO and CFO. Employee views are sought through the annual employee engagement survey. Further information on employee engagement activities can be found on pages 72 to 75.

Numerical Diversity Data as at 31 December 2023

Our gender identity and ethnicity data in accordance with Listing Rule 9.8.6R(10) in the format set out in LR 9 Annex 2.1 at the year-end is set out below. All Board members and ELT members were asked to complete a standardised diversity disclosure form on a confidential and voluntary basis, self-reporting to questions aligned to the data required by, and definitions set out in, the Listing Rules.

Gender identity	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chairman)	Number in executive management (ELT)	Percentage of executive management (ELT)
Men	8	80%	3	11	79%
Women	2	20%	1	3	21%
Not specified/prefer not to say	—	—	—	—	—

Directors' report / continued

Ethnic background	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chairman)	Number in executive management (ELT)	Percentage of executive management (ELT)
White British or other White (including minority-white groups)	9	90%	4	14	100%
Mixed/Multiple Ethnic Groups	—	—	—	—	—
Asian/Asian British	1	10%	—	—	—
Black/African/Caribbean/Black British	—	—	—	—	—
Other ethnic group, including Arab	—	—	—	—	—
Not specified/prefer not to say	—	—	—	—	—

Publication of Annual Report and notice of AGM

Shareholders are to note that the SIG plc 2023 Annual Report together with the notice convening the 2024 AGM will be published on the Group's website (www.sigplc.com). If shareholders have elected to receive shareholder correspondence in hard copy, then the Annual Report and notice convening the AGM will be distributed to them.

Political donations

It is the Group's policy not to make political donations and no political donations were made during the year (2022: £nil). Details of the Group's policies in relation to corporate governance are disclosed on page 47.

Group results and dividends

The Consolidated income statement for the year ended 31 December 2023 is shown on page 128. The movement in Group reserves during the year is shown on page 131 in the Consolidated statement of changes in equity. Segmental information is set out in Note 1 to the Consolidated financial statements on pages 146 to 148.

The Board has taken the decision not to declare a final dividend for the year ended 31 December 2023 (2022: nil). No interim dividend was paid in 2023 (2022: nil). Therefore, the total dividend paid in 2023 was nil (2022: nil).

Related party transactions

Except as disclosed in Note 30 to the Consolidated financial statements on page 182, and except for Directors' service contracts and the Relationship Agreement with CD&R, the Company

did not have any material transactions or transactions of an unusual nature with, and did not make loans to, related parties in the periods in which any Director is or was materially interested.

Summary of key terms of the CD&R Relationship Agreement

The Company entered into a Relationship Agreement with CD&R on 29 May 2020, which will remain effective as long as CD&R is entitled to exercise 10% or more of the votes able to be cast on matters at general meetings of the Company. The Relationship Agreement regulates the Company's relationship with CD&R. It includes agreement by CD&R that it shall (and ensure that its associates shall), among other things, conduct all transactions with the Group at arm's length and on normal commercial terms, not take actions that would have the effect of preventing the Group from carrying on its business independently and not take any action that would prevent the Group from complying with its obligations under the Listing Rules and other applicable laws and regulations. More details on the content of the Relationship Agreement can be found in the prospectus dated 19 June 2020, which is available on the Group's website (www.sigplc.com). As far as the Group is aware the undertakings included in the Relationship Agreement have been complied with during the period under review.

Further details on the CD&R relationship in practice can be found on page 76.

Directors' and officers' liability insurance and indemnities

The Company purchases liability insurance cover for Directors and officers of the Company and its subsidiaries, which gives appropriate cover for any legal action brought against them. The Company has also provided an indemnity, which was in force during the financial year for its Directors to the extent permitted by the law in respect of liabilities incurred as a result of their office. The indemnity would not provide any coverage to the extent that a Director is proven to have acted fraudulently or dishonestly.

No claims or qualifying indemnity provisions and no qualifying pension scheme indemnity provisions have been made either during the year or by the date of approval of this Directors' report.

Share capital

The Company has a single class of share capital, which is divided into ordinary shares of 10p each. At 31 December 2023, the Company had a called-up share capital of £118,155,697.70 divided into ordinary shares of 10p each (2022: £118,155,697.70).

During the year ended 31 December 2023, options over 2,979,315 ordinary shares vested under the Company's share option schemes. No new ordinary shares were allotted to satisfy the vesting of these options and no new ordinary shares have been allotted under these schemes since the end of the financial year to the date of this report. Details of outstanding options under the Group's employee and executive schemes are set out in Note 9 on page 153, which also contains details of options granted over unissued share capital.

Rights attaching to shares

The rights attaching to the ordinary shares are defined in the Company's Articles of Association. The Articles of Association may be changed by special resolution of the Company. A shareholder whose name appears on the Company's Register of Members can choose whether their shares are evidenced by share certificates (e.g. in certificated form) or held in electronic (e.g. uncertificated) form in CREST (the electronic settlement system in the UK).

Subject to any restrictions below, shareholders may attend any general meetings of the Company and, on a show of hands, every shareholder (or their representative) who is present at a general meeting has one vote on each resolution and, on a poll, every shareholder (or their representative) who is present has one vote on each resolution for every ordinary share of which they are the registered shareholder.

A resolution put to the vote of a general meeting is decided on a show of hands unless before or on the declaration of the result of a vote on a show of hands, a poll is demanded by the Chairman of the meeting, or by at least five shareholders (or their representatives) present in person and having the right to vote, or by any shareholders (or their representatives) present in person having at least 10% of the total voting rights of all shareholders, or by any shareholders (or their representatives) present in person holding ordinary shares in which an aggregate sum has been paid up of at least one-tenth of the total sum paid up on all ordinary shares.

Shareholders can declare final dividends by passing an ordinary resolution, but the amount of such dividends cannot exceed the amount recommended by the Board. The Board can pay interim dividends on any class of shares of the amounts and on the dates and for the periods they decide provided the distributable profits of the Company justify such payment. The Board may, if authorised by an ordinary resolution of the shareholders, offer any shareholder the right to elect to receive new ordinary shares, which will be credited as fully paid, instead of their cash dividend.

Any dividend that has not been claimed for 12 years after it became due for payment will be forfeited and will then belong to the Company unless the Directors decide otherwise.

If the Company is wound up, the liquidator can, with the sanction of an extraordinary resolution passed by the shareholders, divide among the shareholders all or any part of the assets of the Company and they can value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator can also transfer the whole or any part of the assets to trustees upon any trusts for the benefit of the members. No shareholders can be compelled to accept any asset which would give them a liability.

Under the Company's share incentive scheme (the 'SIP'), the SIP trustee holds shares on behalf of employee participants. In accordance with the SIP trust deed and rules, the SIP trustee must act in accordance with any directions given by a SIP participant in respect of their SIP shares. In the absence of any such directions from a SIP participant the SIP trustee will not take any action in respect of SIP shares.

Under the SIG employee benefit trust (the 'EBT'), the EBT trustee holds shares to be used for the settlement of awards granted under the Company's incentive plans. The EBT trustee has, under the trust deed establishing the EBT, waived all rights to vote in respect of any shares held in the EBT, except any shares participants own beneficially, in respect of which it will invite participants to direct how the trustee shall act in relation to the shares held on their behalf. The number of shares held in the EBT on 22 February 2024 was 26,421,500. The EBT trustee also waives any dividends on shares held in the EBT.

Further information relating to the change of control provisions under the Group's incentive plans appears within the remuneration policy available on the Group's website www.sigplc.com.

Voting at general meetings

Any form of proxy sent by the Company to shareholders in relation to any general meeting must be delivered to the Company, whether in written or electronic

form, no less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote.

The Board may determine that the shareholder is not entitled to exercise any right conferred by being a shareholder if they or any person with an interest in shares has been sent a notice under Section 793 of the CA 2006 (which confers upon public companies the power to require information with respect to interests in their voting shares) and they or any interested person failed to supply the Company with the information requested within 14 days after delivery of that notice. The Board may also decide that no dividend is payable in respect of those default shares and that no transfer of any default shares shall be registered.

These restrictions end seven days after receipt by the Company of a notice of an approved transfer of the shares or all the information required by the relevant Section 793 Notice, whichever is the earlier.

Transfer of shares

The Board may refuse to register a transfer of a certificated share that is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis. The Board may also refuse to register a transfer of a certificated share unless: (i) the instrument of transfer is lodged, duly stamped (if necessary), at the registered office of the Company or any other place decided by the Board accompanied by a certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; (ii) is in respect of only one class of shares; and (iii) is in favour of not more than four transferees.

Transfer of uncertificated shares must be carried out using CREST and the Board can refuse to register a transfer of an uncertificated share in accordance with the regulations governing the operation of CREST.

Directors' report / continued

Variation of rights

If at any time the capital of the Company is divided into different classes of shares, the special rights attaching to any class may be varied or revoked either:

- i. with the written consent of the holders of at least 75% in nominal value of the issued shares of the class; or
- ii. with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class.

The Company can issue new shares and attach any rights to them. If there is no restriction by special rights attaching to existing shares, rights attaching to new shares can take priority over the rights of existing shares, or the new shares and the existing shares are deemed to be varied (unless the rights expressly allow it) by a reduction of paid up capital, or if another share of that same class is issued and ranks in priority for payment of dividend, or in respect of capital or more favourable voting rights.

Election and re-election of Directors

The Company may, by ordinary resolution, of which special notice has been given in accordance with the CA 2006, remove any Director before the expiration of their period of office. The office of a Director shall be vacated if:

- i. they cease to be a Director by virtue of any provision of law or are removed pursuant to the Company's Articles of Association or they become prohibited by law from being a Director;
- ii. they become bankrupt or compound with their creditors generally;
- iii. they become of unsound mind or a patient for any purpose of any statute relating to mental health and the Board resolves that their office is vacated;
- iv. they resign;
- v. they fail to attend Board meetings for six consecutive months without leave of absence from the Board and the Board resolves that the office is vacated;

- vi. their appointment terminates in accordance with the provisions of the Company's Articles;
- vii. they are dismissed from executive office;
- viii. they are convicted of an indictable offence and the Directors resolve that it is undesirable in the interests of the Company that they remain as a Director; or
- ix. the conduct of the Director is the subject of an investigation and the Directors resolve that it is undesirable in the interests of the Company that they remain a Director.

The Board may, from time to time, appoint one or more Directors as Managing Director or to fulfil any other executive function within the Company for such term, remuneration and other conditions of appointment as it may determine, and it may revoke such appointment (subject to the provisions of the CA 2006).

Agreements with employees and significant agreements (contracts of significance)

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

The Company's borrowing arrangements are terminable upon a change of control of the Company.

Fixed assets

In the opinion of the Directors, there is no material difference between the book value and the current open market value of the Group's interests in land and buildings.

CREST

The Company's ordinary shares are in CREST, the settlement system for stocks and shares.

2024 Interim Report

Current regulations permit the Company not to send hard copies of its Interim Reports to shareholders and therefore the Company intends to publish its Interim Report on its website at www.sigplc.com.

Authority to purchase own ordinary shares

Shareholders' authority for the purchase by the Company of 118,155,698 of its own shares existed at the end of the year. The Company has made no purchases of its own ordinary shares pursuant to this authority. The Company will seek to renew this.

Cautionary statement

The cautionary statement can be found on page 57 of the Strategic report.

Approval of the Directors' report

The Directors' report set out on pages 122 to 126 was approved by the Board of Directors on 4 March 2024 and signed on its behalf by:

Andrew Watkins
Group General Counsel &
Company Secretary

4 March 2024

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors are required to prepare the Group Financial Statements, in accordance with UK adopted international accounting standards. The Directors have elected to prepare the Parent Company Financial Statements in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 101, 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice) as applied in accordance with the provisions of the Companies Act 2006. 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 assets, liabilities, financial position and profit or loss of the Company for that period.

In preparing the Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group Financial Statements, International Accounting Standard 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 IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- 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 Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Group at that time and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- The Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The Strategic report includes a fair review of the development and performance of the business and the position of the Company, and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

This responsibility statement was approved by the Board of Directors on 4 March 2024 and is signed on its behalf by:

Gavin Slark
Chief Executive Officer
4 March 2024

Ian Ashton
Chief Financial Officer
4 March 2024

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Consolidated income statement

for the year ended 31 December 2023

	Note	Underlying ¹ 2023 £m	Other items ² 2023 £m	Total 2023 £m	Underlying ¹ 2022 £m	Other items ² 2022 £m	Total 2022 £m
Revenue	1	2,761.2	—	2,761.2	2,744.5	—	2,744.5
Cost of sales		(2,061.6)	—	(2,061.6)	(2,033.5)	—	(2,033.5)
Gross profit		699.6	—	699.6	711.0	—	711.0
Other operating expenses	2	(640.6)	(50.2)	(690.8)	(614.3)	(22.0)	(636.3)
Impairment (losses)/gains on financial assets	2	(9.6)	1.1	(8.5)	(16.5)	(2.0)	(18.5)
Gain on disposal of property	2	3.7	—	3.7	—	—	—
Operating profit	3	53.1	(49.1)	4.0	80.2	(24.0)	56.2
Finance income	5	2.2	—	2.2	1.3	—	1.3
Finance costs	5	(37.9)	(0.2)	(38.1)	(29.9)	(0.1)	(30.0)
Profit/(loss) before tax		17.4	(49.3)	(31.9)	51.6	(24.1)	27.5
Income tax (expense)/credit	6	(13.0)	1.5	(11.5)	(14.4)	2.4	(12.0)
Profit/(loss) after tax		4.4	(47.8)	(43.4)	37.2	(21.7)	15.5
Attributable to:							
Equity holders of the Company		4.4	(47.8)	(43.4)	37.2	(21.7)	15.5
(Loss)/earnings per share							
Basic	8			(3.8)p			1.3p
Diluted	8			(3.8)p			1.3p

1. Underlying represents the results before Other items. See the Accounting policies for further details.

2. Other items have been disclosed separately in order to give an indication of the underlying earnings of the Group. Other items are defined in the Accounting policies and further details are disclosed in Note 2.

All results are from continuing operations.

The accompanying Accounting policies and Notes to the consolidated financial statements are an integral part of this Consolidated income statement.

Consolidated statement of comprehensive income

for the year ended 31 December 2023

	Note	2023 £m	2022 £m
(Loss)/profit after tax for the year		(43.4)	15.5
Items that will not subsequently be reclassified to the Consolidated income statement:			
Remeasurement of defined benefit pension liability	28	1.1	(14.3)
Deferred tax movement associated with remeasurement of defined benefit pension liability	22	(0.1)	(0.5)
		1.0	(14.8)
Items that may subsequently be reclassified to the Consolidated income statement:			
Exchange difference on retranslation of foreign currency goodwill and intangibles		(1.1)	2.7
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)		(2.8)	11.5
Exchange and fair value movements associated with borrowings and derivative financial instruments		5.8	(13.9)
Losses and gains on cash flow hedges		(1.1)	1.6
Transfer to profit and loss on cash flow hedges		(1.5)	0.2
		(0.7)	2.1
Other comprehensive income/(expense)		0.3	(12.7)
Total comprehensive (expense)/income		(43.1)	2.8
Attributable to:			
Equity holders of the Company		(43.1)	2.8

The accompanying Accounting policies and Notes to the consolidated financial statements are an integral part of this Consolidated statement of comprehensive income.

Consolidated balance sheet

as at 31 December 2023

	Note	2023 £m	2022 Restated £m
Non-current assets			
Property, plant and equipment	10	65.4	68.8
Right-of-use assets	23	263.1	265.9
Goodwill	11	131.2	134.8
Intangible assets	12	15.3	22.8
Lease receivables	23	2.2	1.2
Deferred tax assets	22	4.4	3.3
Non-current financial assets	18	0.2	0.4
		481.8	497.2
Current assets			
Inventories	14	259.1	270.6
Lease receivables	23	1.1	0.1
Trade and other receivables	15	389.1	432.6
Current tax assets	15	3.6	0.9
Current financial assets	18	—	1.6
Cash at bank and on hand	18	132.2	130.1
		785.1	835.9
Total assets		1,266.9	1,333.1
Current liabilities			
Trade and other payables	16	385.8	425.0
Lease liabilities	16	64.9	56.5
Interest-bearing loans and borrowings	17	0.8	0.8
Deferred consideration	16	1.8	0.7
Derivative financial instruments	16	1.0	—
Current tax liabilities	16	6.9	5.8
Provisions	21	7.9	9.6
		469.1	498.4
Non-current liabilities			
Lease liabilities	23	264.9	251.2
Interest-bearing loans and borrowings	17	260.0	266.1
Deferred consideration	18	—	1.8
Derivative financial instruments	18	0.1	0.1
Other payables		3.0	7.4
Retirement benefit obligations	28	20.3	23.0
Provisions	21	21.0	17.3
		569.3	566.9
Total liabilities		1,038.4	1,065.3
Net assets		228.5	267.8
Capital and reserves			
Called up share capital	24	118.2	118.2
Treasury shares reserve	24	(11.6)	(16.4)
Capital redemption reserve		0.3	0.3
Share option reserve		7.6	8.6
Hedging and translation reserves		3.8	4.5
Cost of hedging reserve		0.1	0.1
Merger reserve		92.5	92.5
Retained profits		17.6	60.0
Attributable to equity holders of the Company		228.5	267.8
Total equity		228.5	267.8

The 2022 Consolidated balance sheet has been restated as a result of the finalisation of the acquisition fair values, as explained in the Accounting policies and Note 13. The accompanying Accounting policies and Notes to the consolidated financial statements are an integral part of this Consolidated balance sheet.

The Consolidated financial statements were approved by the Board of Directors on 4 March 2024 and signed on its behalf by:

Gavin Slark **Ian Ashton**
Director Director

Registered in England: 00998314

Consolidated statement of changes in equity

for the year ended 31 December 2023

	Called up share capital £m	Treasury shares reserve £m	Capital redemption reserve £m	Share option reserve £m	Hedging and translation reserves £m	Cost of hedging reserve £m	Merger reserve £m	Retained profits/ (losses) £m	Total £m
At 1 January 2022	118.2	(12.5)	0.3	4.4	2.4	0.1	92.5	59.3	264.7
Profit after tax	—	—	—	—	—	—	—	15.5	15.5
Other comprehensive income/ (expense)	—	—	—	—	2.1	—	—	(14.8)	(12.7)
Total comprehensive income	—	—	—	—	2.1	—	—	0.7	2.8
Purchase of treasury shares	—	(4.0)	—	—	—	—	—	—	(4.0)
Credit to share option reserve	—	—	—	4.4	—	—	—	—	4.4
Settlement of share options	—	0.1	—	(0.2)	—	—	—	—	(0.1)
At 31 December 2022	118.2	(16.4)	0.3	8.6	4.5	0.1	92.5	60.0	267.8
Loss after tax	—	—	—	—	—	—	—	(43.4)	(43.4)
Other comprehensive (expense)/income	—	—	—	—	(0.7)	—	—	1.0	0.3
Total comprehensive expense	—	—	—	—	(0.7)	—	—	(42.4)	(43.1)
Purchase of treasury shares	—	(1.7)	—	—	—	—	—	—	(1.7)
Credit to share option reserve	—	—	—	5.5	—	—	—	—	5.5
Settlement of share options	—	6.5	—	(6.5)	—	—	—	—	—
At 31 December 2023	118.2	(11.6)	0.3	7.6	3.8	0.1	92.5	17.6	228.5

The share option reserve represents the cumulative equity-settled share option charge under IFRS 2 “Share-based payment” less the value of any share options that have been exercised.

The hedging and translation reserves represents movements in the Consolidated balance sheet as a result of movements in exchange rates and movements in the fair value of cash flow hedges which are reflected in equity through Other comprehensive income as detailed in the Accounting policies.

Treasury shares relate to shares purchased by the SIG Employee Benefit Trust (“EBT”) to satisfy awards made under the Group’s share plans which are not vested and beneficially owned by employees.

The merger reserve represents the premium on ordinary shares issued in a previous year through the use of a cash box structure.

The accompanying Accounting policies and Notes to the consolidated financial statements are an integral part of this Consolidated statement of changes in equity.

Consolidated cash flow statement

for the year ended 31 December 2023

	Note	2023 £m	2022 £m
Net cash flow from operating activities			
Cash generated from operating activities	25	128.4	132.3
Income tax paid		(14.0)	(14.3)
Net cash generated from operating activities		114.4	118.0
Cash flows from investing activities			
Finance income received		2.2	1.3
Purchase of property, plant and equipment and computer software		(15.7)	(14.5)
Initial direct costs of right-of-use assets		(0.1)	(0.8)
Proceeds from sale of property, plant and equipment		5.6	0.8
Net cash flow on the purchase of businesses	13	—	(26.0)
Settlement of amounts payable for previous purchases of businesses	13	(0.7)	(1.3)
Investment in financial assets		—	(0.2)
Net cash flow from investing activities		(8.7)	(40.7)
Cash flows from financing activities			
Finance costs paid		(36.9)	(30.1)
Repayment of lease liabilities		(63.6)	(60.1)
Repayment of borrowings		(0.8)	(1.4)
Acquisition of treasury shares		(1.7)	(4.0)
Net cash flow from financing activities		(103.0)	(95.6)
Increase/(decrease) in cash and cash equivalents in the year	26	2.7	(18.3)
Cash and cash equivalents at beginning of the year ¹	27	130.1	145.1
Effect of foreign exchange rate changes	27	(0.6)	3.3
Cash and cash equivalents at end of the year¹	27	132.2	130.1

1. Cash and cash equivalents comprise cash at bank and on hand of £132.2m (2022: £130.1m) less bank overdrafts of £nil (2022: £nil).

The accompanying Accounting policies and Notes to the consolidated financial statements are an integral part of this Consolidated cash flow statement.

Accounting policies

for the year ended 31 December 2023

The material accounting policy information relating to this Annual Report and Accounts for the year ended 31 December 2023 is set out below.

Basis of preparation

The Consolidated financial statements are prepared in accordance with UK adopted international accounting standards.

The Consolidated financial statements have been prepared under the historical cost convention except for derivative financial instruments and unquoted investments which are stated at their fair value. The principal accounting policies applied in the preparation of these Consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The qualifying partnership, The SIG 2018 Scottish Limited Partnership, which is included in these Consolidated financial statements, is entitled to exemption under Regulation 7(1) from the requirements of Regulations 4 to 6 of Part 2 of The Partnerships (Accounts) Regulations 2008 in relation to preparation and audit of annual financial statements of the partnership. Advantage has been taken of the exemption conferred by this regulation.

The Consolidated financial statements have been prepared on a going concern basis as set out below.

In preparing the Consolidated financial statements management has considered the impact of climate change, particularly in the context of the financial statements as a whole, in addition to disclosures included in the Strategic report this year. This included an assessment of the impact on the carrying value of non-current assets and the impact on forecasts used in the impairment review and the assessments of going concern and longer term viability. These considerations did not have a material impact on the financial reporting judgements and estimates, consistent with the assessment that climate change is not expected to have a significant impact on the Group's going concern assessment to 31 March 2025 nor the viability of the Group over the next three years.

Going concern

The Group closely monitors its funding position throughout the year, including monitoring compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations.

The Group's financing facilities comprise a €300m fixed rate bond (secured notes), due November 2026, and £90m Revolving Credit Facility ("RCF") which expires in May 2026. One of the trading businesses also has a £2.1m bank loan repayable over the period to June 2026. The only financial covenant within these facilities is a leverage maintenance covenant within the RCF, which is only effective if the facility is over 40% drawn (i.e. £36m) at a quarter end reporting date. The RCF was undrawn at 31 December 2023 and has remained undrawn subsequent to the year end.

The Group has significant available liquidity and on the basis of current forecasts is expected to remain in compliance with all banking covenants throughout the forecast period to 31 March 2025 ("the going concern period").

The Directors have considered the Group's forecasts which support the view that the Group will be able to continue to operate within its banking facilities and comply with its banking covenants. The Directors have considered the following principal risks and uncertainties that could potentially impact the Group's ability to fund its future activities and adhere to its banking covenants, including:

- worsening market conditions and further reductions in demand;
- high levels of product inflation, and current economic and political uncertainties, potentially impacting market demand; and
- potentially recessionary conditions in the coming year.

The forecasts on which the going concern assessment is based have been subject to sensitivity analysis and stress testing to assess the impact of the above risks and the Directors have also reviewed mitigating actions that could be taken. Under a severe but plausible downside scenario, factoring in a 6% reduction in volume, a reduction in gross margin and a resulting 55% reduction in underlying operating profit from the base forecast for the 12 months to 31 March 2025, the analysis shows that sufficient cash would be available without triggering a covenant breach, as the RCF is not expected to be drawn at a relevant quarter end. Reverse stress testing has also been performed, which shows that the Group could withstand up to a 22% reduction in revenue for the 12 months to 31 March 2025, or up to 15% for the nine months to the forecast liquidity low point of 30 September 2024, before triggering a covenant breach if the RCF was 40% drawn at a relevant quarter end. Further cash phasing mitigations would also be available to avoid this situation.

The Directors have considered the impact of climate-related matters and this is not expected to have a significant impact on the Group's going concern assessment to 31 March 2025.

On consideration of the above, the Directors believe that the Group has adequate resources to continue in operational existence for the forecast period to 31 March 2025 and the Directors therefore consider it appropriate to adopt the going concern basis in preparing the 2023 Consolidated financial statements.

New standards, interpretations and amendments adopted

The Group has adopted the amendments to IAS 12 Income taxes – International tax reform: Pillar Two model rules and has applied the temporary mandatory exception from recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The following new standards, amendments and interpretations also apply for the first time in 2023, but have not had a material impact on the Financial statements of the Group:

- IFRS 17 "Insurance contracts"
- Amendments to IAS 1 "Presentation of financial statements", IFRS Practice statement 2 "Making materiality judgements" and IAS 8 "Accounting policies, changes in accounting estimates and errors"
- Amendment to IAS 12 "Income taxes" – deferred tax related to assets and liabilities arising from a single transaction

New standards, amendments and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. None of these are expected to have a material impact on the Group in the current or future reporting periods or on foreseeable future transactions.

Restatement of 2022 Consolidated balance sheet

The fair values of the identifiable assets and liabilities acquired in relation to the acquisition of Miers Construction Products Limited in 2022 have been finalised during the year. This resulted in a decrease in the current tax asset of £0.3m, an increase in the current tax liability of £0.3m and a corresponding increase in the goodwill recognised of £0.6m (see Note 13). This has been accounted for retrospectively and the Consolidated balance sheet at 31 December 2022 has been restated to reflect this, resulting in a decrease in the current tax asset of £0.6m and an increase in goodwill at the year end date. This had no impact on profit or loss, cash flows or net assets for the year ended or as at 31 December 2022.

Disclosure restatements

Segmental reporting

Reported operating segments for the UK have been changed during the year to align with changes in the UK leadership structure, as explained in more detail in the Segmental reporting section below, and the segmental reporting disclosure has been updated to reflect the way in which information is reported to the Chief Operating Decision Maker. The prior year comparatives have been restated to be consistent with the current year presentation.

Operating expenses

During the preparation of the 2023 Annual report and accounts an error was identified in the comparative disclosure in relation to the classification of operating expenses in Note 2. The prior year comparatives have been restated to correct the error and update the classification of certain costs, increasing Management, administrative and central costs in 2022 by £16.5m (14.1%) and decreasing Distribution costs and Selling and marketing costs by £11.8m (3.7%) and £4.7m (2.6%) respectively. There is no effect on total net operating expenses and the restatement does not impact any of the primary statements or other notes to the Consolidated financial statements.

Staff numbers

During 2023 the Group has updated its internal reporting and analysis of average headcount information and redefined the categories of disclosure to align with the more functional based internal reporting. The prior year comparative disclosure of the average monthly number of persons employed during the year in Note 4 has been restated to present the categories on a consistent basis with the current year.

Basis of consolidation

The Consolidated financial statements incorporate the financial statements of the Company and each of its subsidiary undertakings after eliminating all significant intercompany transactions and balances. The results of subsidiary undertakings acquired or sold are consolidated for the periods from or to the date on which control passed.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the shareholders of the Company.

Profit and loss on disposal is calculated as the difference between the aggregate of the fair value of the consideration received and the previous carrying amount of the net assets (including goodwill and intangible assets) of the businesses.

Goodwill and business combinations

All business combinations are accounted for by applying the purchase method. Goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's interest in the fair value of identifiable assets (including intangible assets) and liabilities of the business acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised but is tested annually for impairment, or more frequently when there is an indication that goodwill may be impaired. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units ("CGUs") expected to benefit from the synergies of the combination. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU. Right-of-use assets recognised on adoption of IFRS 16 are included in the carrying amount of the CGU, with cash flows and discount rates adapted accordingly to calculate value in use on a consistent basis. An impairment loss recognised against goodwill cannot be reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of remaining goodwill relating to the entity disposed of is included in the determination of any profit or loss on disposal.

Goodwill recorded in foreign currencies is retranslated at each period end. Any movements in the carrying value of goodwill as a result of foreign exchange rate movements are recognised in the Consolidated statement of comprehensive income.

Any excess of the fair value of net assets over consideration arising on an acquisition is recognised immediately in the Consolidated income statement.

Accounting policies / continued

for the year ended 31 December 2023

Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency and converted at actual exchange rates at the date of the transaction. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the Consolidated income statement.

At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange prevailing at that date.

On consolidation, assets and liabilities of overseas subsidiary undertakings are translated into Sterling at the rate of exchange prevailing at the balance sheet date. Income and expense items are translated into Sterling at the average rate of exchange for the year as an approximation where actual rates do not fluctuate significantly.

Exchange differences arising on translation of the opening net assets and results of overseas operations, and on foreign currency borrowings, to the extent that they hedge the Group's investment in such operations, are reported in the Consolidated statement of comprehensive income.

On the disposal of a foreign operation the exchange differences accumulated in equity in respect of that operation are reclassified to the Consolidated income statement.

Consolidated income statement disclosure

Income statement items are presented in the middle column of the Consolidated income statement entitled Other items where they are significant in size and nature, and either they do not form part of the trading activities of the Group, or their separate presentation enhances understanding of the financial performance of the Group.

Items classified as Other items relevant to the current and prior year are as follows:

• Costs related to acquisitions

The Group has made a number of acquisitions in previous years. There are a number of specific costs relating to these acquisitions which make comparison of performance of the businesses and segments difficult. Therefore the following items are recorded as Other items to provide a more comparable view of the businesses and enhance the clarity of the performance of the Group and its businesses to the readers of the financial statements:

- (i) amortisation of intangible assets acquired through business combinations;
- (ii) expenses related to contingent consideration required to be treated as remuneration for acquired businesses;
- (iii) costs and credits arising from the re-estimation of deferred and contingent consideration payable in respect of acquisitions; and
- (iv) costs related to the acquisition of businesses.

• Impairment charges

Impairment charges related to non-current assets are non-cash items and tend to be significant in size. The presentation of these as Other items further enhances the understanding of the ongoing performance of the Group. Impairments of property, intangible assets and other tangible fixed assets are included in Other items if related to the overall annual impairment review of goodwill and other non-current assets, a fundamental restructuring project or other fundamental project or if significant in size. Other impairments are included in underlying results.

• Net restructuring costs

Restructuring costs are classified as Other items if they relate to a fundamental change in the organisational structure of the Group or a fundamental change in the operating model of a business within the Group. Costs may include redundancy, property closure costs and consultancy costs, which are significant in size and will not be incurred under the ongoing structure or operating model of the Group. These costs are therefore recorded as Other items in order to provide a better understanding of the ongoing financial performance of the Group. Careful consideration is applied by management in assessing whether these costs relate to fundamental restructuring and changing the structure and operating model of the business as opposed to costs incurred in the normal course of business.

• Costs associated with refinancing

Costs associated with the refinancing and changes to debt facility agreements during previous years are included within Other items as they are significant in size, do not form part of the underlying trading activities and will not be incurred on an ongoing basis.

• Cloud based ERP implementation costs

Costs incurred in relation to the implementation of Software as a Service ("SaaS") arrangements which are recognised as expenses in the Consolidated income statement are included within Other items if they relate to significant strategic projects such as ERP implementations and are considered to meet the Group's definition of Other items.

• Other specific items

Other specific items are recorded in Other items where they do not form part of the underlying trading activities of the Group in order to enhance the understanding of the financial performance of the Group. This includes, for example, profit on sale of property not related to ongoing operations (i.e. related to a branch or business closure) or property sold as part of a fundamental restructuring programme. Profit on the sale of property in connection with branch or office moves in the normal course of business is included within underlying results. A full breakdown of other specific items is included in Note 2 to the Consolidated financial statements.

• **Other items within finance income and finance costs**

The unwinding of provision discounting for provisions that have been included as Other items is included within Other items consistent with the classification of the provision. Other provision discounting is included within underlying finance costs.

• **Taxation**

The taxation effect of Other items is shown within Other items in order to enhance the understanding of the underlying tax position of the Group.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

a) Sale of goods

The majority of the Group's revenue arises from contracts with customers for the sale of goods, with one performance obligation. Revenue is recognised at the point in time that control of the goods passes to the customer, usually on delivery to the customer. Standard payment terms vary across the different businesses but generally range from 8 to 60 days from end of month. The amount of revenue recognised is impacted by the following:

Volume rebates:

The Group provides retrospective volume rebates to certain customers, which give rise to variable consideration. The Group estimates the expected volume rebates using an expected value approach based on expected volumes and thresholds in the contracts. The Group then applies the constraint regarding variable consideration and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. Expected volume rebates due to customers are recognised as a reduction to trade receivables.

Early settlement discounts:

Early settlement discounts are estimated using the expected value approach based on past experience and are recognised at the time of recognising the revenue, subject to the constraint regarding variable consideration that it is highly probable that a change in estimate would not result in a significant reversal of the cumulative revenue recognised.

b) Construction contracts

The Group has contracts for the provision of industrial services which fall under the category of "construction contracts".

The Group's business in Ireland provides industrial painting, coating and repair services. Revenue from these contracts is recognised over time, as the entity's performance enhances a customer-controlled asset, using an output method to measure progress towards completion, based on agreed rates and/or valuation schedules agreed with the customer which confirm the amounts invoiced each month, depending on individual contract terms.

Any earned consideration that is conditional is recorded as a contract asset. A contract asset becomes a receivable when receipt is conditional only on the passage of time. Therefore, revenue recognised from construction contracts described above which has not yet been invoiced is recognised as a contract asset, which is shown as a separate line item on the Consolidated balance sheet rather than as part of trade and other receivables (£nil in 2023 and 2022). Invoices are raised as the contract progresses based on agreed milestones, rates or valuation schedules depending on the terms of individual contracts, with subsequent payment in accordance with agreed payment terms.

c) Presentation and disclosure requirements

The Group has disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group has also disclosed information about the relationship between the disclosure of disaggregated revenue and the revenue information disclosed for each reportable segment. Refer to Note 1 for the disclosure on disaggregated revenue.

Supplier rebates

Supplier rebate income is significant to the Group's results, with a substantial proportion of purchases covered by rebate agreements. Some supplier rebate agreements are non-coterminous with the Group's financial year, and firm confirmation of amounts due may not be received until after the balance sheet date.

Where the Group relies on estimates, these are made with reference to contracts or other agreements, management forecasts and detailed operational workbooks. Supplier rebate income estimates are regularly reviewed by senior management.

Outstanding amounts at the balance sheet date are included in trade payables when the Group has the right to offset against amounts owing to the supplier and therefore settles on a net basis, in line with IAS 32 criteria. Where the supplier rebates are not netted off the amounts owing to that supplier, the outstanding amount is included within prepayments and accrued income. The carrying value of inventory is reduced by the associated amount where the inventory has yet to be sold at the balance sheet date.

Operating profit

Operating profit is stated after charging distribution costs, selling and marketing costs and administrative expenses, but before finance income and finance costs.

Taxation

Income tax on the profit or loss for the periods presented comprises both current and deferred tax. Income tax is recognised in the Consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in the Consolidated statement of comprehensive income or the Consolidated statement of changes in equity.

Accounting policies / continued

for the year ended 31 December 2023

Current tax is the expected tax payable on the taxable income for the year, using tax rates that have been enacted by the balance sheet date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Uncertain tax treatments are accounted for in accordance with IFRIC 23. The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

Deferred tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

In accordance with IAS 12, the following temporary differences are not provided for:

- Goodwill not deductible for taxation purposes.
- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit.
- Differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future and the Group is able to control the reversal.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Share-based payment transactions

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). Equity settled share-based payments are measured at fair value at the date of grant based on the Group's estimate of the number of shares that will eventually vest. The fair value determined is then expensed in the Consolidated income statement on a straight-line basis over the vesting period, with a corresponding increase in equity. The fair value of the options is measured using the Black-Scholes option pricing model.

The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

For equity-settled share options, at each balance sheet date the Group revises its estimate of the number of share options expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the Consolidated income statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The EBT purchases shares in the Company in order to satisfy awards made under the Company's share plans. The EBT is included in the Consolidated financial statements of the Group. Shares held by the EBT which are not vested and beneficially owned by employees are treated as treasury shares and a deduction is included in the Company's weighted average number of shares in issue for the purpose of calculating earnings per share.

Intangible assets

The Group recognises intangible assets at cost less accumulated amortisation and impairment losses. The Group recognises two types of intangible asset: acquired and purchased. Acquired intangible assets arise as a result of applying IFRS 3 "Business Combinations" which requires the separate recognition of intangible assets from goodwill on all business combinations. Purchased intangible assets relate primarily to software that is separable from any associated hardware.

Intangible assets are amortised on a straight-line basis over their useful economic lives as follows:

	Amortisation period	Current average useful life
Customer relationships	Life of the relationship	7 to 10 years
Non-compete contracts	Life of the contract	3 years
Computer software	Useful life of the software	3 to 10 years

Assets in the course of construction are carried at cost, with amortisation commencing once the assets are ready for their intended use.

Software as a service (“SaaS”) arrangements

SaaS arrangements are arrangements in which the Group does not currently control the underlying software used in the arrangement. These arrangements are accounted for as a service contract over the contract period. The Group’s policy in relation to costs incurred to configure or customise the software to specific requirements is as follows:

- Where costs incurred to configure or customise SaaS arrangements result in the creation of a resource which is identifiable, and where the Group has the power to obtain the future economic benefit flowing from the underlying resource and to restrict the access of others to those benefits, such costs are capitalised as separate software intangible assets and amortised over the useful life of the software on a straight-line basis.
- Where costs incurred to configure or customise do not result in the recognition of an intangible software asset then those costs that provide the Group with a distinct service (in addition to the SaaS access) are recognised as expenses when the supplier provides the services. When such costs incurred do not provide a distinct service, the costs are expensed as incurred. Costs are included within Other items in the Consolidated income statement if they relate to significant strategic projects such as ERP implementations and are considered to meet the Group’s definition of Other items.

Property, plant and equipment

Property, plant and equipment is shown at original cost to the Group less accumulated depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write off the cost less the estimated residual value of property, plant and equipment on a straight-line basis over their estimated useful lives as follows:

	Current estimate of useful life
Freehold buildings	50 years
Leasehold properties and improvements	Period of lease (3 to 25 years)
Plant and machinery (including motor vehicles)	3 to 8 years

Freehold land is not depreciated.

Residual values, which are based on market rates, are reassessed annually. Assets in the course of construction are carried at cost, with depreciation charged on the same basis as all other assets once those assets are ready for their intended use.

Investment property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition the Group has chosen to apply the cost model. Investment properties are therefore recognised at cost and depreciated over the useful life and are impaired when appropriate in accordance with IAS 16 “Property, plant and equipment”.

Transfers are made to or from investment property only when there is a change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Finance income and expenses

Finance income comprises interest income on bank deposits and is recognised as it accrues using the effective interest method.

Finance expenses comprise interest and fees on bank facilities, loans, secured notes, leases and defined benefit pension schemes and the unwinding of discounts on provisions. Interest expense is recognised in the Consolidated income statement using the effective interest method and includes the amortisation of fees associated with the arrangement of financing.

Leases and hire purchase agreements

Leases and hire purchase agreements are recognised in accordance with IFRS 16 “Leases”.

The Group’s leasing activities

The Group leases various offices, warehouses, branches, equipment and vehicles. Rental contracts are typically made for fixed periods of 3 to 10 years but may have extension or early termination options. Certain property leases have a term of up to 25 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

How leases are accounted for

A lease liability is recognised based on the discounted present value of total future lease payments, with a corresponding right-of-use asset including any initial direct costs recognised and depreciated over the lease term. The lease payments are discounted using the lessee’s incremental borrowing rate or the interest rate implicit in the lease. The Group remeasures lease liabilities and right-of-use assets when there is a change of lease term, lease payments or a change in the assessment of exercising of a purchase option. The impact of these changes is included within modifications in Note 23.

Where a lease liability relates to an onerous lease contract the right-of-use asset is assessed for impairment. Payments due under the lease continue to be included in the lease liability, therefore a separate provision is no longer required. Provisions for short-term onerous lease contracts continue to be recognised.

Accounting policies / continued

for the year ended 31 December 2023

Definition of a lease

A lease is a contract (i.e. an agreement between two or more parties that creates enforceable rights and obligations), or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. It is determined whether a contract is a lease or contains a lease at the inception of the contract. Under IFRS 16, an identified asset can be either implicitly or explicitly specified in a contract.

Lease term

In accordance with IFRS 16, the lease term is defined as the non-cancellable period of the lease, together with:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Variable lease payments

Variable lease payments based on an index or a rate are part of the lease liability. Variable lease payments are initially measured using the index or the rate at the commencement date. Forecast future changes in rates are not included; these are only taken into account at the point in time at which lease payments change.

The Group has a few property leases where rentals are based on an index but with a cap and collar, and for such leases the minimum future increase is included in the initial recognition of the lease liability where relevant. Other variable payments, for example additional costs based on usage or vehicle mileage, are not included in the lease liability.

Asset restoration costs

Where there is an obligation under a lease contract to dismantle and/or restore the asset to its original condition, a provision is made for this in accordance with IAS 37, and the initial carrying amount of this provision is included within fixed assets on inception of the lease. The liability continues to be recorded as a separate provision on the balance sheet (i.e. it is not included in the IFRS 16 lease liability).

Exemptions

The Group has certain assets with lease terms of 12 months or less and leases of equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Inventories

Inventories are stated at the lower of cost (including an appropriate proportion of attributable overheads, supplier rebates and discounts) and net realisable value. The cost formula used in measuring inventories is either a weighted average cost, or a first-in first-out basis, depending on the most appropriate method for each business. Most businesses use weighted average, with the exception of Poland and Ireland, where first-in first-out is used.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred up to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

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 purposes of the Consolidated cash flow statement.

Lease payments are presented as follows in the Consolidated cash flow statement:

- Short term lease payments and payments for leases of low-value assets that are not included in the measurement of the lease liabilities are presented within cash flows from operating activities.
- Payments for the interest element of recognised lease liabilities are included in 'Finance costs paid' within cash flows from financing activities.
- Payments for the principal element of recognised lease liabilities are presented within cash flows from financing activities.

Cash flows in relation to the settlement of amounts payable for previous purchases of businesses related to consideration dependent on vendors remaining within the business are classified as an operating cash flow. Cash flows in relation to contingent or deferred consideration not dependent on vendors remaining within the business are classified as a cash flow from investing activities.

Financial assets

Financial assets are classified as either financial assets subsequently measured at amortised cost, fair value through profit and loss ("FVPL") or fair value through other comprehensive income ("FVOCI").

The classification at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

The Group measures financial assets at amortised cost if both the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets are all measured at amortised cost, except for derivative financial instruments ("FVPL") and unquoted investments ("FVOCI").

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets include trade receivables, deferred consideration and cash and cash equivalents.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments held at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. For trade receivables and contract assets, the Group applies the standard's simplified approach and calculates ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward looking factors specific to the debtors and economic environment.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Consolidated balance sheet) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Trade receivables that are factored out to banks and other financial institutions without recourse to the Group are derecognised at the point of factoring as the risks and rewards of the receivables have been fully transferred. In assessing whether the receivables qualify for derecognition, the Group has considered the receivables and receivable insurance contracts as two separate units of account. Therefore, the insurance is not included as part of the derecognition assessment on the basis that the insurance is not similar to the receivables. The Group has elected to recognise cash inflows from the sale of factored receivables as an operating cash flow.

Financial liabilities

Financial liabilities are classified at initial recognition as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities, except for derivative financial instruments (see below), are recognised initially at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest rate ("EIR") method.

A financial obligation is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. Where a modification of a financial liability does not result in derecognition, the amortised cost of the financial liability is recalculated by computing the present value of estimated future contractual cash flows that are discounted at the loan's original EIR. Any consequent adjustment (gain or loss on modification) is recognised immediately in profit or loss. The gain or loss on modification will unwind over the remaining term of the liability, with the movement recognised in finance costs.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

When determining the fair value of financial liabilities, the expected future cash flows are discounted using an appropriate interest rate.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Accounting policies / continued

for the year ended 31 December 2023

Derivative financial instruments

The Group uses derivative financial instruments including interest rate swaps, forward foreign exchange contracts, and cross-currency swaps to hedge its exposure to foreign currency exchange and interest rate risks arising from operational and financing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, any derivative financial instruments that do not qualify for hedge accounting are accounted for as trading instruments. Derivatives are classified as non-current assets or non-current liabilities if the remaining maturity of the derivatives is more than 12 months and they are not expected to be otherwise realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Derivative financial instruments are recognised immediately at fair value. Subsequent to their initial recognition, derivative financial instruments are then stated at their fair value. The fair value of derivative financial instruments is derived from “mark-to-market” valuations obtained from the Group’s relationship banks.

Unless hedge accounting is achieved, the gain or loss on remeasurement to fair value is recognised immediately and is included as part of finance income or finance costs, together with other fair value gains and losses on derivative financial instruments, within Other items in the Consolidated income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, no longer qualifies for hedge accounting, or when the Group revokes the hedging relationship. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the Consolidated income statement in the period.

For the purposes of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised commitment;
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probably forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of the hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting, along with its risk management objectives and its strategy for undertaking the hedging transaction.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is “an economic relationship” between the hedged item and the hedging instrument.
- The effect of credit risk does not “dominate the value changes” that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for as described below:

Fair value hedges

The change in the fair value of the hedged item attributable to the risk being hedged is recorded as part of the carrying value of the hedged item and is recognised in the Consolidated income statement within Other items. The change in the fair value of the hedging instrument is also recognised in the Consolidated income statement within Other items. The Group did not have any fair value hedges in place in the current or prior year.

Cash flow hedges

The effective part of any gain or loss on the hedging instrument is recognised directly in the Consolidated statement of comprehensive income in the cash flow hedging reserve. 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 or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains or losses that were previously recognised in the Consolidated statement of comprehensive income are reclassified into the Consolidated income statement in the same period or periods during which the asset acquired or liability assumed affects the Consolidated income statement.

For cash flow hedges, the ineffective portion of any gain or loss is recognised immediately as fair value gains or losses on derivative financial instruments and is included as part of finance income or finance costs within Other items in the Consolidated income statement. The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in other comprehensive income and accumulated in a separate component of equity under cost of hedging reserve.

Hedges of net investment in foreign operations

The portion of any gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised in the Consolidated statement of comprehensive income. The ineffective portion of any gain or loss is recognised immediately as fair value gains or losses on derivative financial instruments and is included as part of finance income or finance costs within Other items within the Consolidated income statement. Gains and losses deferred in the foreign currency translation reserve are recognised immediately in the Consolidated income statement when foreign operations are disposed of.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Leasehold dilapidations

Provisions are recognised in relation to contractual obligations to reinstate leasehold properties to their original state of repair. The provision is calculated based on both the liability to rectify or reinstate leasehold improvements and modifications carried out on the inception of the lease, recognised on inception with a corresponding fixed asset, and the liability to rectify general wear and tear which is recognised as incurred over the life of the lease. The provision recognised is based on estimated expected value using current cost estimates and therefore the net impact of inflation and discounting to present value is not considered material.

A description of the nature and accounting of other provisions by type is included in Note 21.

Pension schemes

The Group operates four defined benefit pension schemes. The Group's net obligation in respect of these defined benefit pension schemes is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in both current and prior periods. That benefit is discounted using an appropriate discount rate to determine its present value and the fair value of any plan assets is deducted.

Where the benefits of the plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the Consolidated income statement, at the earlier of when the plan amendment or curtailment occurs and when the entity recognises related restructuring costs or termination benefits.

The full service cost of the pension schemes is charged to operating profit. Net interest costs on defined benefit pension schemes are recognised in the Consolidated income statement. Discretionary contributions made by employees or third parties reduce service costs upon payment of these contributions into the plan.

Any actuarial gain or loss arising is charged through the Consolidated statement of comprehensive income and comprises the difference between the expected returns on assets and those actually achieved, any changes in the actuarial assumptions for demographics and any changes in the financial assumptions used in the valuations.

The pension scheme deficit is recognised in full and presented on the face of the Consolidated balance sheet. The associated deferred tax asset is recognised within non-current assets on the Consolidated balance sheet.

For defined contribution schemes the amount charged to the Consolidated income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are included within either accruals or prepayments on the Consolidated balance sheet.

Dividends

Dividends proposed by the Board of Directors that have not been paid by the end of the year are not recognised in the Consolidated financial statements until they have been approved by the shareholders at the Annual General Meeting.

Segmental reporting

In accordance with IFRS 8 "Operating Segments", the Group identifies its reportable segments based on the components of the business on which financial information is regularly reviewed by the Group's Chief Operating Decision Maker ("CODM") to assess performance and make decisions about how resources are allocated. For SIG, the CODM is considered to be the Executive Leadership Team ("ELT"). Reported operating segments for the UK have been changed in the current year to align with changes in the UK leadership structure. There are now considered to be three operating segments in the UK, being UK Interiors, UK Exteriors and UK Specialist Markets. UK Specialist Markets comprises the more specialised, higher margin businesses previously included within UK Interiors, together with the Building Solutions business which was previously included within UK Exteriors, reflecting how the business is now managed and reported and as represented by the three UK Managing Directors on the ELT.

There have been no other changes to reported segments during the year. Prior year comparatives have been restated to be consistent with the current year presentation. Inter-segment revenue is charged at the prevailing market rates.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described on pages 134 to 143, the Directors are required to make judgements (other than those involving estimates) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the change takes place if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements that the Directors have made in the process of applying the Group's accounting policies and that have had a significant effect on the amounts recognised in the Consolidated financial statements. The judgements involving estimations are dealt with separately below.

Classification of Other items in the Consolidated income statement

As described in the Accounting policies, certain items are presented in the separate column of the Consolidated income statement entitled Other items where they are significant in size or nature, and either they do not form part of the trading activities of the Group or their separate presentation enhances understanding of the financial performance of the Group. The nature and amounts of the items included in Other items, together with the overall impact on the results for the year, is disclosed in Note 2 of the Consolidated financial statements.

Recognition of deferred tax assets

Deferred tax assets are recognised for unused tax attributes to the extent that it is probable that taxable profit will be available against which the attributes can be utilised, after consideration of available taxable temporary differences. The Group has £99.4m (2022: £74.1m) of potential deferred tax assets relating to cumulative tax losses and other deductible timing differences in the UK and Benelux, which are currently unrecognised as it is not considered probable that sufficient future taxable profits will be available to allow the utilisation of the deductible temporary differences.

Although the UK trading businesses in aggregate have remained profitable in the current year, the UK tax group remains in a taxable loss position due to the head office costs and interest on the secured notes, and there is not considered to be sufficient convincing evidence that future taxable profits will be available at 31 December 2023. This required significant management judgement to determine the likely timing and level of future taxable profits and whether sufficient, convincing evidence was available at 31 December 2023 to recognise the previously unrecognised deferred tax assets. If the Group were able to recognise all unrecognised deferred tax assets, profit and equity would have increased by £99.4m. Further details are disclosed in Note 22.

Key sources of estimation uncertainty

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of the assets and liabilities within the next financial year are detailed below.

Post-employment benefits

The Group operates four defined benefit pension schemes. All post-employment benefits associated with these schemes have been accounted for in accordance with IAS 19 "Employee Benefits". As detailed within the Accounting policies, in accordance with IAS 19, all actuarial gains and losses have been recognised immediately through the Consolidated statement of comprehensive income.

For all defined benefit pension schemes, pension valuations have been performed using specialist advice obtained from independent qualified actuaries. In performing these valuations, significant actuarial assumptions have been made to determine the defined benefit obligation, in particular with regard to discount rate, inflation and mortality. Management considers the key assumption to be the discount rate applied. In determining the appropriate discount rate, the Group considers the interest rates of high quality corporate bonds excluding university bonds. If the discount rate were to be increased/decreased by 0.1%, this would decrease/increase the Group's gross pension scheme deficit by £1.2m as disclosed in Note 28. At 31 December 2023 the Group's retirement benefit obligations were £20.3m (2022: £23.0m).

Impairment of goodwill and non-current assets

The Group tests goodwill and the associated intangible assets, property, plant and equipment and right-of-use assets of CGUs annually for impairment, or more frequently if there are indications that an impairment may be required. Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated, including all related assets, or an estimation of fair value less costs of disposal if higher than value in use. The key estimates made in the value in use calculation are those regarding discount rates, sales growth rates, and expected changes to selling prices and direct costs to reflect the operational gearing of the business. The Directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money for the Group and that also include a risk premium to factor in a certain element of risk over and above that already included in the forecast cash flows where considered necessary.

Value in use is determined by forecasting cash flows based upon management's three year projections, which include forecast sales growth based on management's best estimates and external data (construction PMI data and construction market growth forecasts), gross margin assumptions based on management's best estimates and previous experience, with annual growth rates based upon country specific inflation expectations (2.0%-2.5%) applied thereafter into perpetuity. Assumptions regarding sales and operating profit growth, gross margin, and discount rate are considered to be the key areas of estimation in the impairment review process, and appropriate sensitivities have been performed and disclosed in Note 11.

The recoverable amount of the Benelux CGU at 31 December 2023 is determined based on fair value less costs of disposal as this is higher than value in use. The key assumption used in the determination of fair value less costs of disposal is the fair value of the right-of-use assets. This has been determined based on third party external valuations of a number of properties, considering the market rental value that could be obtained from subleasing the properties and taking into account current market conditions together with the location and condition of the properties.

The carrying amount of relevant non-current assets at 31 December 2023 is £475.0m (2022 restated: £492.3m) including right-of-use assets recognised in accordance with IFRS 16. The most recent results of the impairment review process are disclosed in Note 11. An impairment charge of £33.8m has been recognised at 31 December 2023 in relation to the UK Interiors CGU, following the split out of the UK Specialist Markets CGU combined with the downturn in performance in the current year and associated reduction in future forecast cash flows. The impairment has been allocated initially against the value of goodwill of the CGU (£2.6m) and the remaining amount applied to intangible assets, right-of-use assets and property, plant and equipment on a pro rata basis.

The carrying value of non-current assets associated with all the other Group's CGUs is considered supportable at 31 December 2023. Whilst the Directors consider the assumptions used in the impairment review to be realistic, if actual results are different from expectations then it is possible that the value of goodwill included in the Consolidated balance sheet could become impaired further. The remaining carrying value of goodwill is £131.2m. Sensitivities are disclosed in Note 11. These indicate reasonably possible scenarios which could lead to further impairment for certain CGUs.

Other areas of estimation uncertainty

The following areas of estimation uncertainty are not presented to comply with the requirements of paragraph 125 of IAS 1 "Presentation of Financial Statements" as it is not expected there is a significant risk of a material adjustment to the carrying amount of assets and liabilities within the next financial year. They are presented as additional disclosure of estimates used in the financial statements.

Rebates receivable

Supplier rebate income is significant to the Group's result, with a substantial proportion of purchases covered by rebate agreements. Supplier rebate income affects the recorded value of cost of sales, trade payables, trade and other receivables, and inventories. The amounts payable under rebate agreements are often subject to negotiation after the balance sheet date. At the balance sheet date, the Directors estimate the amount of rebate that will become payable by and due to the Group under these agreements based upon prices, volumes and product mix. The Group has recognised income from supplier rebates of £369.3m for the year ended 31 December 2023 (2022: £349.5m). At 31 December 2023 trade payables is presented net of £36.5m (2022: £48.4m) due from suppliers in respect of supplier rebates where the Group has the right to net settlement, and included within prepayments and accrued income is £70.4m (2022: £77.5m) due in relation to supplier rebates where there is no right to offset against trade payable balances. The majority of these balances relate to agreements which are coterminous with the financial year end and therefore this reduces the level of estimation involved. Based on experience in the current year, the amount received is not expected to vary from the amount recorded by more than £2.0m.

Provisions against receivables

At 31 December 2023 the Group has recognised trade receivables with a carrying value of £291.5m (2022: £324.9m). The Group recognises an allowance for ECLs in relation to trade receivables. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward looking factors specific to the debtors and economic environment. Changes in the economic environment or customer-specific circumstances could have an impact on the recoverability of amounts included on the Consolidated balance sheet at 31 December 2023. The total allowance for ECLs recorded at 31 December 2023 is £20.0m (2022: £19.1m). The Group experienced a higher bad debt expense in the prior year due to the administration of Avonside, a major UK roofing contractor and one of the Group's largest customers. The bad debt to sales ratio of the Group has varied by up to 0.2% over recent periods (excluding Avonside), therefore this gives an indication that the bad debt experience could vary by c£5m based on current year sales. Further detail on trade receivables and the allowance for ECLs recognised is disclosed in Note 15.

Dilapidations provisions

The Group has a significant number of leasehold properties with contractual obligations to reinstate the properties to their original state of repair at the end of the lease contract. The Group has recognised a provision of £25.7m at 31 December 2023 (2022: £24.4m) in relation to this obligation (see Note 21). The total provision includes both the estimated cost of rectifying or reinstating leasehold modifications and improvements carried out, which is recognised at the inception of the lease with a corresponding asset recognised in fixed assets and depreciated over the term of the lease, together with the estimated cost of rectifying general wear and tear which is recognised as incurred over the life of the lease. Estimates are based on a combination of a sample of assessments by third party independent property surveyors, internal assessments by the Group's property experts and previous settlement history. Whilst the Directors consider the estimates to be reasonable based on latest available information, actual amounts payable could be different to the amount provided depending on specific circumstances of individual properties and counterparties at the expiry of each lease contract. The amount payable is not expected to be materially different to the amount provided in the following year but there could be a material adjustment over a longer timescale. The provision is reassessed each year on the basis of latest information, which could also result in a change in the value of the provision year-on-year of up to c10% based on past experience.

Leases – estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in leases, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore requires estimation when no observable rates are available, such as for subsidiaries that do not enter into financing transactions. The Group estimates the IBR using observable inputs, such as market interest rates, when available and is required to make certain entity-specific estimates, such as the subsidiary's stand-alone credit rating.

Notes to the consolidated financial statements

for the year ended 31 December 2023

1. Revenue and segmental information

In accordance with IFRS 8 “Operating Segments”, the Group identifies its reportable operating segments based on the way in which financial information is reviewed and business performance is assessed by the CODM. Reportable operating segments are grouped on a geographical basis as explained in the Accounting policies.

2023	UK Interiors £m	UK Exteriors £m	UK Specialist Markets £m	Total UK £m	France Interiors £m	France Exteriors £m	Total France £m	Germany £m	Benelux £m	Ireland £m	Poland £m	Eliminations £m	Total Group £m
Type of product													
Interiors	556.5	—	173.9	730.4	218.9	—	218.9	462.1	116.9	54.5	237.9	—	1,820.7
Exteriors	—	369.4	73.7	443.1	—	458.0	458.0	—	—	39.4	—	—	940.5
Inter-segment revenue	7.2	1.0	18.4	26.6	0.1	13.3	13.4	—	—	0.2	—	(40.2)	—
Total underlying and statutory revenue	563.7	370.4	266.0	1,200.1	219.0	471.3	690.3	462.1	116.9	94.1	237.9	(40.2)	2,761.2
Nature of revenue													
Goods for resale (recognised at point in time)	563.7	370.4	266.0	1,200.1	219.0	471.3	690.3	462.1	116.9	88.5	237.9	(40.2)	2,755.6
Construction contracts (recognised over time)	—	—	—	—	—	—	—	—	—	5.6	—	—	5.6
Total underlying and statutory revenue	563.7	370.4	266.0	1,200.1	219.0	471.3	690.3	462.1	116.9	94.1	237.9	(40.2)	2,761.2
Segment result before Other items	(1.6)	10.6	10.3	19.3	10.4	19.3	29.7	15.6	(3.0)	1.4	7.1	—	70.1
Parent company costs													(17.0)
Underlying operating profit													53.1
Other items (Note 2)													(49.1)
Operating profit													4.0
Net finance costs before Other items													(35.7)
Non-underlying finance costs													(0.2)
Loss before tax													(31.9)
Income tax expense													(11.5)
Loss for the year													(43.4)

Other segment information:

2023	UK Interiors £m	UK Exteriors £m	UK Specialist Markets £m	Total UK £m	France Interiors £m	France Exteriors £m	Total France £m	Germany £m	Benelux £m	Ireland £m	Poland £m	Parent company £m	Total Group £m
Depreciation and amortisation of fixed assets, right-of-use assets and computer software	15.5	12.4	5.1	33.0	7.4	12.6	20.0	15.9	2.2	3.0	4.6	0.3	79.0
Profit on sale of property	—	—	—	—	—	3.7	3.7	—	—	—	—	—	3.7

2022 (Restated) ¹	UK Interiors £m	UK Exteriors £m	UK Specialist Markets £m	Total UK £m	France Interiors £m	France Exteriors £m	Total France £m	Germany £m	Benelux £m	Ireland £m	Poland £m	Eliminations £m	Total Group £m
Type of product													
Interiors	561.5	—	141.1	702.6	218.4	—	218.4	457.8	115.9	66.7	230.7	—	1,792.1
Exteriors	—	363.1	82.1	445.2	—	465.6	465.6	—	—	41.6	—	—	952.4
Inter-segment revenue	5.2	0.7	16.0	21.9	0.1	9.7	9.8	0.1	—	—	0.1	(31.9)	—
Total underlying and statutory revenue	566.7	363.8	239.2	1,169.7	218.5	475.3	693.8	457.9	115.9	108.3	230.8	(31.9)	2,744.5
Nature of revenue													
Goods for resale (recognised at point in time)	566.7	363.8	239.2	1,169.7	218.5	475.3	693.8	457.9	115.9	102.6	230.8	(31.9)	2,738.8
Construction contracts (recognised over time)	—	—	—	—	—	—	—	—	—	5.7	—	—	5.7
Total underlying and statutory revenue	566.7	363.8	239.2	1,169.7	218.5	475.3	693.8	457.9	115.9	108.3	230.8	(31.9)	2,744.5
Segment result before Other items	7.9	9.9	14.9	32.7	12.2	23.6	35.8	16.8	(3.0)	6.0	10.6	—	98.9
Parent company costs													(18.7)
Underlying operating profit													80.2
Other items (Note 2)													(24.0)
Operating profit													56.2
Net finance costs before Other items													(28.6)
Non-underlying finance costs													(0.1)
Profit before tax													27.5
Income tax expense													(12.0)
Profit for the year													15.5

Other segment information:

2022 (Restated) ¹	UK Interiors £m	UK Exteriors £m	UK Specialist Markets £m	Total UK £m	France Interiors £m	France Exteriors £m	Total France £m	Germany £m	Benelux £m	Ireland £m	Poland £m	Parent company £m	Total Group £m
Depreciation and amortisation of fixed assets, right-of-use assets and computer software	16.6	11.6	3.7	31.9	6.9	11.6	18.5	15.1	4.1	2.7	3.8	0.3	76.4

1. The 2022 segmental information has been restated in order to present on a consistent basis with the current year. See the Accounting policies for further details.

Notes to the consolidated financial statements / continued

for the year ended 31 December 2023

1. Revenue and segmental information continued

Geographic information

The Group's non-current operating assets (including property, plant and equipment, right-of-use assets, goodwill and intangible assets but excluding lease receivables, deferred tax and financial assets) by geographical location are as follows:

Country	2023 £m	2022 Restated ¹ £m
United Kingdom	240.0	259.0
Ireland	16.1	16.5
France	136.4	134.7
Germany	56.6	57.6
Poland	16.7	14.5
Benelux	9.2	10.0
Total	475.0	492.3

1. The 2022 goodwill has been restated as a result of the finalisation of the acquisition fair values, as explained in the Accounting policies and Note 13.

2. Operating expenses

a) Analysis of operating expenses

	2023			2022 Restated ¹		
	Before Other items £m	Other items £m	Total £m	Before Other items £m	Other items £m	Total £m
Operating expenses:						
Distribution costs	320.9	4.3	325.2	304.9	0.4	305.3
Selling and marketing costs	179.8	2.6	182.4	175.5	—	175.5
Management, administrative and central costs	139.9	43.3	183.2	133.9	21.6	155.5
Total other operating expenses	640.6	50.2	690.8	614.3	22.0	636.3
Impairment losses/(gains) on financial assets	9.6	(1.1)	8.5	16.5	2.0	18.5
Gain on disposal of property	(3.7)	—	(3.7)	—	—	—
Total net operating expenses	646.5	49.1	695.6	630.8	24.0	654.8

1. The prior year comparative analysis has been restated to correct an error in the classification of costs. Further details are provided in the Accounting policies.

b) Other items

Profit/(loss) after tax includes the following Other items which have been disclosed in a separate column within the Consolidated income statement in order to provide a better indication of the underlying earnings of the Group (as explained in the Accounting policies):

	2023			2022		
	Other items £m	Tax impact £m	Tax impact %	Other items £m	Tax impact £m	Tax impact %
Amortisation of acquired intangibles (Note 12)	(2.8)	0.1	3.6%	(4.7)	0.9	19.1%
Impairment charges ¹	(33.8)	—	—	(15.8)	—	—
Net restructuring costs ²	(8.0)	1.2	15.0%	(0.4)	0.1	25.0%
Costs related to acquisitions (Note 13)	(3.2)	0.1	3.1%	(2.5)	0.3	12.0%
Cloud based ERP implementation costs ³	(2.2)	0.1	4.5%	(2.7)	0.7	25.9%
Onerous contract costs ⁴	(0.2)	—	—	1.2	—	—
Costs associated with refinancing ⁵	—	—	—	(0.4)	—	—
Other specific items ⁶	1.1	—	—	1.3	0.4	(30.8)%
Impact on operating profit	(49.1)	1.5	3.1%	(24.0)	2.4	10.0%
Non-underlying finance costs ⁷	(0.2)	—	—	(0.1)	—	—
Impact on profit/(loss) before tax	(49.3)	1.5	3.0%	(24.1)	2.4	10.0%

1. Impairment charges in the current year relate to the UK Interiors CGU and comprise £2.6m relating to goodwill, £2.2m customer relationships, £3.6m tangible fixed assets and £25.4m right-of-use assets. See Note 11 for further details. Impairment charges in the prior year related to the Benelux CGU and comprised £3.6m relating to goodwill, £2.5m tangible fixed assets and £9.7m right-of-use assets.

2. Net restructuring costs in the year comprise £6.7m redundancy costs and £2.4m branch closure costs, including £1.6m impairment of right-of-use assets, tangible fixed assets and software, offset by £1.1m gain on the sublease and termination of property leases previously impaired, all related to restructuring across the Group. Costs in the prior year related to consultancy and redundancy costs in Benelux.

3. Cloud based ERP implementation costs relate to costs incurred on strategic projects which are expensed as incurred rather than being capitalised as intangible assets.

4. Onerous contract costs relate to the final settlement of provisions recognised in previous years for licence fee commitments where no future economic benefit was expected to be obtained.

5. Costs associated with refinancing in the prior year related to the increase in the RCF (see Note 17) and some additional costs relating to the refinancing.

6. Other specific items comprises £1.1m reversal of provision for lease receivables, the reversal of onerous lease provisions and impairment of right-of-use assets in relation to a branch which has been reopened, offset by additional impairment of an investment property which is no longer in use by the Group (see Note 10). In the prior year, other specific items comprised the settlement and/or release of historic provisions, including amounts relating to businesses divested in previous years, impacts of the pensions member options exercise undertaken during the year and £2.0m provision for impairment of lease receivables.

7. Non-underlying finance costs in the current year relate to the investment property referred to above. Costs in the prior year related to the unwinding of the discount on the onerous contract provision.

The total impact of the above amounts on the Consolidated cash flow statement is a cash outflow of £6.4m (2022: £15.8m).

3. Operating profit

	2023 £m	2022 £m
Operating profit is stated after charging/(crediting):		
Cost of inventories recognised as an expense	2,053.1	2,022.4
Net (decrease)/increase in provision for inventories	(0.1)	3.0
Depreciation of property, plant and equipment	12.7	12.6
Depreciation of right-of-use assets	63.9	60.6
Amortisation of acquired intangibles	2.8	4.7
Amortisation of computer software	2.4	3.2
Gain on disposal of property	(3.7)	–
Gain on disposal of other plant and equipment	(0.6)	(0.4)
Impairment charges (Note 2)	35.7	15.8
(Reversal of impairment)/impairment of lease receivables (Note 2)	(1.1)	2.0
Impairment losses on trade receivables	9.6	16.5
Expense relating to short term leases (Note 23)	1.1	0.3
Foreign exchange rate gains	–	(1.0)

Auditor's remuneration:

During the year the Group incurred the following costs for services provided by the Company's auditor:

	2023 £m	2022 £m
Audit of the Company and Group financial statements	0.9	0.9
Audit of the Company's subsidiaries	1.6	1.8
Total audit fees¹	2.5	2.7
Audit-related assurance services ²	0.2	0.2
Total non-audit fees	0.2	0.2
Total fees	2.7	2.9

1. The current year costs include £nil in relation to the 2022 audit (2022: £0.1m in relation to 2021).

2. The audit-related assurance services comprise £0.2m (2022: £0.2m) relating to the interim review. It is usual practice for a company's Auditor to perform this work.

The Audit and Risk Committee Report on page 92 provides an explanation of how Auditor objectivity and independence is safeguarded when non-audit services are provided by the Auditor.

4. Staff costs

Particulars of employees (including Directors) are shown below:

	2023 £m	2022 £m
Employee costs during the year amounted to:		
Wages and salaries	275.7	268.5
Social security costs	52.1	49.7
IFRS 2 share-based payment expense	5.1	4.4
Pension costs (Note 28)	8.1	7.7
Redundancy costs	1.4	1.4
Total staff costs	342.4	331.7

In addition to the above, redundancy and related staff costs of £6.7m (2022: £0.1m) have been included within Other items (Note 2), including £0.4m (2022: £nil) share-based payment expense.

Of the pension costs noted above, a charge of £0.6m (2022: £0.5m) relates to defined benefit schemes and a charge of £7.5m (2022: £7.2m) relates to defined contribution schemes. See Note 28 for more details.

Notes to the consolidated financial statements / continued

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4. Staff costs continued

The average monthly number of persons employed by the Group during the year was as follows:

	2023 Number	2022 Restated ¹ Number
Distribution and operations	3,409	3,362
Sales and marketing	2,958	2,931
Management and administration	843	850
Total	7,210	7,143

1. The 2022 analysis of average employee numbers has been restated to present on a consistent basis with the current year, as explained in the Accounting Policies.

Directors' emoluments

Details of the individual Directors' emoluments are given in the Directors' Remuneration Report on page 112.

The employee costs shown above include the following emoluments in respect of Directors of the Company:

	2023 £m	2022 £m
Directors' remuneration (excluding IFRS 2 share-based payment expense but including social security costs)	2.4	3.4
Total	2.4	3.4

5. Finance income and finance costs

	2023			2022		
	Underlying £m	Other items £m	Total £m	Underlying £m	Other items £m	Total £m
Finance income						
Interest on bank deposits	2.2	—	2.2	1.3	—	1.3
Total finance income	2.2	—	2.2	1.3	—	1.3
Finance costs						
On bank loans, overdrafts and other associated items ¹	3.6	—	3.6	2.6	—	2.6
On secured notes ²	14.1	—	14.1	14.0	—	14.0
On obligations under lease contracts ³	19.4	0.2	19.6	13.3	—	13.3
Total interest expense	37.1	0.2	37.3	29.9	—	29.9
Unwinding of provision discounting ³	—	—	—	—	0.1	0.1
Net finance charge on defined benefit pension schemes	0.8	—	0.8	—	—	—
Total finance costs	37.9	0.2	38.1	29.9	0.1	30.0
Net finance costs	35.7	0.2	35.9	28.6	0.1	28.7

1. Other associated items includes the amortisation of arrangement fees of £0.2m (2022: £0.1m).

2. Included within finance costs on the secured notes is the amortisation of arrangement fees of £0.5m (2022: £0.5m).

3. See Note 2 for further details of non-underlying finance costs.

6. Income tax

The income tax expense comprises:

		2023 £m	2022 £m
Current tax			
UK & Ireland corporation tax:	charge for the year	0.1	0.8
	adjustments in respect of previous years	(0.1)	0.1
Mainland Europe corporation tax:	charge for the year	12.2	13.4
	adjustments in respect of previous years	0.5	0.3
		12.7	13.7
Total current tax		12.7	14.6
Deferred tax			
Origination and reversal of deductible temporary differences		(0.7)	(2.2)
Adjustments in respect of previous years		(0.4)	(0.3)
Effect of change in rate		(0.1)	(0.1)
Total deferred tax		(1.2)	(2.6)
Total income tax expense		11.5	12.0

As the Group's profits and losses are earned across a number of tax jurisdictions an aggregated income tax reconciliation is disclosed, reflecting the applicable rates for the countries in which the Group operates.

The total tax charge for the year differs from the expected tax using a weighted average tax rate which reflects the applicable statutory corporate tax rates on the accounting profits/losses in the countries in which the Group operates. The differences are explained in the following aggregated reconciliation of the income tax expense:

	2023		2022	
	£m	%	£m	%
(Loss)/profit before tax	(31.9)		27.5	
Expected tax (credit)/charge	(6.6)	20.7%	8.5	30.9%
Factors affecting the income tax expense for the year:				
Expenses not deductible for tax purposes ¹	2.8	(8.8)%	2.1	7.6%
Non-taxable income	(0.5)	1.6%	(1.3)	(4.7)%
Impairment and disposal charges not deductible for tax purposes ²	0.6	(1.9)%	3.0	10.9%
Deductible temporary differences not recognised for deferred tax purposes ³	15.3	(48.0)%	2.2	8.0%
Utilisation of deferred tax assets not previously recognised	—	—	(2.5)	(9.1)%
Other adjustments in respect of previous years	—	—	0.1	0.4%
Effect of change in rate on deferred tax	(0.1)	0.3%	(0.1)	(0.4)%
Total income tax expense	11.5	(36.1)%	12.0	43.6%

1. The majority of the Group's expenses that are not deductible for tax purposes are mainly in relation to share-based payments, business entertainment, non-qualifying depreciation and other disallowable expenditure in the current year. The expenses not deductible for tax purposes in the prior year also included acquisition related costs.

2. During the year the Group incurred impairment charges of £4.2m (2022: £15.8m) in relation to goodwill and other non-current assets (as set out in Note 11) which are not deductible for tax purposes.

3. Deductible temporary differences not recognised for deferred tax purposes mainly relate to losses in the UK and Benelux and interest restricted under the UK corporate interest restriction rules which are not recognised as deferred tax assets (see Note 22).

The effective tax rate for the Group on the total loss before tax of £31.9m (2022: £27.5m profit) is negative 36.1% (2022: 43.6%).

The effective tax rate on underlying profit before tax, excluding the impact of Other items, is 74.7% (2022: 27.9%). The tax impact of Other items is shown in Note 2. Tax losses cannot be surrendered or utilised cross border, and the Group is therefore subject to tax in some countries and not in others. Tax losses in the UK and Benelux are not currently recognised as deferred tax assets (Note 22), which impacts the overall and underlying effective tax rate. The relative proportions of these losses compared to the total Group underlying profit before tax are also higher for the year to 31 December 2023 compared to the previous year, and the combination of these factors has led to the increase in the underlying effective tax rate in the current year.

Notes to the consolidated financial statements / continued

for the year ended 31 December 2023

6. Income tax continued

Factors that will affect the Group's future total tax charge as a percentage of underlying profits are:

- the mix of profits and losses between the tax jurisdictions in which the Group operates;
- the impact of non-deductible expenditure and non-taxable income;
- agreement of open tax computations with the respective tax authorities; and
- the recognition or utilisation (with corresponding reduction in cash tax payments) of unrecognised deferred tax assets (see Note 22).

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates. The legislation will be effective for the Group's financial year beginning 1 January 2024. The Group is in scope of the enacted or substantively enacted legislation and has performed an assessment of the Group's potential exposure to Pillar Two income taxes.

Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15% or one of the other transitional safe harbour reliefs are available. Management is not currently aware of any circumstances under which this might change and therefore the Group does not expect a potential exposure to Pillar Two top-up taxes.

In addition to the amounts charged to the Consolidated income statement, the following amounts in relation to taxes have been recognised in the Consolidated statement of comprehensive income:

	2023 £m	2022 £m
Deferred tax movement associated with remeasurement of defined benefit pension liabilities ¹	(0.1)	0.5
Exchange rate movements	0.1	0.1
Total	—	0.6

1. This item will not subsequently be reclassified to the Consolidated income statement.

7. Dividends

No interim dividend was paid for the year ended 31 December 2023 and no final dividend is proposed. No interim or final dividend was proposed or paid for the year ended 31 December 2022. No dividends have been paid between 31 December 2023 and the date of signing the Financial statements.

At 31 December 2023 the Company has distributable reserves of £145.6m (2022: £247.3m) as set out in Note 13 of the Company financial statements.

8. (Loss)/earnings per share

The calculations of (loss)/earnings per share are based on the following (losses)/profits and numbers of shares:

	Basic and diluted	
	2023 £m	2022 £m
(Loss)/profit attributable to ordinary equity holders of the parent for basic and diluted earnings per share	(43.4)	15.5
Add back:		
Other items (Note 2)	47.8	21.7
Profit attributable to ordinary equity holders of the parent for basic and diluted earnings per share before Other items	4.4	37.2
Weighted average number of shares	2023 Number	2022 Number
For basic (loss)/earnings per share	1,148,348,913	1,149,776,931
Effect of dilution from share options	—	33,638,307
Adjusted for the effect of dilution	1,148,348,913	1,183,415,238

Share options are considered antidilutive in the current year as their conversion into ordinary shares would decrease the loss per share. The calculation of diluted (loss)/earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on (loss)/earnings per share.

The weighted average number of shares excludes those held by the EBT which are not vested and beneficially owned by employees.

	2023	2022
(Loss)/earnings per share		
Basic (loss)/earnings per share	(3.8)p	1.3p
Diluted (loss)/earnings per share	(3.8)p	1.3p
Earnings per share before Other items¹		
Basic earnings per share before Other items	0.4p	3.2p

1. Earnings per share before Other items (also referred to as underlying earnings per share) has been disclosed in order to present the underlying performance of the Group.

9. Share-based payments

The Group had three share-based payment schemes in existence during the year ended 31 December 2023 (2022: four). The Group recognised a total charge of £5.5m (2022: £4.4m) in the year relating to share-based payment transactions with a corresponding entry to the share option reserve. The weighted average fair value of each option granted in the year was 40p (2022: 40p). Details of each of the schemes are provided below.

a) Restricted Share Plan (“RSP”)

On 17 November 2020 the SIG plc Restricted Share Plan was approved. Under this Plan, executive directors and eligible employees can be awarded an annual grant of restricted share awards up to a certain percentage of base salary. Restricted share awards have no performance conditions other than the employee remaining in employment for the three year vesting period.

Restricted share awards

	2023 Options	2022 Options
At 1 January	34,370,694	24,674,922
Granted during the year	12,363,081	10,981,472
Exercised during the year	(13,357,701)	—
Lapsed	(4,843,282)	(1,285,700)
At 31 December	28,532,792	34,370,694

Of the above share options outstanding at the end of the year, nil (2022: nil) were exercisable at 31 December 2023. All options granted during the current and prior year have no exercise price. The options outstanding at 31 December 2023 therefore have a weighted average exercise price of nil (2022: nil) and the options outstanding have a weighted average remaining contractual life of 1.3 years (2022: 1.4 years). In the year, 13,357,701 options were exercised (2022: nil).

The assumptions used in the Black-Scholes model in relation to the restricted share awards granted during the year are as follows:

	10 March 2023	19 September 2023
Share price (on date of official grant)	39p	36p
Exercise price	0.0p	0.0p
Expected volatility	56.8%	58.1%
Actual life	3 years	3 years
Risk free rate	3.7%	4.7%
Dividend	3.2%	1.2%
Expected percentage options to be exercised at date of grant	93%	100%
Revised expectation of percentage of options to be exercised as at 31 December 2023	86%	100%

The weighted average fair value of RSP awards granted during 2023 was 40p (2022: 40p). The expected volatility was determined by calculating the historical volatility of the Group’s share price over the previous two years. The expected percentage of total options exercised is based on the directors’ best estimate for the effects of behavioural considerations. The awards relating to the previous Chief Executive Officer vested on a pro-rata basis to his leave date of 8 March 2023.

b) Directors’ deferred shares

1,607,607 awards were also issued during the year in relation to the Directors’ 2022 annual bonus plan which was settled two-thirds in cash and one-third in deferred shares up to 100% of base salary and any excess deferred in shares. The shares are deferred for 3 years and are subject to continued employment. The fair value of these awards was 40p per share. Assumptions used in the Black-Scholes model in relation to these awards include share price at date of award 39p, risk free rate 1.35%, dividend yield 3.2% and expected volatility 52.6%.

260,082 deferred shares have also been accrued in relation to the Directors’ 2023 annual bonus plan, which will be settled two-thirds in cash and one-third in deferred shares. The shares are deferred for 3 years and are subject to continued employment. The fair value of these awards was 41p per share. Assumptions used in the Black-Scholes model in relation to these awards are the same as the March 2023 RSP awards above.

Of the above awards outstanding at the end of the year, nil are exercisable at 31 December 2023. The awards have a weighted average exercise price of nil and the options outstanding have a weighted average remaining contractual life of 1.9 years (2022: 2.7 years).

c) Share Incentive Plan (“SIP”)

The SIP is offered to UK employees. The SIP is a HM Revenue & Customs approved scheme and operates by inviting participants, including Executive Directors, to purchase shares in the Company in a tax efficient manner on a monthly basis. The Company gives one matching share for each share purchased by the employee up to a maximum of £20 each month. No performance criteria are attached to these matching shares, other than to avoid forfeiture the participants must remain within the plan for a minimum of three years. 388,570 matching shares were granted during the year (2022: 377,464). Given the nature of the scheme, the fair value of the matching shares equates to the cost of the Company acquiring these shares.

Notes to the consolidated financial statements / continued

for the year ended 31 December 2023

10. Property, plant and equipment

The movements in the year and the preceding year were as follows:

	Freehold land and buildings £m	Leasehold properties £m	Plant and machinery £m	Total £m
Cost				
At 1 January 2022	40.7	63.7	142.0	246.4
Exchange differences	1.9	1.1	3.9	6.9
Additions	0.2	3.4	10.7	14.3
Added on acquisition	—	0.1	0.9	1.0
Reclassifications	—	(0.1)	0.5	0.4
Disposals	—	(2.9)	(12.5)	(15.4)
At 31 December 2022	42.8	65.3	145.5	253.6
Exchange differences	(0.6)	(0.4)	(0.9)	(1.9)
Additions	1.3	4.9	9.2	15.4
Transfer from right-of-use assets	—	—	0.4	0.4
Reclassifications	(0.3)	0.7	(0.4)	—
Disposals	(2.0)	(0.7)	(11.9)	(14.6)
At 31 December 2023	41.2	69.8	141.9	252.9
Accumulated depreciation and impairment				
At 1 January 2022	20.5	45.2	113.8	179.5
Charge for the year	1.2	2.9	8.5	12.6
Impairment charges	—	—	2.5	2.5
Exchange differences	1.1	0.8	2.9	4.8
Reclassifications	—	—	0.4	0.4
Disposals	—	(2.8)	(12.2)	(15.0)
At 31 December 2022	22.8	46.1	115.9	184.8
Charge for the year	0.8	3.4	8.5	12.7
Impairment charges	0.5	2.3	1.6	4.4
Exchange differences	(0.4)	(0.2)	(0.6)	(1.2)
Disposals	(1.5)	(0.4)	(11.3)	(13.2)
At 31 December 2023	22.2	51.2	114.1	187.5
Net book value				
At 31 December 2023	19.0	18.6	27.8	65.4
At 31 December 2022	20.0	19.2	29.6	68.8

Leasehold properties includes leasehold improvements. Also included is a property held under a lease which is classified as an investment property as it is no longer being occupied for use by the Group. The Group has chosen to account for investment property using the cost model. £nil (2022: £nil) has been recognised in rental income and £0.5m (2022: £nil) incurred in Other items during the year due to impairment of the asset following an assessment of recoverable value. The property is being depreciated on a straight-line basis over the term of the lease (25 years). The property had a cost of £4.2m, accumulated depreciation of £0.3m and impairment of £2.8m on transfer to investment property at the end of 2018. Subsequent impairments have been recognised and the fair value of the investment property at 31 December 2023 is now estimated to be £nil (2022: £0.5m) based on future expected rental returns. No independent third party valuation has been carried out.

Included within additions during the year are assets in the course of construction of £3.0m (2022: £1.3m).

The impairment charge in the current year comprises £0.5m in relation to the investment property as noted above, £3.6m in relation to the impairment of the UK Interiors CGU (see Note 11) and £0.3m in connection with restructuring across the Group (see Note 2). The impairment charge in the prior year was attributable to the impairment in relation to the Benelux CGU.

Climate-related matters

The Group monitors the latest legislation in relation to climate-related matters. At the current time no legislation has been passed that will have a significant impact on the useful economic life of the Group's tangible fixed assets and the Group has not identified any principal risks relating to climate change that are considered to have a significant impact on tangible fixed assets.

11. Goodwill

	£m
Cost	
At 1 January 2022	428.4
Acquisitions (Restated) ¹	15.8
Adjustment in relation to previous acquisition	(0.1)
Exchange differences	10.4
At 31 December 2022 (Restated) ¹	454.5
Exchange differences	(4.3)
At 31 December 2023	450.2
Accumulated impairment losses	
At 1 January 2022	308.3
Impairment charges	3.6
Exchange differences	7.8
At 31 December 2022	319.7
Impairment charges	2.6
Exchange differences	(3.3)
At 31 December 2023	319.0
Net book value	
At 31 December 2023	131.2
At 31 December 2022 (Restated) ¹	134.8

1. The 2022 goodwill balance has been restated as a result of the finalisation of the acquisition fair values, as explained in the Accounting policies and Note 13.

Goodwill acquired in a business combination is allocated at the date of acquisition to the CGUs that are expected to benefit from that business combination. The Group currently has 11 CGUs (2022: 10). The additional CGU in the current year (UK Specialist Markets) is as a result of the change in reporting structures and operating segments within the UK, as disclosed in the Accounting policies. The UK Specialist Markets CGU now includes the Specialist Markets and Construction Accessories businesses that are included in the UK Specialist Markets operating segment, with the exception of Miers Construction Products and Building Solutions which remain separate CGUs consistent with the prior year. Ireland and Benelux are CGUs of the Group but do not have any associated goodwill.

Summary analysis

The carrying value of goodwill in respect of all CGUs is set out below. These are fully supported by value in use calculations as explained below.

	2023 £m	2022 Restated ² £m
UK Interiors ¹	—	4.7
UK Exteriors	57.4	57.4
UK Specialist Markets ¹	2.1	—
Miers Construction Products ²	13.8	13.8
Building Solutions	11.0	11.0
France Exteriors	35.8	36.6
France Interiors	5.4	5.5
Germany	4.5	4.6
Poland	1.2	1.2
Total goodwill	131.2	134.8

1. UK Specialist Markets (excluding Miers and Building Solutions) was included within UK Interiors in the prior year.

2. The 2022 goodwill balance has been restated as a result of the finalisation of the acquisition fair values, as explained in the Accounting policies and Note 13.

Notes to the consolidated financial statements / continued

for the year ended 31 December 2023

11. Goodwill continued

Impairment review process

The Group tests goodwill and the associated intangible assets and property, plant and equipment of CGUs annually for impairment, or more frequently if there are indications that an impairment may be required.

The recoverable amounts of all CGUs, with the exception of Benelux, are determined from value in use calculations. The key assumptions for these calculations are those regarding discount rates, sales growth, gross margin and operating profit growth rates. These assumptions have been revised in the year in light of the current economic environment and recent trading performance. Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital ("WACC"), including the cost of lease debt in accordance with IFRS 16, with adjustments made to factor in the amount and timing of future tax flows in order to reflect a pre-tax discount rate. Discount rates for certain CGUs also include a risk premium to factor in a certain element of risk over and above that already included in the forecast cash flows (for example the risk of delayed achievement of turnaround and growth). In respect of the other assumptions, external data and management's best estimates are applied as described below.

Value in use is determined by forecasting cash flows based upon management's three year projections, which include forecast sales growth based on management's best estimates and external data (construction PMI data and construction market growth forecasts), gross margin assumptions based on management's best estimates and previous experience, with annual growth rates based upon country specific inflation expectations (2.0%-2.5%) applied thereafter and into perpetuity. The key assumptions used for each CGU are shown in the table below in the Sensitivity analysis section.

The recoverable amount of the Benelux CGU is determined based on fair value less costs of disposal as this is higher than value in use. There is no goodwill in relation to the Benelux CGU. The key assumption used in the determination of fair value less costs of disposal is the fair value of the right-of-use assets. This has been determined based on third party external valuations of a number of properties, considering the market rental value that could be obtained from subleasing the properties and taking into account current market conditions together with the location and condition of the properties. The fair value measurement is therefore predominantly categorised within Level 2 of the fair value hierarchy, as it is based on observable inputs for the property portfolio.

Climate-related matters

The Group monitors climate-related risks and opportunities, as described in the Principal risks and uncertainties and Environmental, social and governance ("ESG") sections of the Strategic report and has considered the potential impact of climate change on the impairment review. At the current time, no legislation has been passed that will impact the key assumptions used in the value in use calculations. The impact on revenue in terms of opportunities from continuing to expand the Group's product offering in energy-saving products and initiatives such as developing partnerships with suppliers to encourage uptake of low carbon products and working with large customers such as housebuilders to support them in their sustainability ambitions is factored into sales forecasts in the short and medium term if applicable and the impact is known as part of bottom up forecasting procedures. The impact of transitioning the Group's fleet to lower carbon fuel alternatives as and when leases expire and fleet technologies evolve is also included in the forecasts, but there are no overriding changes to key assumptions built into the forecasts at the current time. There is not considered to be a significant risk of climate change causing a significant downturn in cashflows across the Group and therefore no specific sensitivities relating to climate change are considered necessary over and above the sensitivities already performed below.

2023 impairment review results

The results of the impairment review carried out at 31 December 2023 indicated that the carrying value of goodwill and other assets associated with the UK Interiors CGU was not supportable, following the split out of the UK Specialists Markets CGU as explained above and combined with the downturn in performance in the current year and associated reduction in future forecast cash flows. As a result, an impairment charge of £33.8m has been recognised at 31 December 2023, which has been allocated against goodwill (£2.6m), intangible assets (£2.2m), tangible fixed assets (£3.6m) and right-of-use assets (£25.4m), and the charge has been included within Other items in the Consolidated income statement. The recoverable amount of the CGU is £86.5m, based on the value in use calculation. The carrying value of all other CGUs remains supportable.

Sensitivity analysis

A number of sensitivities have been performed on the Group's CGUs to highlight the changes in market conditions that would lead to the value in use equalling the carrying value. The table below sets out the amount that each assumption would have to change by, all other assumptions remaining the same, for the carrying value of goodwill, intangible assets and property, plant and equipment to equal recoverable amount for each CGU. The UK Interiors CGU has been impaired to recoverable amount based on the assumptions applied, therefore any change in a key assumption would cause further impairment of the carrying value of non-current assets for this CGU. Separate analysis is provided below of the key assumptions applied in the calculation of recoverable amount and the additional impairment that could arise from a reasonably possible change in assumption. Benelux is not included below as it does not have any goodwill and recoverable amount is based on fair value less costs of disposal rather than value in use. Ireland does not have any goodwill and is therefore also not included in the analysis below.

	Headroom ¹	Average revenue growth (%)		Pre-tax discount rate (%)		Gross margin (%)		Long-term operating profit growth rate (average % per annum)	
		Assumption used in value in use calculation ²	Change required for carrying value to equal recoverable amount ²	Assumption used in value in use calculation	Change required for carrying value to equal recoverable amount	Assumption used in value in use calculation	Change required for carrying value to equal recoverable amount	Assumption used in value in use calculation	Change required for carrying value to equal recoverable amount
2023									
UK Exteriors	£37.5m	6.9%	(4.5)%	14.0%	3.3%	28.2%	(1.1)%	2.0%	(3.8)%
UK Specialist Markets	£20.3m	8.7%	(6.8)%	14.3%	8.3%	30.5%	(1.7)%	2.0%	(8.9)%
Miers Construction Products	£11.7m	6.9%	(8.0)%	14.3%	3.7%	27.6%	(1.9)%	2.0%	(4.0)%
Building Solutions	£9.1m	8.1%	(5.4)%	13.5%	3.6%	26.2%	(1.2)%	2.0%	(4.0)%
France Interiors	£87.1m	5.4%	(16.0)%	13.6%	55.8%	29.0%	(4.2)%	2.0%	n/m ³
France Exteriors	£111.0m	6.7%	(11.7)%	13.3%	10.5%	24.5%	(2.4)%	2.0%	(14.0)%
Germany	£76.9m	5.8%	(7.8)%	13.6%	13.0%	28.7%	(1.8)%	2.0%	(30.0)%
Poland	£80.4m	7.4%	(24.1)%	14.6%	24.6%	20.4%	(3.5)%	2.5%	(82.5)%

1. Compared to carrying value of goodwill, intangible assets, property, plant and equipment and right-of-use assets.

2. Average growth per annum over three years. The change required is the % reduction in revenue required in each of the three years.

3. Not meaningful as over 100% reduction required.

The changes required represent the absolute change required to the assumption % used in the value in use calculation.

Of the above sensitivities for 2023, management considers the % change in revenue to be a reasonably possible scenario for the UK Exteriors CGU, and the % changes in revenue and gross margin to be reasonably possible scenarios for the Building Solutions CGU, given current uncertainties regarding market demand and inflation. The other % changes in assumptions shown above are not considered to be reasonably possible scenarios, but this additional voluntary information over and above that required by IAS 36 has been included in order to provide a full picture of the level of headroom and sensitivity to changes in assumptions for each CGU. For the UK Interiors CGU, recoverable amount is based on average revenue growth per annum over the three years of 5.1%, gross margin of 22.2%, discount rate of 15.1% and long term growth rate of 2.0%. As the CGU has been impaired to recoverable value, any change in assumption would cause further impairment. A 2.0% reduction in revenue in each year would lead to further impairment of £18.3m.

The forecasts used in the 2023 impairment review take into account management's best estimate of future cash flows, reflecting the trading levels experienced during the year, current economic conditions and best estimates of inflation and demand.

The Board has actively reviewed the forecasts associated with the CGUs noting the assumptions used, the sensitivity analysis performed and the ability of the businesses to adapt to challenging economic environments in which they operate, and is satisfied that no further impairments are necessary at 31 December 2023.

	Headroom ¹	Average revenue growth (%)		Pre-tax discount rate (%)		Gross margin (%)		Long-term operating profit growth rate (average % per annum)	
		Assumption used in value in use calculation ²	Change required for carrying value to equal recoverable amount ²	Assumption used in value in use calculation	Change required for carrying value to equal recoverable amount	Assumption used in value in use calculation	Change required for carrying value to equal recoverable amount	Assumption used in value in use calculation	Change required for carrying value to equal recoverable amount
2022									
UK Interiors	£39.6m	5.5%	(3.3)%	14.3%	3.7%	24.7%	(0.6)%	2.0%	(5.4)%
UK Exteriors	£36.3m	6.7%	(4.7)%	13.6%	3.3%	28.5%	(1.1)%	2.0%	(3.8)%
Miers Construction Products (Restated) ⁴	£3.7m	4.1%	(2.7)%	14.1%	1.0%	26.8%	(0.6)%	2.0%	(1.1)%
Building Solutions	£52.1m	5.1%	(29.0)%	13.3%	24.6%	25.0%	(6.1)%	2.0%	(36.0)%
France Interiors	£107.3m	8.3%	(19.0)%	13.3%	76.8%	28.9%	(4.7)%	1.6%	n/m ³
France Exteriors	£109.0m	7.2%	(10.9)%	13.4%	12.6%	25.3%	(2.2)%	1.6%	(20.3)%
Germany	£166.7m	4.8%	(15.9)%	12.3%	23.0%	28.0%	(3.5)%	2.0%	(68.6)%
Poland	£73.8m	4.8%	(23.7)%	14.6%	29.2%	20.2%	(3.6)%	2.5%	n/m ³

1. Compared to carrying value of goodwill, intangible assets, property, plant and equipment and right-of-use assets.

2. Average growth per annum over three years. The change required is the % reduction in revenue required in each of the three years.

3. Not meaningful as over 100% reduction required.

4. The disclosures have been restated to reflect the restatement of the 2022 Miers goodwill balance as explained in the Accounting policies and Note 13.

The changes required represent the absolute change required to the assumption % used in the value in use calculation.

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11. Goodwill continued

Of the above sensitivities for 2022, management considered the % changes in revenue growth and gross margin to be reasonably possible scenarios for the UK Interiors, Miers Construction Products and UK Exteriors CGUs, given uncertainties regarding demand and inflation. The other % changes in assumptions shown above were not considered to be reasonably possible scenarios, but this additional voluntary information over and above that required by IAS 36 was included in order to provide a full picture of the level of headroom and sensitivity to changes in assumptions for each CGU. For the Benelux CGU, recoverable amount was based on average revenue growth over the three years of 7.5%, gross margin of 22.7%, discount rate of 10.4% and long term growth rate of 1.9%. As the CGU was impaired to recoverable value, any change in assumption would have caused further impairment. A 2.0% reduction in revenue would have led to further impairment of £4.0m.

12. Intangible assets

The intangible assets presented below relate to acquired intangibles that arise as a result of applying IFRS 3 “Business Combinations” (which requires the separate recognition of acquired intangibles from goodwill) and computer software which is recognised separately from associated hardware.

	Customer relationships £m	Non-compete clauses £m	Computer software £m	Total £m
Cost				
At 1 January 2022	211.5	11.7	50.8	274.0
Additions	13.7	—	0.2	13.9
Disposals	—	—	(7.8)	(7.8)
Exchange differences	—	—	0.6	0.6
At 31 December 2022	225.2	11.7	43.8	280.7
Additions	—	—	0.3	0.3
Disposals	—	—	(14.2)	(14.2)
Exchange differences	(0.1)	—	(0.1)	(0.2)
At 31 December 2023	225.1	11.7	29.8	266.6
Amortisation				
At 1 January 2022	202.7	11.7	42.9	257.3
Charge for the year	4.7	—	3.2	7.9
Disposals	—	—	(7.7)	(7.7)
Exchange differences	(0.1)	—	0.5	0.4
At 31 December 2022	207.3	11.7	38.9	257.9
Charge for the year	2.8	—	2.4	5.2
Impairment charges	2.2	—	0.3	2.5
Disposals	—	—	(14.2)	(14.2)
Exchange differences	—	—	(0.1)	(0.1)
At 31 December 2023	212.3	11.7	27.3	251.3
Net book value				
At 31 December 2023	12.8	—	2.5	15.3
At 31 December 2022	17.9	—	4.9	22.8

Amortisation of acquired intangibles is included in the Consolidated income statement as part of operating expenses and is classified within Other items.

The average amortisation period for each category of intangible asset is disclosed in the Accounting policies.

Included within computer software additions are assets in the course of construction of £nil (2022: £0.2m).

13. Acquisitions

The Group has not made any business acquisitions during the year.

Acquisitions in 2022

On 14 July 2022 the Group acquired Thermodämm GmbH to enlarge its market share in the German screed flooring business and the acquisition was allocated to the Germany segment. On 22 July 2022 the Group acquired Miers Construction Products Limited to enlarge the UK Interiors business in terms of product range and geographic location, and the acquisition was allocated to the UK Interiors segment. The Miers business is now allocated to the UK Specialist Markets segment following the change in reported operating segments during the year (see Note 1).

The fair values of the identifiable assets and liabilities of the acquisitions at the date of acquisition have been finalised during the current year. This resulted in a decrease in the current tax asset of £0.3m, an increase in the current tax liability of £0.3m and a corresponding increase in the goodwill recognised of £0.6m in relation to the Miers acquisition. This has been recognised as a restatement of the 2022 Consolidated balance sheet and the final balances on acquisition are as follows:

	2022		
	Miers Restated £m	Thermodämm £m	Total Restated £m
Assets			
Intangible assets (customer relationships)	12.0	1.7	13.7
Property, plant and equipment	0.8	0.2	1.0
Right-of-use assets	2.7	0.6	3.3
Cash and cash equivalents	4.1	0.2	4.3
Trade and other receivables	13.0	0.3	13.3
Inventories	7.3	0.6	7.9
	39.9	3.6	43.5
Liabilities			
Trade and other payables	(12.2)	(0.6)	(12.8)
Provisions	(1.1)	—	(1.1)
Current tax liability	(0.3)	—	(0.3)
Deferred tax liability	(3.0)	(0.7)	(3.7)
Bank loan	(3.2)	—	(3.2)
Lease liability	(2.7)	(0.7)	(3.4)
	(22.5)	(2.0)	(24.5)
Total identifiable net assets at fair value	17.4	1.6	19.0
Goodwill arising on acquisition (Note 11)	13.8	2.0	15.8
Purchase consideration transferred	31.2	3.6	34.8

The fair value of trade receivables amounted to £12.1m for Miers and £0.3m for Thermodämm. The gross amount of trade receivables was £12.5m for Miers and £0.3m for Thermodämm. The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liability.

The goodwill of £13.8m relating to Miers comprised the value of expected synergies arising from the acquisition, strategic fit with the UK Interiors business and geographic location, in particular the developing sales in the construction accessories sector. The goodwill of £2.0m relating to Thermodämm comprised the value of the strategic fit within the German branch landscape and expected synergies arising from the acquisition.

From the date of acquisition, Miers contributed £27.6m of revenue and £0.2m to underlying profit before tax of the Group for the year ended 31 December 2022, and Thermodämm contributed £2.7m of revenue and £0.1m to underlying profit before tax. If the acquisitions had taken place at the beginning of the prior year, revenue for the Group would have been £2,783.0m and profit before tax for the Group would have been £30.5m. Acquisition-related costs of £0.8m for Miers and £0.1m for Thermodämm were recognised within Other items in the Consolidated income statement in 2022.

Purchase consideration

	2022		
	Miers £m	Thermodämm £m	Total £m
Cash paid on completion	26.9	3.4	30.3
Deferred consideration due within one year	—	0.2	0.2
Deferred consideration due after more than one year	1.8	—	1.8
Contingent consideration due after more than one year	2.5	—	2.5
Total consideration	31.2	3.6	34.8

The contingent consideration in relation to Miers is payable dependent on the performance of the business based on adjusted EBITDA exceeding an EBITDA threshold, as defined in the sale and purchase agreement, for the financial year to 31 December 2023, subject to a maximum of £2.6m. The range of contingent consideration payable is therefore £nil to £2.6m, with £2.5m recognised at the date of acquisition on the basis of forecasts and fair value calculation. This has been increased to the maximum £2.6m at 31 December 2023 based on actual results for the year, with the £0.1m increase recognised in profit or loss (within Other items), and the liability included within other payables due within one year on the Consolidated balance sheet. The fair value is measured using Level 3 inputs and is sensitive to changes in one or more observable inputs.

Notes to the consolidated financial statements / continued

for the year ended 31 December 2023

13. Acquisitions continued

A further amount of up to £4.0m is also payable in relation to Miers in 2024, which is dependent on the performance of the business for the financial year to 31 December 2023 and dependent on the vendors remaining within the business. This is therefore treated as remuneration and is being charged to the Consolidated income statement as earned. £1.2m was recognised and included within other payables at 31 December 2022, with a further £2.8m recognised in 2023 and the total liability of £4.0m included in other payables due within one year at 31 December 2023.

Analysis of cash flows on acquisition

	2022		Total £m
	Miers £m	Thermodämm £m	
Consideration paid (included in cash flows from investing activities)	(26.9)	(3.4)	(30.3)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	4.1	0.2	4.3
Total net cash flow included in cash flows from investing activities	(22.8)	(3.2)	(26.0)
Transaction costs (included in cash flow from operating activities)	(0.8)	(0.1)	(0.9)
Net cash flow on acquisition	(23.6)	(3.3)	(26.9)

Deferred consideration

A reconciliation of the movement in deferred consideration is provided below:

	2023 £m	2022 £m
Liability at 1 January	2.5	1.8
Liability arising on acquisitions in the year	—	2.0
Amounts paid relating to previous acquisitions (included within cash flow from investing activities)	(0.7)	(1.3)
Liability at 31 December	1.8	2.5
Included in current liabilities	1.8	0.7
Included in non-current liabilities	—	1.8
Total	1.8	2.5

Contingent consideration

A reconciliation of the movement in the fair value measurement of contingent consideration is provided below:

	2023 £m	2022 £m
Liability at 1 January	3.0	0.5
Liability arising on acquisitions in the year	—	2.5
Unrealised fair value changes recognised in profit or loss	0.1	—
Liability at 31 December	3.1	3.0
Included in current liabilities (within accruals and other payables)	3.1	0.5
Included in non-current liabilities (within other payables)	—	2.5
Total	3.1	3.0

Consideration dependent on vendors remaining within the business

Amounts which may be paid to vendors of recent acquisitions who are employed by the Group and are contingent upon the vendors remaining within the business are, as required by IFRS 3 "Business Combinations", treated as remuneration and charged to the Consolidated income statement as earned. A reconciliation of the movement in amounts accrued is as follows:

	2023 £m	2022 £m
Liability at 1 January	1.2	0.6
New amounts accrued	2.8	1.4
Amounts paid (included within cash flow from operating activities)	—	(0.8)
Liability at 31 December	4.0	1.2
Included in current liabilities (within accruals and other payables)	4.0	—
Included in non-current liabilities (within other payables)	—	1.2
Total	4.0	1.2

14. Inventories

	2023 £m	2022 £m
Raw materials and consumables	6.4	12.6
Work in progress	1.7	1.9
Finished goods and goods for resale	251.0	256.1
Total	259.1	270.6

The estimated replacement cost of inventories is not materially different from the balance sheet value stated above.

15. Trade and other receivables

	2023 £m	2022 Restated ¹ £m
Trade receivables	291.5	324.9
VAT	2.9	6.8
Other receivables	6.5	7.9
Prepayments and accrued income	88.2	93.0
Trade and other receivables	389.1	432.6
Lease receivables (Note 23)	1.1	0.1
Current tax assets	3.6	0.9
Total current receivables	393.8	433.6

1. The 2022 current tax assets balance has been restated as a result of the finalisation of the acquisition fair values, as explained in the Accounting policies and Note 13.

Included within prepayments and accrued income is £70.4m (2022: £77.5m) due in relation to supplier rebates where there is no right to offset against trade payable balances. The remainder of the balance relates to prepayments.

Trade receivables are non-interest bearing and are generally on terms which range from 8 to 60 days from end of month.

Trade receivables are stated net of allowance for estimated credit losses and provisions for sales credit notes and customer rebates. An allowance has been made for estimated credit losses from trade receivables of £20.0m at 31 December 2023 (2022: £19.1m).

Movement in the allowance for expected credit losses

	2023 £m	2022 £m
At 1 January	(19.1)	(16.1)
Utilised	3.8	14.3
Unused amounts released to the Consolidated income statement	3.1	1.7
Added on acquisition	—	(0.3)
Charged to the Consolidated income statement	(7.7)	(18.2)
Exchange differences	(0.1)	(0.5)
At 31 December	(20.0)	(19.1)

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

The expected loss rates have been assessed by each operating segment and are based on the payment profiles of sales over a period prior to 31 December 2023, the availability of credit insurance and the historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables and any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date and makes a provision for impairment accordingly. In calculating expected credit losses, a loss is either a debt written off or overdue by more than 12 to 24 months depending on the business and/or expected likelihood of recovery. Debts are generally written off following official notice of insolvency, conclusion of legal proceedings or when there is no reasonable expectation of recovery. Expected credit loss provisions have been adjusted where relevant to take account of experience during the year and forward looking information.

Notes to the consolidated financial statements / continued

for the year ended 31 December 2023

15. Trade and other receivables continued

The total impairment loss relating to trade receivables recognised in the Consolidated income statement is £9.6m (2022: £16.5m). The charge in 2022 was significantly higher than the current year due mainly to the loss from the administration of Avonside in 2022, a major roofing contractor and one of the Group's largest customers.

	Days past due				Total £m
	< 30 days £m	30-60 days £m	61-90 days £m	> 91 days £m	
31 December 2023					
Expected credit loss rate	1.6%	7.2%	20.3%	53.1%	
Total gross carrying amount	283.1	29.3	6.9	22.6	341.9
Expected credit loss	4.5	2.1	1.4	12.0	20.0

	Days past due				Total £m
	< 30 days £m	30-60 days £m	61-90 days £m	> 91 days £m	
31 December 2022					
Expected credit loss rate	1.0%	8.2%	17.4%	54.4%	
Total gross carrying amount	310.0	34.3	8.6	21.7	374.6
Expected credit loss	3.0	2.8	1.5	11.8	19.1

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Included within trade receivables is a managed pool of customer balances of £51.6m (2022: £52.8m) pledged as security in relation to the asset backed funding arrangement implemented in relation to the UK defined benefit pension plan. See Note 28 for further details.

Transfer of trade receivables

Consistent with previous years, the Group sold without recourse trade receivables to banks and other financial institutions for cash proceeds. These trade receivables of £40.1m (2022: £37.8m) have been derecognised from the Consolidated balance sheet, because the Group has transferred the risks and rewards.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Trade receivable credit exposure is controlled by counterparty limits that are set, reviewed and approved by operational management on a regular basis.

Trade receivables consist of a large number of typically small to medium sized customers, spread across a number of different market sectors and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and to determine whether the credit risk has increased since initial recognition. Where appropriate, credit guarantee insurance cover is purchased.

The Group does not have any significant credit risk exposure to any single customer, with no single customer representing more than 1% of the Group's revenue.

16. Current liabilities

	2023 £m	2022 £m
Trade payables	253.3	289.6
VAT	11.3	9.4
Social security and payroll taxes	15.8	14.2
Accruals and other payables	105.4	111.8
Trade and other payables	385.8	425.0
Lease liabilities (Note 23)	64.9	56.5
Interest-bearing loans and borrowings (Note 17)	0.8	0.8
Deferred consideration (Note 13)	1.8	0.7
Derivative financial instruments	1.0	—
Current tax liabilities	6.9	5.8
Provisions (Note 21)	7.9	9.6
Current liabilities	469.1	498.4

Trade payables is presented net of £36.5m (2022: £48.4m) due from suppliers in respect of supplier rebates where the Group has the right to net settlement. Trade payables, accruals and deferred income principally comprise amounts outstanding for trade purchases and ongoing costs.

Of the above balances, the lease liability contracts are secured on the underlying assets and the remaining balances are unsecured.

The Directors consider that the carrying amount of current liabilities approximates to their fair value.

17. Interest-bearing loans and borrowings

	2023 £m	2022 £m
Current interest-bearing loans and borrowings		
Lease liabilities (Note 23)	64.9	56.5
Bank loan	0.8	0.8
Total current interest-bearing loans and borrowings	65.7	57.3
Non-current interest-bearing loans and borrowings		
Lease liabilities (Note 23)	264.9	251.2
Secured notes	258.7	264.0
Bank loan	1.3	2.1
Total non-current interest-bearing loans and borrowings	524.9	517.3
Total interest-bearing loans and borrowings	590.6	574.6

Secured notes

The €300m secured notes are repayable on 30 November 2026. The notes are guaranteed by certain subsidiaries of the Group and are secured by a first priority floating charge over the assets of the Company and the relevant UK subsidiaries and by a security interest over the shares, material bank accounts and intercompany receivables of the non-UK guarantor subsidiaries. The notes are recognised at amortised cost, net of arrangement fees of which £1.5m is unamortised at 31 December 2023 (2022: £2.0m). The notes are subject to incurrence based covenants only.

The contractual repayment profile of the secured notes is shown below:

	2023		2022	
	£m	Fixed interest rate %	£m	Fixed interest rate %
Total gross amount repayable in 2026	260.2	5.25%	266.0	5.25%
Unamortised fees	(1.5)		(2.0)	
	258.7	5.25%	264.0	5.25%

Bank loan

The bank loan was acquired during the prior year as part of the Miers business acquisition. The loan is repayable in equal monthly instalments until June 2026, incurs interest at 2.25% above base rate and is secured by way of a fixed and floating charge over certain assets of the Miers business.

Committed facilities

The Group also has undrawn committed borrowing facilities at 31 December 2023 as follows:

	2023 £m	2022 £m
Revolving credit facility expiring May 2026	90.0	90.0
Total	90.0	90.0

The RCF facility of £90m was undrawn at 31 December 2023. The RCF has a leverage maintenance covenant which is only effective if the facility is over 40% drawn at a quarter end reporting date.

The fair value of borrowings is disclosed in Note 18.

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for the year ended 31 December 2023

18. Financial assets, liabilities, financial risk management and derivatives

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, lease liabilities, deferred consideration and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables and cash and cash equivalents that derive directly from its operations.

a) Financial assets

The Group holds the following financial assets:

	Note	2023 £m	2022 £m
Financial assets at amortised cost:			
Trade receivables	15	291.5	324.9
Cash at bank and on hand		132.2	130.1
Financial asset at fair value through OCI:			
Unquoted equity investment		0.2	0.2
Derivative financial instruments designated as hedging instruments	18d	—	1.6
Derivative financial instruments not designated as hedging instruments		—	0.2
Total		423.9	457.0

The interest received on cash deposits is at variable rates of interest of up to 5.25% (2022: 3.42%). Of the cash at bank and on hand of £132.2m, £1.0m is required to be held to cover bank guarantees issued to third parties and is therefore restricted for use by the Group.

The Directors consider that the fair values of cash at bank and on hand and trade receivables approximate their carrying value, largely due to the short-term maturities of these instruments. The fair value is not significantly different to the carrying amount.

The Group's credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. Information about the Group's exposure to credit risk in relation to trade receivables is given in Note 15.

Of the above cash at bank on hand, £10.5m (2022: £2.6m) is denominated in sterling, £107.4m (2022: £110.9m) in euros, £13.6m (2022: £15.3m) in Polish zloty, and £0.7m (2022: £1.3m) in other currencies.

The financial asset at fair value through OCI is an investment in equity shares of a non-listed company. The Group holds a non-controlling interest of 17% in the company. The investment is designated at fair value through OCI as it is considered strategic in nature.

b) Financial liabilities

The Group holds the following financial liabilities:

	Note	2023 £m	2022 £m
Financial liabilities at amortised cost			
Trade and other payables ¹	16	358.7	401.4
Interest-bearing loans and borrowings	17	260.8	266.9
Deferred consideration	13	1.8	2.5
Lease liabilities	23	329.8	307.7
Derivative financial instruments designated as hedging instruments	18d	1.1	0.1
Total		952.2	978.6

1. Excluding non-financial liabilities.

The Directors consider that the fair values of trade and other payables and loan notes and deferred consideration approximate their carrying value due to their short-term nature. The fair value of borrowings is considered below.

2023 interest rate and currency profile

The interest rate and currency profile of the Group's financial liabilities at 31 December 2023, excluding prepayment of arrangement fees of £1.5m and deferred consideration of £1.8m was as follows:

	Currency	Total £m	Floating rate £m	Fixed rate £m	Effective fixed interest rate %	Weighted average time for which rate is fixed Years	Amount secured £m	Amount unsecured £m
Lease contracts	Sterling	168.1	—	168.1	1.7%-12.7%	8.8	168.1	—
Bank loan	Sterling	2.1	2.1	—	n/a	2.4	2.1	—
Secured notes	Euro	260.2	—	260.2	5.25%	2.9	260.2	—
Lease contracts	Euro	149.1	—	149.1	0.7%-15.4%	5.8	149.1	—
Lease contracts	Polish zloty	12.6	5.8	6.8	2.1%-17.9%	6.1	12.6	—
Total		592.1	7.9	584.2			592.1	—

All of the above lease contracts are secured on the underlying assets.

The Directors consider the fair value of the Group's floating rate financial liabilities to be materially approximate to the book value shown in the table above. The fair value of the Group's secured notes at 31 December 2023 is estimated to be £234.0m (2022: £221.6m) and is classified as a Level 2 fair value measurement for disclosure purposes. The remaining fixed rate debt amounts to £324.0m (2022: £303.4m) and relates to finance lease contracts, fixed rate loans and deferred consideration. The Directors consider the fair value of these remaining fixed rate debts to materially approximate to the book values shown above.

2022 interest rate and currency profile

The interest rate and currency profile of the Group's financial liabilities at 31 December 2022, excluding prepayment of arrangement fees of £2.0m and deferred consideration of £2.5m was as follows:

	Currency	Total £m	Floating rate £m	Fixed rate £m	Effective fixed interest rate %	Weighted average time for which rate is fixed Years	Amount secured £m	Amount unsecured £m
Lease contracts	Sterling	147.5	—	147.5	1.7%-12.6%	10.1	147.5	—
Bank loan	Sterling	2.9	2.9	—	n/a	3.4	2.9	—
Secured notes	Euro	266.0	—	266.0	5.25%	3.9	266.0	—
Lease contracts	Euro	149.2	—	149.2	0.6%-15.4%	6.3	149.2	—
Lease contracts	Polish zloty	11.0	4.3	6.7	2.0%-17.9%	6.3	11.0	—
Total		576.6	7.2	569.4			576.6	—

All of the above lease contracts are secured on the underlying assets.

In both 2023 and 2022, the interest rate on floating rate financial liabilities is based upon appropriate local market rates.

c) Financial risk management

The Group's finance and treasury policies set out the Group's approach to managing treasury risk. The objectives of the Group's financial risk management policies are to ensure sufficient liquidity to meet the Group's operational and strategic needs and the management of financial risk at optimal cost.

The Group is exposed to credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group Board oversees the management of these risks. The Board manages the risks through implementation of the Group treasury policy, supported by the Group Tax and Treasury Committee, which monitors and reviews the activities of the Group treasury function to ensure they are performed in accordance with the policy and reports to the Group Board on a regular basis. It is Group policy that no trading in financial instruments or speculative transactions be undertaken.

Liquidity risk

Liquidity risk is the risk that SIG is unable to meet its financial obligations as they fall due. In order to minimise this risk, SIG seeks to balance certainty of funding and a flexible, cost-effective borrowing structure. The key sources of finance are note holders, being professional institutional investors, and a revolving credit facility with principal banks. The Group also maintains significant cash balances which are more than sufficient to meet the requirements of the working capital cycle taking into account the seasonality of the business.

To manage liquidity risk the Group prepares and reviews rolling weekly cash flow forecasts, actual cash and debt positions along with available facilities and headroom which are reported weekly and monitored by Group management. In addition, full annual three-year forecasts are prepared including cash flow and headroom forecasts. The Group is in a strong liquidity position and at 31 December 2023 held cash of £132.2m (2022: £130.1m), and had £90.0m (2022: £90.0m) additional headroom from the RCF that matures in May 2026. The RCF is subject to a leverage maintenance covenant set at 4.75x which is effective if the facility is over 40% (i.e. £36m) drawn at a quarter end reporting date.

Foreign currency risk

The Group has a number of overseas businesses whose revenues and costs are denominated in the currencies of the countries in which they operate. 58% of the Group's 2023 continuing revenues (2022: 58%) were in foreign currencies, being primarily euros and Polish zloty. The Group faces a translation risk in respect of changes to the exchange rates between the reporting currencies of these operations and sterling and has decided not to hedge the income statement translational risk arising from these income streams.

The Consolidated balance sheet of the Group is inherently exposed to movements in the sterling value of its net investments in foreign businesses. For currencies where the Group has significant exposure, the Group seeks to hold financial liabilities and derivatives in the same currency to partially hedge the net investment values.

The Group uses foreign exchange forward contracts to manage the exposures arising from cross currency transactions (Note 18d ii).

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18. Financial assets, liabilities, financial risk management and derivatives continued

Overseas earnings streams are translated at the average rate of exchange for the year whilst balance sheets are translated using closing rates. The table below sets out the principal exchange rates used:

	Average rate			Closing rate		
	2023	2022	Movement (%)	2023	2022	Movement (%)
Euro	1.152	1.171	(1.6)%	1.153	1.128	2.2%
Polish zloty	5.214	5.488	(5.0)%	5.012	5.300	(5.4)%

Commodity risk

The nature of the Group's operations creates an ongoing demand for fuel and therefore the Group is exposed to movements in market fuel prices. The Group currently has no commodity derivative contracts in place.

Credit risk

Credit risk is covered in Note 15.

Counterparty credit risk

SIG holds significant investment assets, being principally cash deposits and derivative assets. Strict policies are in place in order to minimise counterparty credit risk associated with these assets. A list of approved deposit counterparties is maintained and counterparty credit limits, based on published credit ratings and CDS spreads, are in place. These limits, and the position against these limits, are reviewed and reported on a regular basis. Sovereign credit ratings are also monitored, and country limits for investment assets are in place. If necessary, funds are repatriated to the UK.

Interest rate risk

The Group has exposure to movements in interest rates on its outstanding debt, financial derivatives and cash balances. To reduce this risk the Group monitors its mix of fixed and floating rate debt and, if required, transacts derivative financial instruments to manage this mix where appropriate. SIG has a policy of aiming to fix at least 50% of its average net debt over the medium term. The percentage of gross debt at fixed rates of interest at 31 December 2023 is 98.7% (2022: 99.4%). The percentage of available gross debt at fixed rates of interest at 31 December 2023 (including the undrawn RCF) is 85.7% (2022: 85.3%).

d) Hedging activities and derivatives

The Group is exposed to foreign currency and interest rate risks relating to its ongoing business operations. In order to manage the Group's exposure to exchange rate changes, the Group utilises currency derivative financial instruments. The fair values of these derivative financial instruments are calculated by discounting the associated future cash flows to net present values using appropriate market rates prevailing at the balance sheet date.

The Group does not trade in derivative financial instruments for speculative purposes. Where derivatives meet the hedge accounting criteria under the rules of IFRS 9, movements in the fair values of these derivative financial instruments are recognised in the Consolidated statement of comprehensive income. Where the criteria for hedge accounting are not met, movements are accounted for at fair value through profit or loss. Financial instruments are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

The Group is required to analyse financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All of the financial instruments below are categorised as Level 2.

i) Net investment hedges

The Group has investments in euro denominated subsidiaries. At 31 December 2023 the Group held €300m (2022: €300m) of direct euro-denominated debt through its secured notes. This borrowing is being used to hedge the Group's exposure to the euro foreign exchange risk on investments in euro denominated subsidiaries. Gains or losses on retranslation of the borrowing are transferred to OCI to offset any gains or losses on translation of the net investments in the subsidiaries.

There is an economic relationship between the hedged item and the hedging instruments as the net investment in euro denominated assets creates a translation risk that will match the foreign exchange risk on the euro denominated debt. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. Hedge ineffectiveness will arise when the amount of the investment in euro denominated subsidiaries becomes lower than the amount of the euro denominated debt.

The impact of the hedging instruments on the Consolidated balance sheet is as follows:

	Notional amount €m	Carrying amount (Liability) €m	Line item in the Consolidated balance sheet	Change in fair value used for measuring ineffectiveness for the period €m
As at 31 December 2023			Interest-bearing loans and borrowings	
Foreign currency denominated borrowing	300.0	260.2		5.8
As at 31 December 2022			Interest-bearing loans and borrowings	
Foreign currency denominated borrowing	300.0	266.0		13.9

The impact of the hedged item on the Consolidated balance sheet is as follows:

	31 December 2023			31 December 2022		
	Change in fair value used for measuring ineffectiveness €m	Foreign currency translation reserve €m	Cost of hedging reserve €m	Change in fair value used for measuring ineffectiveness €m	Foreign currency translation reserve €m	Cost of hedging reserve €m
Net investment in foreign subsidiaries	5.8	5.8	—	(13.9)	(13.9)	—

The hedging gain recognised in Other comprehensive income is equal to the change in fair value used for measuring effectiveness. There is no ineffectiveness recognised in profit or loss.

ii) Cash flow hedges

With regard to cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised in equity and is subsequently removed and included in the Consolidated income statement within finance costs in the same period that the hedged item affects the Consolidated income statement.

Foreign currency risk

The Group uses foreign exchange forward contracts to manage the exposures arising from cross currency transactions. At 31 December 2023 the Group held a number of short term forward contracts designated as hedging instruments in cash flow hedges of forecast purchases in US dollars and euros. The forecast transactions are highly probable. Foreign exchange forward contract balances vary with the level of expected foreign currency transactions and changes in foreign exchange forward rates.

Included within derivative financial instruments is £1.1m liability (2022: £1.5m asset) relating to forward foreign exchange contracts.

The Group is holding the following foreign exchange forward contracts:

	Notional amount \$m	Notional amount €m	Notional amount €m	Maturity	Average hedged rate	Average forward rate
As at 31 December 2023	14.3	62.6	67.0	2024 & 2025	n/a	1.18
As at 31 December 2022	12.0	49.2	52.4	2023 & 2024	n/a	1.14

The impact of the hedging instruments on the Consolidated balance sheet is as follows:

	Carrying amount €m	Line item in the Consolidated balance sheet	Change in fair value used for measuring ineffectiveness for the period €m
As at 31 December 2023		Derivative financial instruments	
Foreign exchange forward contracts	(1.1)		(1.1)
As at 31 December 2022		Derivative financial instruments	
Foreign exchange forward contracts	1.5		1.6

Notes to the consolidated financial statements / continued

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18. Financial assets, liabilities, financial risk management and derivatives continued

The impact of the hedged item on the Consolidated balance sheet is as follows:

	As at 31 December 2023			As at 31 December 2022		
	Change in fair value used for measuring ineffectiveness	Cash flow hedging reserve	Cost of hedging reserve	Change in fair value used for measuring ineffectiveness	Hedging and translation reserve	Cost of hedging reserve
	£m	£m	£m	£m	£m	£m
Foreign exchange forward contracts	(1.1)	(1.1)	—	1.6	1.6	—

The effect of the cash flow hedges on the Consolidated income statement and Consolidated statement of other comprehensive income is as follows:

	Total hedging (loss)/gain recognised in OCI	Ineffectiveness recognised in profit or loss	Line item in the Consolidated income statement	Amount reclassified from OCI to profit or loss	Line item in the Consolidated income statement
	£m	£m		£m	
As at 31 December 2023			Finance costs		Operating expenses
Foreign exchange forward contracts	(1.1)	—		(1.5)	
As at 31 December 2022			Finance costs	0.2	Operating expenses
Foreign exchange forward contracts	1.6	—			

Derivatives not designated as hedging instruments

The Group held no foreign exchange forward contracts which are not designated as cash flow hedges to manage some of its transaction exposures and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally within one month. As at the year end there was nil (2022: one) such item with a total carrying amount of £nil (2022: £0.2m).

iii) Impact of hedging on equity

Set out below is the reconciliation of each component of equity and the analysis of other comprehensive income:

	Retained profits/(losses)		Cash flow hedging reserve		Foreign currency translation reserve		Cost of hedging reserve	
	2023	2022	2023	2022	2023	2022	2023	2022
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January	60.0	59.3	1.6	(0.2)	2.9	2.6	0.1	0.1
Effective portion of changes in fair value arising from:								
Foreign exchange forward contracts	—	—	(1.1)	1.6	—	—	—	—
Amount reclassified to profit or loss	—	—	(1.5)	0.2	—	—	—	—
Foreign currency revaluation of foreign currency denominated borrowing	—	—	—	—	5.8	(13.9)	—	—
Foreign currency revaluation of net foreign operations	—	—	—	—	(3.9)	14.2	—	—
Other movements not associated with hedging	(42.4)	0.7	—	—	—	—	—	—
At 31 December	17.6	60.0	(1.0)	1.6	4.8	2.9	0.1	0.1

The following table reconciles the net losses on derivative financial instruments recognised directly in the Consolidated income statement, to the movements in derivative financial instruments noted above.

	2023	2022
	£m	£m
(Losses)/gains on derivative financial instruments recognised directly in the Consolidated income statement	(0.1)	0.3
Amounts reclassified from OCI to profit and loss on cash flow hedges	1.5	(0.2)
Total net gains on derivative financial instruments included in the Consolidated income statement	1.4	0.1

19. Maturity of financial assets and liabilities

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities (inclusive of derivative financial assets) at 31 December 2023 was as follows:

	2023 £m	2022 £m
In one year or less	68.5	56.4
In more than one year but not more than two years	55.5	51.5
In more than two years but not more than five years	373.2	368.5
In more than five years	96.3	99.0
Total	593.5	575.4

The table excludes trade and other payables of £358.7m (2022: £401.4m).

Contractual maturity analysis of the Group's financial liabilities, derivative financial instruments, other financial assets, deferred consideration and cash and cash equivalents

IFRS 7 requires disclosure of the maturity of the Group's remaining contractual financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the Group's financial assets and liabilities including interest that will accrue to those assets and liabilities except where the Group is entitled and intends to repay the liability before its maturity. Both the inclusion of future interest and the values disclosed being undiscounted results in the total position being different to that included in the Consolidated balance sheet.

2023 Analysis

	Balance sheet value £m	Maturity analysis				Total £m
		< 1 year £m	1-2 years £m	2-5 years £m	> 5 years £m	
Current liabilities						
Trade and other payables	358.7	358.7	—	—	—	358.7
Lease liabilities	64.9	82.9	—	—	—	82.9
Interest-bearing loans	0.8	0.9	—	—	—	0.9
Deferred consideration	1.8	1.8	—	—	—	1.8
Derivative financial instruments	1.0	1.0	—	—	—	1.0
Total	427.2	445.3	—	—	—	445.3
Non-current liabilities						
Lease liabilities	264.9	—	69.4	146.9	122.2	338.5
Interest-bearing loans	1.3	—	0.9	0.5	—	1.4
Secured notes	258.7	13.7	13.7	287.5	—	314.9
Derivative financial instruments	0.1	—	0.1	—	—	0.1
Total	525.0	13.7	84.1	434.9	122.2	654.9
Total liabilities	952.2	459.0	84.1	434.9	122.2	1,100.2
Other						
Unquoted equity investment	(0.2)	—	—	—	(0.2)	(0.2)
Cash and cash equivalents	(132.2)	(132.2)	—	—	—	(132.2)
Trade and other receivables	(389.1)	(389.1)	—	—	—	(389.1)
Total	(521.5)	(521.3)	—	—	(0.2)	(521.5)
Grand total	430.7	(62.3)	84.1	434.9	122.0	578.7

The table above includes short term derivative financial assets with a fair value at 31 December 2023 of £nil and derivative financial liabilities of £1.1m that will be settled gross, the final exchange on these derivatives will be total receipts of €62.6m and \$14.3m with corresponding payments totalling £67m.

Notes to the consolidated financial statements / continued

for the year ended 31 December 2023

19. Maturity of financial assets and liabilities continued

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements:

As at 31 December 2023	Gross amounts of recognised financial assets/ (liabilities) £m	Amounts available to offset through netting agreements £m	Net amount £m
Derivative financial assets	—	—	—
Derivative financial liabilities	(1.1)	—	(1.1)
Total	(1.1)	—	(1.1)

2022 Analysis

	Balance sheet value £m	Maturity analysis				Total £m
		< 1 year £m	1-2 years £m	2-5 years £m	> 5 years £m	
Current liabilities						
Trade and other payables	401.4	401.4	—	—	—	401.4
Lease liabilities	56.5	73.3	—	—	—	73.3
Deferred consideration	0.8	0.9	—	—	—	0.9
Derivative financial instruments	0.7	0.7	—	—	—	0.7
Total	459.4	476.3	—	—	—	476.3
Non-current liabilities						
Lease liabilities	251.2	—	62.1	126.2	114.8	303.1
Interest-bearing loans	2.1	—	0.9	1.3	—	2.2
Secured notes	264.0	14.0	14.0	293.9	—	321.9
Deferred consideration	1.8	—	1.8	—	—	1.8
Derivative financial instruments	0.1	—	0.1	—	—	0.1
Total	519.2	14.0	78.9	421.4	114.8	629.1
Total liabilities	978.6	490.3	78.9	421.4	114.8	1,105.4
Other						
Derivative financial instrument assets	(1.8)	(1.5)	(0.1)	—	—	(1.6)
Unquoted equity investment	(0.2)	—	—	—	(0.2)	(0.2)
Cash and cash equivalents	(130.1)	(130.1)	—	—	—	(130.1)
Trade and other receivables	(432.6)	(432.6)	—	—	—	(432.6)
Total	(564.7)	(564.2)	(0.1)	—	(0.2)	(564.5)
Grand total	413.9	(73.9)	78.8	421.4	114.6	540.9

The table above includes short term derivative financial assets with a fair value at 31 December 2022 of £1.8m and derivative financial liabilities of £0.1m that will be settled gross, the final exchange on these derivatives will be total receipts of €49.2m, PLN35m, \$12m with corresponding payments totalling £58.8m.

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements:

As at 31 December 2022	Gross amounts of recognised financial assets/ (liabilities) £m	Amounts available to offset through netting agreements £m	Net amount £m
Derivative financial assets	1.8	—	1.8
Derivative financial liabilities	(0.1)	—	(0.1)
Total	1.7	—	1.7

20. Sensitivity Analysis

IFRS 7 requires the disclosure of a sensitivity analysis that details the effects on the Group's profit or loss and other equity of reasonably possible fluctuations in market rates.

This sensitivity analysis has been prepared to illustrate the effect of the following hypothetical variations in market rates on the fair value of the Group's financial assets and liabilities:

- i) a 1% (100 basis points) increase or decrease in market interest rates; and
- ii) a 10% strengthening or weakening of sterling against all other currencies to which the Group is exposed.

a) Interest rate sensitivity

The Group is currently exposed to sterling, euro and Polish zloty interest rates. In order to illustrate the Group's sensitivity to interest rate fluctuations, the following table shows the Group's sensitivity to a 100 basis point change in each respective interest rate. The sensitivity analysis of the Group's exposure to interest rate risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period. A positive number indicates an increase in profit or loss and other equity.

2023 analysis

	GBP		EUR		PLN		Total	
	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m
Profit or loss	0.1	(0.1) (i)	0.3	(0.3) (ii)	—	— (iii)	0.4	(0.4)
Total shareholders' equity	0.1	(0.1)	0.3	(0.3)	—	—	0.4	(0.4)

2022 analysis

	GBP		EUR		PLN		Total	
	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m
Profit or loss	0.1	(0.1) (i)	—	— (ii)	—	—	0.1	(0.1)
Total shareholders' equity	0.1	(0.1)	—	—	—	—	0.1	(0.1)

The movements noted above are mainly attributable to:

- (i) floating rate sterling debt and cash deposits
- (ii) floating rate euro debt and cash deposits
- (iii) floating rate Polish zloty debt and cash deposits

b) Foreign currency sensitivity

The Group is exposed to currency rate changes between sterling and euros, US dollars and Polish zloty.

The following table shows the Group's sensitivity to a 10% change in sterling against each respective foreign currency to which the Group is exposed, indicating the likely impact of changes in foreign exchange rates on the Group's financial position. The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period. A positive number indicates an increase in profit or loss and other equity.

2023 analysis

	EUR		USD		PLN		Total	
	+10% £m	-10% £m	+10% £m	-10% £m	+10% £m	-10% £m	+10% £m	-10% £m
Assets and liabilities under the scope of IFRS 7								
Profit or loss	1.2	(1.5) (i)	—	—	—	—	1.2	(1.5)
Other equity	4.9	(5.9) (ii)	(1.0)	1.2 (ii)	(0.8)	1.0 (ii)	3.1	(3.7)
Total shareholders' equity	6.1	(7.4)	(1.0)	1.2	(0.8)	1.0	4.3	(5.2)
Total assets and liabilities¹								
Profit or loss	1.4	(1.7) (iii)	—	— (v)	—	— (vi)	1.4	(1.7)
Other equity	(3.9)	4.8 (iv)	(1.0)	1.2 (iv)	(2.4)	2.9 (iv)	(7.3)	8.9
Total shareholders' equity	(2.5)	3.1	(1.0)	1.2	(2.4)	2.9	(5.9)	7.2

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20. Sensitivity Analysis continued

2022 analysis

	EUR		USD		PLN		Total	
	+10% £m	-10% £m	+10% £m	-10% £m	+10% £m	-10% £m	+10% £m	-10% £m
Assets and liabilities under the scope of IFRS 7								
Profit or loss	1.2	(1.5) (i)	—	—	(0.6)	0.7	0.6	(0.8)
Other equity	5.6	(6.8) (ii)	(0.9)	1.1 (ii)	(0.8)	1.0 (ii)	3.8	(4.7)
Total shareholders' equity	6.8	(8.3)	(0.9)	1.1	(1.4)	1.7	4.4	(5.5)
Total assets and liabilities¹								
Profit or loss	1.3	(1.6) (iii)	—	— (v)	(0.6)	0.7 (vi)	0.7	(0.8)
Other equity	(4.0)	4.9 (iv)	(0.9)	1.1 (iv)	(2.4)	2.9 (iv)	(7.3)	8.9
Total shareholders' equity	(2.7)	3.3	(0.9)	1.1	(3.0)	3.6	(6.6)	8.1

1. Certain assets and liabilities such as inventories, non-current assets and provisions do not come under the scope of IFRS 7. Therefore, in order to present a complete analysis of the Group's exposure to movements in foreign currency exchange rates, the exposure on the Group's total assets and liabilities has also been disclosed.

The movements noted above are mainly attributable to:

- (i) retranslation of euro interest flows.
- (ii) mark-to-market valuation changes in the fair value of effective net investment hedges and retranslation of assets and liabilities under the scope of IFRS 7.
- (iii) retranslation of euro profit streams and transaction exposure relating to purchases in euros.
- (iv) retranslation of foreign currency denominated assets and liabilities outside the scope of IFRS 7 and mark-to-market valuation changes in the fair value of effective net investment hedges.
- (v) transaction exposure relating to purchases in US dollars.
- (vi) retranslation of Polish zloty profit streams.

21. Provisions

	Onerous leases £m	Leasehold dilapidations £m	Onerous contracts £m	Other amounts £m	Total £m
At 1 January 2023	0.1	24.4	0.9	1.5	26.9
Unused amounts reversed in the period	—	(1.1)	—	(0.2)	(1.3)
Utilised	(0.1)	(1.0)	(1.1)	(0.8)	(3.0)
New provisions	0.3	3.5	0.2	2.4	6.4
Exchange differences	—	(0.1)	—	—	(0.1)
At 31 December 2023	0.3	25.7	—	2.9	28.9

	2023 £m	2022 £m
Included in current liabilities	7.9	9.6
Included in non-current liabilities	21.0	17.3
Total	28.9	26.9

Onerous leases

In accordance with IFRS 16, the future rental payments due over the remaining term of existing lease contracts is included in the lease liability, with the right-of-use asset impaired to reflect the future cost not covered through sublease income. The remaining onerous lease provision relates to other non-rental costs due over the remaining lease term based on expected value of costs to be incurred and assumptions regarding subletting. The balance at 31 December 2023 is payable over the relevant lease terms, the longest unexpired term being 18 years to 2041.

Leasehold dilapidations

This provision relates to contractual obligations to reinstate leasehold properties to their original state of repair. The provision is calculated based on both the estimated liability to rectify or reinstate leasehold improvements and modifications carried out on the inception of the lease (recognised on inception with corresponding fixed asset) and the liability to rectify general wear and tear which is recognised as incurred over the life of the lease. The costs will be incurred both at the end of the leases as set out in Note 23 (reinstatement) and during the lease term (wear and tear).

Onerous contracts

Onerous contract provisions related to licence fee commitments where no future economic benefit was expected to be obtained, principally in relation to the SAP S/4HANA implementation following the change in scope of the project in previous years. The licence fee contract is now ended and there is no remaining provision at 31 December 2023.

Other amounts

Other amounts relate principally to claims and warranty provisions based on expected value and past experience and provisions for restructuring costs based on expected value but where the amount and timing are uncertain. The transfer of economic benefit is expected to be made between one and four years' time.

As disclosed in the prior year, two of SIG's wholly owned subsidiaries in Benelux were subject to legal proceedings brought by a customer in connection with the installation of insulation at an industrial facility in Belgium. A provision was recognised within "Other amounts" at 31 December 2022. The matter was settled during the year, included within the "utilised" amount of £0.8m, and no further provision in relation to this remains at 31 December 2023.

22. Deferred tax

The net deferred tax asset at the end of the year is analysed as follows:

	2023 £m	2022 £m
Deferred tax assets	4.4	3.3
Net deferred tax asset	4.4	3.3

Summary of deferred tax

The different components of deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting period are analysed below:

	Goodwill and intangibles £m	Property, plant and equipment £m	Short-term timing differences £m	Retirement benefit obligations £m	Losses £m	Other £m	Total £m
At 1 January 2022	(1.6)	2.9	2.4	2.1	2.0	(3.0)	4.8
Credit/(charge) to income	0.6	2.9	0.5	—	(2.0)	0.6	2.6
Charge to equity	—	—	—	(0.5)	—	—	(0.5)
Added on acquisition	(3.6)	(0.1)	(0.1)	—	—	—	(3.8)
Exchange differences	—	0.1	—	0.1	—	—	0.2
At 31 December 2022	(4.6)	5.8	2.8	1.7	—	(2.4)	3.3
Credit/(charge) to income	1.4	(0.9)	1.0	(0.1)	—	(0.2)	1.2
Charge to equity	—	—	—	(0.1)	—	—	(0.1)
Reclassifications	—	(2.4)	—	—	—	2.4	—
Exchange differences	(0.1)	—	0.1	—	—	—	—
At 31 December 2023	(3.3)	2.5	3.9	1.5	—	(0.2)	4.4

The deferred tax charge within the Consolidated income statement for 2023 includes a credit of £0.1m (2022: £0.1m credit) arising from the change in domestic tax rates in the countries in which the Group operates.

In 2022, the deferred tax category "Other" included a £2.2m deferred tax liability relating to the revaluation of properties in France. This and certain other smaller amounts have been reclassified to Property, plant and equipment in the current year as this category reflects the nature of the item more accurately.

Given current and forecast trading the Directors consider that recognition of the deferred tax assets above is appropriate.

The majority of the deferred tax asset associated with the retirement benefit obligations is in respect of the French and German defined benefit schemes. Payments against the deficit will be deductible for tax purposes on a paid basis and the Group expects to receive the tax benefit, therefore the associated deferred tax asset has been recognised.

The Group has cumulative tax losses and other deductible temporary differences of £371.2m (2022: £289.0m) in the UK and £25.5m (2022: £7.3m) in Benelux for which no deferred asset is currently recognised as it is not considered probable that sufficient future taxable profits will be available to allow the utilisation of the deductible temporary differences. For the UK, although the trading businesses in aggregate have remained profitable in the current year, the UK tax group remains in a taxable loss position due to the head office costs and interest on the secured notes, and there is not considered to be sufficient convincing evidence that future taxable profits will be available at 31 December 2023. If the Group were to recognise all unrecognised deferred tax assets, profit and equity would have increased by £99.4m. The deductible temporary differences are available indefinitely.

At 31 December 2023 (and at 31 December 2022 restated) there are no aggregate temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised.

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for the year ended 31 December 2023

22. Deferred tax continued

The UK's main corporation tax rate increased to 25% from 1 April 2023. These changes were already enacted at 31 December 2022 and were reflected in the measurement of deferred tax balances at the prior period end. This did not have a significant impact as deferred tax assets are currently not recognised in the UK as noted above.

The Group has considered the impact of climate-related matters on future taxable profits when assessing the recoverability of deferred tax assets. At present, the impact of climate-related matters is not considered significant to forecast results and therefore no specific assumptions relating to climate-change are currently built into the forecasts.

23. Leases

The Group as a lessee

The Group has lease contracts for various properties, vehicles and other equipment used in its operations. Information on the nature and accounting for lease contracts is provided in the Accounting policies.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Buildings £m	Plant and equipment £m	Total £m
At 1 January 2023	209.0	56.9	265.9
Foreign currency movement	(1.5)	(0.4)	(1.9)
Additions	29.6	30.2	59.8
Disposals	(4.2)	(0.6)	(4.8)
Modifications	32.4	2.2	34.6
Transfer to tangible fixed assets	—	(0.4)	(0.4)
Impairments	(22.1)	(4.1)	(26.2)
Depreciation expense	(42.2)	(21.7)	(63.9)
At 31 December 2023	201.0	62.1	263.1

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	£m
At 1 January 2023	307.7
Foreign currency movement	(2.7)
Additions	59.8
Disposals	(5.7)
Modifications	34.7
Accretion of interest	19.6
Payments	(83.6)
At 31 December 2023	329.8
Current	64.9
Non-current	264.9
	329.8

The following are the amounts recognised in profit or loss:

	2023 £m	2022 £m
Depreciation expense of right-of-use assets	63.9	60.6
Interest expense on lease liabilities	19.6	13.3
Expense relating to short-term leases (included in operating expenses)	1.1	0.3
Impairment of right-of-use assets (included in Other items)	26.2	9.7
Total amount recognised in profit or loss	110.8	83.9

The Group had total cash outflows for leases of £83.6m in 2023 (2022: £73.4m). The Group also had non-cash additions to right-of-use assets and lease liabilities of £59.8m in 2023 (2022: £48.3m). The future cash outflows relating to leases that have not yet commenced are disclosed in Note 29(b).

The Group has a number of lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the lease-asset portfolio and align with the Group's business needs.

Set out below are the undiscounted potential future rental payments relating to periods following the expiry date of extension and termination options that are not included in the lease term.

	Within five years £m	More than five years £m	Total £m
Extension options expected not to be exercised	7.9	4.7	12.6
Termination options expected to be exercised	1.9	6.4	8.3
	9.8	11.1	20.9

The Group as a lessor

The Group is an intermediate lessor of a number of property leases which are subleased to a third party and are classified as finance leases in accordance with IFRS 16. The Group has lease assets receivable of £3.3m at 31 December 2023 (2022: £1.3m). These leases have remaining terms of between 3 and 13 years. Rental income recognised by the Group during the year is £0.6m (2022: £0.4m).

Future lease payments receivable from sub-leases classified as finance leases are as follows:

	2023 £m	2022 £m
Within one year	1.1	0.4
After one year but not more than five years	1.6	1.1
More than five years	1.0	0.5
	3.7	2.0
Less: future finance charges	(0.4)	(0.7)
Lease assets receivable	3.3	1.3

Of the total lease assets receivable, £1.1m (2022: £0.1m) is due within one year and £2.2m (2022: £1.2m) is due after more than one year.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2023 £m	2022 £m
Within one year	0.4	0.3
After one year but not more than five years	0.9	0.9
More than five years	0.2	0.4
	1.5	1.6

24. Called up share capital

	2023 £m	2022 £m
Authorised:		
1,390,000,000 ordinary shares of 10p each (2022: 1,390,000,000)	139.0	139.0
Allotted, called up and fully paid:		
1,181,556,977 ordinary shares of 10p each (2022: 1,181,556,977)	118.2	118.2

The Company has one class of ordinary share which carries no right to fixed income. The Company did not allot any shares during the year.

Treasury shares

Treasury shares relate to shares purchased by the EBT to satisfy awards made under the Group's share plans which are not vested and beneficially owned by employees. 5,901,425 (2022: 9,360,742) shares were purchased during the year at a weighted average cost of 28.9p per share (2022: 42.7p) and 13,357,702 shares were issued relating to the settlement of share awards. A total of 26,421,500 own shares are outstanding at 31 December 2023 (2022: 33,877,777).

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for the year ended 31 December 2023

25. Reconciliation of (loss)/profit before tax to cash generated from operating activities

	2023 £m	2022 £m
(Loss)/profit before tax	(31.9)	27.5
Net finance costs (Note 5)	35.9	28.7
Depreciation of property, plant and equipment (Note 10)	12.7	12.6
Depreciation of right-of-use assets (Note 23)	63.9	60.6
Amortisation of computer software (Note 12)	2.4	3.2
Amortisation of acquired intangibles (Note 12)	2.8	4.7
Impairment of property, plant and equipment (Note 10)	4.4	2.5
Impairment of goodwill (Note 11)	2.6	3.6
Impairment of acquired intangibles and computer software (Note 12)	2.5	—
Impairment of right-of-use assets (Note 23)	26.2	9.7
(Reversal of impairment)/impairment of lease receivable (Note 2)	(1.1)	2.0
Gain on lease transactions	(1.1)	—
Gain on disposal of property, plant and equipment	(4.3)	(0.4)
Share-based payment expense	5.5	4.4
Net foreign exchange differences	—	(1.0)
Decrease in provisions	(0.2)	(11.4)
Working capital movements:		
– Decrease/(increase) in inventories	9.2	(13.0)
– Decrease/(increase) in receivables	45.2	(41.6)
– (Decrease)/increase in payables	(46.3)	40.2
Cash generated from operating activities	128.4	132.3

Included within the cash generated from operating activities is a defined benefit pension scheme employer's contribution of £2.5m (2022: £2.5m).

26. Reconciliation of net cash flow to movements in net debt

	2023 £m	2022 £m
Increase/(decrease) in cash and cash equivalents in the year	2.7	(18.3)
Net cash outflow from repayment of leases and other debt ¹	84.5	76.1
Decrease in net debt resulting from cash flows	87.2	57.8
Deferred consideration added on acquisitions	—	(2.0)
Other debt added on acquisitions	—	(6.6)
Non-cash movement in lease liabilities and lease receivables	(105.8)	(111.3)
Other non-cash items ²	(3.3)	1.4
Exchange differences	7.9	(18.3)
Increase in net debt in the year	(14.0)	(79.0)
Net debt at 1 January	(444.0)	(365.0)
Net debt at 31 December	(458.0)	(444.0)

1. Including interest element of lease payments.

2. Other non-cash items relates to the fair value movement of debt and derivative financial instruments recognised in the year which does not give rise to a cash inflow or outflow.

Net debt is defined as follows:

	2023 £m	2022 £m
Non-current assets:		
Derivative financial instruments	—	0.2
Lease receivables	2.2	1.2
Current assets:		
Derivative financial instruments	—	1.6
Lease receivables	1.1	0.1
Cash at bank and on hand	132.2	130.1
Current liabilities:		
Lease liabilities	(64.9)	(56.5)
Interest-bearing loans and borrowings	(0.8)	(0.8)
Deferred consideration	(1.8)	(0.7)
Derivative financial instruments	(1.0)	—
Non-current liabilities:		
Lease liabilities	(264.9)	(251.2)
Interest-bearing loans and borrowings	(260.0)	(266.1)
Deferred consideration	—	(1.8)
Derivative financial instruments	(0.1)	(0.1)
Net debt	(458.0)	(444.0)

Of the cash at bank and on hand of £132.2m, £1.0m is required to be held to cover bank guarantees issued to third parties and is therefore restricted for use by the Group.

27. Analysis of net debt

	At 31 December 2022 £m	Cash flows £m	Non-cash items ¹ £m	Exchange differences £m	At 31 December 2023 £m
Cash at bank and on hand	130.1	2.7	—	(0.6)	132.2
Lease receivables	1.3	(0.6)	2.6	—	3.3
	131.4	2.1	2.6	(0.6)	135.5
Liabilities arising from financing activities					
Financial assets – derivative financial instruments	1.8	—	(1.8)	—	—
Debts due within one year	(1.5)	1.5	(3.6)	—	(3.6)
Debts due after one year	(268.0)	—	2.1	5.8	(260.1)
Lease liabilities	(307.7)	83.6	(108.4)	2.7	(329.8)
	(575.4)	85.1	(111.7)	8.5	(593.5)
Net debt	(444.0)	87.2	(109.1)	7.9	(458.0)

1. Non-cash items include the fair value movement of debt recognised in the year which does not give rise to a cash inflow or outflow, movements between debts due within one year and after one year, and non-cash movements in relation to lease liabilities and lease receivables.

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for the year ended 31 December 2023

28. Retirement benefit obligations

The Group operates a number of pension schemes, four (2022: four) of which provide defined benefits based on final pensionable salary. Of these schemes, one (2022: one) has assets held in a separate trustee administered fund and three (2022: three) are overseas book reserve schemes. The Group also operates a number of defined contribution schemes, all of which are independently managed.

There is one pension plan in The Netherlands, which is classified as a multi-employer defined benefit scheme under IAS 19, but is recognised in the Consolidated financial statements as a defined contribution scheme since the pension fund is not able to provide sufficient information to allow SIG's share of the assets and liabilities to be separately identified. Therefore, the Group's annual pension expense for this scheme (the industry-wide pension plan for the construction materials industry ("BPF HiBIN")) is equal to the required contribution each year. The coverage ratio of the multi-employer union plan increased to 110% as at 31 December 2023 (2022: 109%). The pension premium percentage remained at 25.2% (2022: 25.2%). The coverage ratio is calculated by dividing the fund's assets by the total sum of pension liabilities and is based upon market interest rates. The Company's participation in this scheme represents c0.1% of the total members. The Company is not liable for other participants' obligations, and there is no agreed allocation of surplus or deficit on withdrawal from the scheme or on winding up of the scheme. The pension premium percentage will increase to 23.4% in 2024. The Company is not aware of any other planned changes to contributions or benefits at the current time.

The Group's total pension charge for the year, including amounts charged to interest and Other items, was £8.9m (2022: £7.4m), of which a charge of £1.4m (2022: £0.2m) related to defined benefit pension schemes and £7.5m (2022: £7.2m) related to defined contribution schemes.

Defined benefit pension scheme valuations

In accordance with IAS 19 the Group recognises all actuarial gains and losses in full in the period in which they arise in the Consolidated statement of comprehensive income.

The actuarial valuation of the SIG plc Retirement Benefits Plan ("the Plan"), the UK scheme which is the largest scheme of the Group, is assessed by an independent actuary every three years who recommends the rate of contribution payable each year. The last formal actuarial valuation of the UK scheme as at 31 December 2019 was concluded in March 2021 and showed that the market value of the scheme's assets was £196.3m and their actuarial value covered 102% of the benefits accrued to members after allowing for expected future increases in pensionable salaries. The next triennial valuation as at 31 December 2022 is in the process of being finalised and is expected to be concluded by the end of March 2024. The UK defined benefit pension scheme was closed to future benefit accrual on 30 June 2016.

In 2018 an asset-backed funding arrangement was put in place to fund the triennial pension deficit identified by the previous valuation as at 31 December 2016 and to increase security of the Plan. The asset-backed funding arrangement transfers certain rights over a managed pool of certain customer receivables of one of the Group's subsidiary companies to a partnership and provides a mechanism to settle future funding commitments from receipts from higher quality trade receivables to ensure contributions to the Plan of £2.5m per annum for up to 20 years (as may be required and subject to certain discretions). The balance of receivables assigned to the managed pool is disclosed in Note 15. The partnership is controlled by the Group and is therefore included within the Consolidated financial statements. The receivables continue to be recognised on the Consolidated balance sheet, and the Plan's interest in the partnership is a non-transferable financial asset issued by the Group, and therefore does not constitute a plan asset for the Group. Distribution of income to the partners of the partnership, which forms the contribution to the Plan, is at the discretion of the General Partner, a subsidiary of the Group. There is however a guarantee in place which ensures that the Group's subsidiary, SIG Trading Limited, will make an equivalent contribution to the Plan if the partnership does not effect the discretionary distribution. The Group is therefore committed to making a contribution of £2.5m per annum until the structure terminates at the end of 20 years (March 2038) or earlier if certain agreed funding levels are reached.

The Trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The Trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

The other three schemes are book reserve schemes whereby the sponsoring company does not hold any separate assets to fund the pension scheme but makes a reserve in its accounts. Therefore, these schemes do not hold separate scheme assets. The liabilities of the schemes are met by the sponsoring companies.

The schemes typically expose the Group to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk. The risk relating to benefits to be paid to the dependants of scheme members on death in service is reinsured by an external insurance company.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets falls below this rate, it will create a plan deficit. Currently the plan has relatively balanced investments in line with the Trustees' Statement of Investment Principles between equity securities and debt instruments. Due to the long-term nature of the plan liabilities, the Trustees of the pension fund consider it appropriate that a reasonable portion of the plan assets should be invested in growth assets to leverage the return generated by the fund.
Interest rate risk	A decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the return on the plan's bond holdings.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability. However, a pensionable salary cap was introduced from 1 July 2012 of 2.5% per annum.

Consolidated income statement charges

The pension charge for the year, including amounts charged to interest of £0.8m (2022: £nil) relating to the defined benefit pension schemes, was £1.4m (2022: £0.2m). This is net of £nil (2022: £0.3m credit) included within Other items relating to the member options exercise undertaken during the prior year.

In accordance with IAS 19, the charge for the defined benefit schemes has been calculated as the sum of the cost of benefits accruing in the year, the increase in the value of benefits already accrued and the expected return on assets. The actuarial valuations described previously have been updated at 31 December 2023 by a qualified actuary using revised assumptions that are consistent with the requirements of IAS 19. Investments have been valued, for this purpose, at fair value.

The UK defined benefit scheme is closed to new members and has an age profile that is rising. The three overseas book reserve schemes remain open to new members.

Consolidated balance sheet liability

The balance sheet position in respect of the four defined benefit schemes can be summarised as follows:

	2023 £m	2022 £m
Pension liability before taxation	(20.3)	(23.0)
Related deferred tax asset	1.5	1.7
Pension liability after taxation	(18.8)	(21.3)

The actuarial gain of £1.1m (2022: £14.3m loss) for the year, together with an associated deferred tax debit of £0.1m (2022: £0.5m debit), has been recognised in the Consolidated statement of comprehensive income.

Of the above pension liability before taxation, £12.7m (2022: £15.7m) relates to the funded scheme in the UK and £7.6m (2022: £7.3m) relates to the overseas unfunded schemes. The liability in relation to the UK scheme has decreased during the year due to an actuarial gain on the liabilities due to changes in assumptions and valuation experience and the employer contribution of £2.5m, partially offset by a loss on scheme assets and finance costs of £0.7m.

The movement in the pension liability before taxation in the year can be summarised as follows:

	2023 £m	2022 £m
Pension liability at 1 January	(23.0)	(10.7)
Current service cost	(0.6)	(0.5)
Payment of unfunded benefits	0.3	0.3
Contributions	2.5	2.5
Net finance cost	(0.8)	—
Past service credit – plan amendment (included within Other items)	—	0.3
Actuarial gain/(loss)	1.1	(14.3)
Effect of changes in exchange rates	0.2	(0.6)
Pension liability at 31 December	(20.3)	(23.0)

Notes to the consolidated financial statements / continued

for the year ended 31 December 2023

28. Retirement benefit obligations continued

The principal assumptions used for the IAS 19 actuarial valuation of the UK scheme (the largest scheme of the Group) were:

	2023 %	2022 %
Rate of increase in salaries ¹	n/a	n/a
Rate of fixed increase of pensions in payment	1.9%	1.9%
Rate of increase of LPI pensions in payment	3.0%	3.0%
Discount rate	4.5%	4.9%
Inflation assumption	3.1%	3.2%

1. Upon closure of the UK defined benefit scheme to future benefit accrual the accrued benefits of active members ceased to be linked to their final salary and will instead revalue in deferment broadly in line with movements in the Consumer Price Index.

Deferred pensions are revalued to retirement in line with the schemes' rules and statutory requirements, with the inflation assumption used for LPI revaluation in deferment.

Within the principal plan the life expectancy for a male employee beyond the normal retirement age of 65 is 21.7 years (2022: 22.5 years). The life expectancy on retirement at age 65 of a male employee currently aged 45 years is 22.1 years (2022: 22.9 years). The life expectancy for a female employee beyond the normal retirement age of 65 is 23.3 years (2022: 23.9 years). The life expectancy on retirement at age 65 of a female employee currently aged 45 years is 24.9 years (2022: 25.5 years).

The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. If the discount rate were to be increased/decreased by 0.1%, this would decrease/increase the Group's gross pension scheme deficit by c£1.2m. If the rate of inflation increased/decreased by 0.1% this would increase/decrease the Group's gross pension scheme deficit by c£0.3m. If the life expectancy for employees increased by one year the Group's gross pension scheme deficit would increase by c£4.7m. The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The average duration of the defined benefit scheme obligation at 31 December 2023 is 12 years (2022: 16 years).

The fair value of assets held at the balance sheet date were:

	2023 £m	2022 £m
Equities	16.3	17.6
Corporate and government bonds	58.8	62.1
Investment funds	15.4	8.8
Property	5.8	6.6
Cash and net current assets	3.3	6.2
Total fair value of assets	99.6	101.3

All equity and debt instruments have quoted prices in active markets and can be classified as Level 1 and 2 instruments, other than property which is Level 3.

The amount included in the Consolidated balance sheet arising from the Group's obligation in respect of its defined benefit schemes is as follows:

	2023 £m	2022 £m
Fair value of assets	99.6	101.3
Present value of scheme liabilities	(119.9)	(124.3)
Net liability recognised in the Consolidated balance sheet	(20.3)	(23.0)

The overall expected rate of return is based upon market conditions at the balance sheet date.

Amounts recognised in the Consolidated income statement in respect of these defined benefit schemes are as follows:

	2023 £m	2022 £m
Current service cost	0.6	0.5
Past service credit – plan amendment (included within Other items)	—	(0.3)
Net finance cost	0.8	—
Amounts recognised in the Consolidated income statement	1.4	0.2

Analysis of the actuarial gain/(loss) recognised in the Consolidated statement of comprehensive income in respect of the schemes:

	2023 £m	2022 £m
Actual return less expected return on assets	(2.3)	(70.4)
Effect of changes in demographic assumptions	5.8	0.8
Effect of changes in financial assumptions	(4.5)	58.6
Impact of liability experience	2.1	(3.3)
Remeasurement of the defined benefit liability	1.1	(14.3)

The remeasurement of the net defined benefit liability is included within the Consolidated statement of comprehensive income.

Movements in the present value of the schemes' liabilities were as follows:

	2023 £m	2022 £m
Present value of schemes' liabilities at 1 January	(124.3)	(183.0)
Current service cost	(0.6)	(0.5)
Interest on pension schemes' liabilities	(5.6)	(3.1)
Benefits paid	6.7	6.2
Payment of unfunded benefits	0.3	0.3
Effect of changes in exchange rates	0.2	(0.6)
Past service credit – plan amendment (included within Other items)	–	0.3
Remeasurement gains/(losses):		
Actuarial gain arising from changes in demographic assumptions	5.8	0.8
Actuarial (loss)/gain arising from changes in financial assumptions	(4.5)	58.6
Actuarial gain/(loss) due to liability experience	2.1	(3.3)
Present value of schemes' liabilities at 31 December	(119.9)	(124.3)

Movements in the fair value of the schemes' assets were as follows:

	2023 £m	2022 £m
Fair value of schemes' assets at 1 January	101.3	172.3
Finance income	4.8	3.1
Actual return less expected return on assets	(2.3)	(70.4)
Contributions from sponsoring companies	2.5	2.5
Benefits paid	(6.7)	(6.2)
Fair value of schemes' assets at 31 December	99.6	101.3

29. Commitments and contingencies

a) Capital commitments

	2023 £m	2022 £m
The purchase of property, plant and equipment contracted but not provided for	0.1	0.1

b) Lease commitments

The Group has various lease contracts that have not yet commenced as at 31 December 2023. The future lease payments for these non-cancellable lease contracts are £1.3m within one year (2022: £0.3m), £4.3m within five years (2022: £0.1m) and £1.7m thereafter (2022: £nil).

Information on the Group's leasing arrangements is included in Note 23.

c) Contingent liabilities

Legal claim:

At 31 December 2022 the Group disclosed a contingent liability in relation to legal proceedings being brought against two of the Group's subsidiaries in Benelux. The claim has been settled during the year (see Note 21) and the contingent liability no longer exists.

Notes to the consolidated financial statements / continued

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29. Commitments and contingencies continued

Other:

As at the balance sheet date, the Group had outstanding obligations under customer guarantees, claims, standby letters of credit and discounted bills of up to £12.5m (2022: £11.7m). Of this amount, £6.1m (2022: £5.2m) relates to a standby letter of credit issued by HSBC Bank plc in respect of the Group's insurance arrangements.

As part of the disposal of the Building Plastics business in 2017 a guarantee was provided to the landlord of the leasehold properties transferred with the business covering rentals over the remaining term of the leases in the event that the acquiring company enters into administration before the end of the lease term. The maximum liability that could arise from this would be approximately £0.6m (2022: £0.8m) based on the remaining future rent commitment at 31 December 2023. No provision has been made in these financial statements as it is not considered likely that any loss will be incurred in connection with this.

30. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and have therefore not been disclosed.

In 2023, SIG incurred expenses of £0.3m (2022: £0.2m) on behalf of the SIG plc Retirement Benefits Plan, the UK defined benefit pension scheme.

Remuneration of key management personnel

The total remuneration of key management personnel of the Group, being the Executive Leadership Team members and the Non-Executive Directors (see pages 112 and 113), is set out below in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures".

	2023 £m	2022 £m
Short-term employee benefits	6.7	7.9
Termination and post-employment benefits	0.3	0.1
IFRS 2 share-based payment expense	4.6	2.9
	11.6	10.9

31. Subsidiaries

Details of the Group's subsidiaries, all of which have been included in the Consolidated financial statements, are shown on pages 204 to 205.

32. Post balance sheet events

There are no post balance sheet events requiring adjustment or disclosure in the Consolidated financial statements.

Non-statutory information

The Group uses a number of alternative performance measures, which are non-IFRS, to describe the Group's performance. The Group considers these performance measures to provide useful historical financial information to help investors evaluate the underlying performance of the business. Alternative performance measures are not a substitute for or superior to statutory IFRS measures.

These measures, as shown below, are used to improve the comparability of information between reporting periods and geographical units and to adjust for Other items (as explained in further detail within the Accounting policies). This also reflects how the business is managed and measured on a day-to-day basis. Measures presented are aligned with the key performance measures used in the business and as included in the Strategic report.

a) Net debt

Net debt is a key metric for the Group, and monitoring it is an important element of treasury risk management for the Group. Net debt excluding the impact of IFRS 16 is no longer relevant for financial covenant purposes but is still monitored for comparative purposes.

	Note	2023 £m	2022 £m
Reported net debt	27	458.0	444.0
Lease liabilities recognised in accordance with IFRS 16		(307.3)	(285.0)
Lease receivables recognised in accordance with IFRS 16		3.3	1.3
Net debt excluding the impact of IFRS 16		154.0	160.3

b) Leverage

Leverage is one of the covenants applicable to the RCF and is used as a key performance measure for the Group. It is calculated as net debt divided by the last twelve months underlying EBITDA.

	2023 £m	2022 £m
Underlying operating profit	53.1	80.2
Add back:		
Depreciation of right-of-use assets and property, plant and equipment	76.6	73.2
Amortisation of computer software	2.4	3.2
Underlying EBITDA	132.1	156.6
Reported net debt	458.0	444.0
Leverage	3.5x	2.8x

Leverage excluding the impact of IFRS 16 is calculated as follows:

	2023 £m	2022 £m
Underlying operating profit	53.1	80.2
Impact of IFRS 16	(13.5)	(8.6)
Underlying operating profit excluding impact of IFRS 16	39.6	71.6
Add back:		
Depreciation excluding impact of IFRS 16	13.0	12.2
Amortisation of computer software	2.4	3.2
Underlying EBITDA excluding the impact of IFRS 16	55.0	87.0
Net debt excluding the impact of IFRS 16	154.0	160.3
Leverage excluding the impact of IFRS 16	2.8x	1.8x

Non-statutory information / continued

c) Like-for-like sales

Like-for-like sales is calculated on a constant currency basis, and represents the growth in the Group's sales per day excluding any acquisitions or disposals completed or agreed in the current and prior year. Revenue is not adjusted for branch openings and closures. This measure shows how the Group has developed its revenue for comparable business relative to the prior period. As such it is a key measure of the growth of the Group during the year. Underlying revenue is revenue from continuing operations excluding non-core businesses.

	UK Interiors £m	UK Exteriors £m	UK Specialist Markets £m	Total UK £m	France Interiors £m	France Exteriors £m	Total France £m	Germany £m	Benelux £m	Ireland £m	Poland £m	Total Group £m
Statutory and underlying revenue 2023	563.7	370.4	266.0	1,200.1	219.0	471.3	690.3	462.1	116.9	94.1	237.9	2,801.4
Less: inter-segment revenue	(7.2)	(1.0)	(18.4)	(26.6)	(0.1)	(13.3)	(13.4)	—	—	(0.2)	—	(40.2)
External revenue	556.5	369.4	247.6	1,173.5	218.9	458.0	676.9	462.1	116.9	93.9	237.9	2,761.2
Statutory and underlying revenue 2022	566.7	363.8	239.2	1,169.7	218.5	475.3	693.8	457.9	115.9	108.3	230.8	2,776.4
Less: inter-segment revenue	(5.2)	(0.7)	(16.0)	(21.9)	(0.1)	(9.7)	(9.8)	(0.1)	—	—	(0.1)	(31.9)
External revenue	561.5	363.1	223.2	1,147.8	218.4	465.6	684.0	457.8	115.9	108.3	230.7	2,744.5
% change year on year:												
Underlying revenue	(0.9)%	1.7%	10.9%	2.2%	0.2%	(1.6)%	(1.0)%	0.9%	0.9%	(13.3)%	3.1%	0.6%
Impact of currency	—	—	—	—	(1.6)%	(1.6)%	(1.6)%	(1.6)%	(1.6)%	(1.4)%	(5.1)%	(1.2)%
Impact of acquisitions	—	—	(16.4)%	(3.0)%	—	—	—	(1.0)%	—	—	—	(1.4)%
Impact of working days	(0.4)%	(0.4)%	(0.4)%	(0.4)%	0.4%	0.4%	0.4%	0.4%	0.4%	—	—	—
Like-for-like sales	(1.3)%	1.3%	(5.9)%	(1.2)%	(1.0)%	(2.8)%	(2.2)%	(1.3)%	(0.3)%	(14.7)%	(2.0)%	(2.0)%

d) Operating margin

This is used to enhance understanding and comparability of the underlying financial performance of the Group and is calculated as underlying operating profit as a percentage of underlying revenue.

	2023 £m	2022 £m
Underlying revenue	2,761.2	2,744.5
Underlying operating profit	53.1	80.2
Operating margin	1.9%	2.9%

e) Free cash flow

Free cash flow is defined as all cash flows excluding M&A transactions, dividend payments and financing transactions. Operating cash flow represents free cash flow before interest and financing, costs of refinancing and tax. These measures are used to enhance understanding and comparability of the cash generation of the Group.

	2023 £m	2022 £m
Increase/(decrease) in cash and cash equivalents in the year	2.7	(18.3)
Add back:		
Net cash flow on the purchase of businesses	—	26.0
Settlement of amounts payable for previous purchases of businesses	0.7	1.3
Investment in financial assets	—	0.2
Repayment of borrowings	0.8	1.4
Free cash flow	4.2	10.6
Add back:		
Finance costs paid	36.9	30.1
Finance income received	(2.2)	(1.3)
Other refinancing cash costs ¹	—	1.1
Tax paid	14.0	14.3
Operating cash flow	52.9	54.8

1. Includes costs accrued in the prior year and paid in the current year.

f) Other non-statutory measures

In addition to the alternative performance measures noted above, the Group also uses underlying EPS (as set out in Note 8), underlying net finance costs (as set out in Note 5) and average trade working capital to sales ratio. Average trade working capital to sales ratio is calculated as the average trade working capital each month end (net inventory, gross trade creditors, net trade receivables and supplier rebates receivable) divided by underlying revenue.

Independent auditor's report

to the members of SIG plc

Opinion

In our opinion:

- SIG plc's Group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the SIG plc (the "parent company") and its subsidiaries' (together "the Group") affairs as at 31 December 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of SIG plc (the "parent company") and its subsidiaries (the "Group") for the year ended 31 December 2023 which comprise:

Group	Parent company
Consolidated income statement for the year ended 31 December 2023	Company balance sheet as at 31 December 2023
Consolidated statement of comprehensive income for the year ended 31 December 2023	Statement of changes in equity for the year ended 31 December 2023
Consolidated balance sheet as at 31 December 2023	Related notes 1 to 15 to the financial statements including material accounting policy information
Consolidated statement of changes in equity for the year ended 31 December 2023	
Consolidated statement of cash flows for the year ended 31 December 2023	
Related notes 1 to 32 to the financial statements, including material accounting policy information	

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. 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" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 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 prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and parent company's ability to continue to adopt the going concern basis of accounting included:

- Confirming our understanding of management's going concern assessment which included the preparation of the base case cash forecast and the reasonable worst-case scenario covering the going concern period until 31 March 2025. We also engaged with management early to ensure all key risk factors were considered in their assessment;
- Obtaining management's going concern assessment, including the cash forecast for the going concern period through to 31 March 2025 and testing this for arithmetical accuracy. Management modelled a downside scenario in its cash forecasts in order to incorporate unexpected changes to the forecasted liquidity of the Group;
- Checking the consistency of information used in management's assessment with the budget and medium-term plan approved by the Board and information obtained from other areas of the audit;
- Confirming there had been no changes to the existing Secured Notes and Revolving Credit Facility ("RCF") to verify the nature of facilities, repayment terms, covenants, and other conditions.
- Assessing the continued availability of the facilities to the Group through the going concern period and ensuring completeness of covenants identified by management;
- Challenging the appropriateness of the key assumptions in management's forecasts, including revenue growth and operating margin percentage, by comparing these to year-to-date performance and industry benchmarks;

- Challenging management’s consideration of a reasonable worst-case scenario, evaluating whether the impact of a prolonged downturn in trading had been appropriately included and whether climate risk may materially impact the going concern assessment;
- Considering management’s reverse stress test in order to identify and understand what factors and how severe a downside scenario would have to be to result in the Group utilising all liquidity or breaching a financial covenant during the going concern period;
- Assessing the plausibility of management’s downside scenarios, including the reverse stress test, by comparing to third-party data, including industry and broker reports, for indicators of contradictory evidence, including market growth expectations and broker consensus on expected outturn of the Group and performance of the industry;
- Considering the amount and timing of mitigating factors under the Group’s control that could preserve cash if required; and
- Reviewing the Group’s going concern disclosures included in the annual report in order to assess whether they were appropriate and in conformity with the reporting standards.

Key Observations

- At 31 December 2023 the Group has committed facilities of €300m Secured Notes and a £90m RCF to November 2026 and May 2026, respectively. The RCF was undrawn at 31 December 2023. Covenants are only effective if 40% (£36m) is drawn at a relevant quarter end. This could restrict the amount available to drawdown on the RCF to less than £36m in management’s reasonable worst-case scenario in order to prevent a covenant breach at a relevant quarter end. The Group had a cash balance of £132.2m at 31 December 2023.
- The results from both management’s evaluation and our independent sensitivity analysis and reverse stress testing indicate that a scenario whereby a decline in performance is severe enough to cause a liquidity issue and covenant breach is considered remote.
- Our consideration of other evidence, including industry and broker reports, did not contradict the assumptions in management’s forecasts. Additionally, we did not identify events or conditions in the period to 31 March 2025 that may cast doubt on the Group’s ability to continue as a going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and parent company’s ability to continue as a going concern for a period to 31 March 2025.

In relation to the Group and parent company’s reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors’ statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group’s ability to continue as a going concern.

Overview of our audit approach

Audit scope	<ul style="list-style-type: none"> – We performed an audit of the complete financial information of five components and audit procedures on specific balances for a further five components. – The components where we performed full or specific audit procedures accounted for 96% of Group underlying operating profit, 88% of underlying profit before tax (on an absolute basis), 96% of revenue and 89% of total assets.
Key audit matters	<ul style="list-style-type: none"> – Impairment of goodwill, intangible assets, property, plant and equipment (“PPE”) and Right-of-use assets (“ROUA”) – Misstatement of supplier rebate income and the associated receivable
Materiality	– Overall Group materiality of £2.8m which represents 5% of Group underlying operating profit.

An overview of the scope of the parent company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and the effectiveness of Group-wide controls, any changes in the business environment, the potential impact of climate change and other factors such as recent Internal audit results when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we selected ten components covering entities within the United Kingdom (including the parent company), France, Germany, Poland, Ireland, and the Netherlands, which represent the principal business units within the Group.

Of the ten components selected, we performed an audit of the complete financial information of five components (“full scope components”) which were selected based on their size or risk characteristics. For the remaining five components (“specific scope components”), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

Independent auditor's report / continued

to the members of SIG plc

The reporting components where we performed audit procedures accounted for 96% (2022: 92%) of the Group's underlying operating profit, being the measure used to calculate materiality, 88% (2022: 99%) of the Group's underlying profit before tax (on an absolute basis), 96% (2022: 91%) of the Group's revenue and 89% (2022: 89%) of the Group's total assets. For the current year, the full scope components contributed 58% (2022: 56%) of the Group's underlying operating profit, 70% (2022: 48%) of the Group's underlying profit before tax (on an absolute basis), 71% (2022: 71%) of the Group's revenue and 71% (2022: 69%) of the Group's total assets. The specific scope component contributed 38% (2022: 36%) of the Group's underlying operating profit, 17% (2022: 51%) of the Group's underlying profit before tax (on an absolute basis), 25% (2022: 20%) of the Group's revenue and 19% (2022: 20%) of the Group's total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. Other items were in scope for all component teams. We also instructed one location to perform specified procedures over certain aspects of revenue, receivables, and cash.

Of the remaining components that together represent 4% of the Group's underlying operating profit, none are individually greater than 4% (in terms of profit or loss) of the Group's underlying operating profit. For these components, we performed other procedures, including analytical review, review of internal audit reports, testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statements.

Changes from the prior year

In the current year we increased the scope for SIG Netherlands from specified procedures to Specific Scope due to the trading performance and relative contribution of the business to the Group's underlying operating profit. We also added Miers Construction Products Ltd ("Miers") as Specific Scope for the current year; Miers was newly acquired in July 2022 and was not in-scope for the prior year audit.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the five full scope components, audit procedures were performed on three of these directly by the primary audit team and two by component audit teams. For the five specific scope components, where the work was performed by component auditors (the case in four of the specific scope components), we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor visits all full scope locations and other key locations. During the current year's audit cycle, visits were undertaken by the primary audit team to the component teams in France (two occasions), Germany, Poland, and the Netherlands, with the Senior statutory auditor visiting France, Germany and Poland and other senior members of the team visiting all locations. These visits involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management, attending planning and closing meetings, and reviewing relevant audit working papers on risk areas. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed relevant working papers and were responsible for the scope and direction of the audit process. At critical periods of the audit, we increased the use of online collaboration tools to facilitate team meetings, information sharing and the evaluation, review and oversight of component teams. We requested more detailed deliverables from component teams, and we utilised fully the interactive capability of EY Canvas, our global audit workflow tool, to review remotely the relevant underlying work performed. The Senior Statutory Auditor is responsible for the UK component teams; for the UK components, communication has been maintained throughout the audit covering the same areas described above applicable to all non-UK component teams. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Climate change

There remains increased interest from stakeholders as to how climate change will impact the Group. The Group and parent company have determined that the most significant future impacts from climate change on its operations will be the removal of fossil fuels from the Group's fleet of vehicles. These are explained on pages 36 to 46 in the required Task Force for Climate related Financial Disclosures and Non-Financial and Sustainability information statement on pages 60 to 63 in the principal risks and uncertainties. They have also explained their climate commitments in their Sustainability review on pages 20 to 47 including 'Net zero carbon by 2035. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained in the Basis of preparation section of the Accounting policies how they have assessed the impact of climate change on the carrying value of non-current assets and the impact on forecasts used in the impairment review and the assessments of going concern and longer-term viability. Management concluded these considerations did not have a material impact on the Group in the current year or over the next three years.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, and their climate commitments. As part of this evaluation, we performed our own risk assessment, supported by our climate change internal specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work, while we have not identified the impact of climate change on the financial statements to be a standalone key audit matter, we have considered the impact on the 'Impairment of goodwill, intangible assets, property, plant and equipment, and right-of-use assets' key audit matter. Details of the impact, our procedures and findings are included in our explanation of key audit matters below.

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 our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit & Risk Committee
<p>Impairment of goodwill, intangible assets, property, plant and equipment ("PPE"), and right-of-use assets ("ROUA")</p> <p><i>Refer to accounting policies (pages 135 and 144 to 145); and Note 11 of the Consolidated financial statements (pages 155 to 158)</i></p> <p>The Group balance sheet includes goodwill, intangible assets, PPE, and ROUA totalling £475.0m (2022 restated: £492.3m).</p> <p>In accordance with the requirements of IAS 36 Impairment of Assets, management test goodwill balances annually for impairment. This assessment includes intangible assets, PPE, and ROUA.</p> <p>Impairment tests are performed where indicators of impairment exist. Impairment tests can include significant areas of estimation uncertainty and judgement over the future performance of the business, for example forecast future trading results and cashflows and specific assumptions such as discount rates and long-term growth rates.</p> <p>Changes to assumptions or adverse performance could have a significant impact on the available headroom and any impairment that may be required.</p>	<p>Value-in-use ("VIU") Model</p> <p>We understood the methodology behind, and tested, the discounted cash-flow model used by management to perform the impairment test for each of the relevant cash-generating units ("CGUs") per the requirements of IAS 36 Impairment of Assets.</p> <p>We assessed the change in operating segments effective 1 November 2023, increasing the number of UK operating segments from two to three, and the number of UK CGUs from four to five. We corroborated this appropriately reflected the change in management reporting to the Chief Operating Decision Maker in accordance with the criteria in IFRS 8 Operating Segments.</p> <p>We tested the clerical accuracy of the model and challenged lease renewal assumptions and forecasting risk adjustments through understanding the rationale for their inclusion and reviewing management's calculations.</p> <p>We identified and walked through key controls in the impairment process identified by management, including the budgeting process.</p> <p>Key Assumptions in the VIU Model</p> <p>We evaluated the key underlying assumptions within the VIU calculation including the forecasts, discount rates, and long-term growth rates.</p> <p>We evaluated the impact of independent market forecasts, global conflicts, and climate risk on the assumptions.</p> <p>We challenged the underlying forecasts in management's 2024 budgets and 2025-2026 medium-term plan. Our challenge focused on the growth assumptions, specifically comparing to industry forecasts, and considered the historical accuracy of management's budgets. We performed sensitivity analysis to understand the most sensitive assumptions in the underlying forecasts.</p> <p>We benchmarked the discount rates and long-term growth rates applied, using our internal valuation experts. We considered if management's assumptions are within an acceptable range based on comparative market data.</p> <p>We applied sensitivities to the long-term growth rates used in the model by benchmarking to alternative sources of evidence, we noted management's rates were comparable.</p> <p>As part of our stand back analysis, we compared the VIU of each CGU as per the model computed by management to our independently assessed range of possible outcomes.</p>	<p>An impairment charge of £33.8m against the UK Interiors CGU goodwill, ROUA, and PPE has been appropriately recorded. Reasonably plausible downside scenarios could result in further impairment for the UK Interiors CGU and impairment charges for the UK Exteriors and Building Solutions CGUs. The sensitivity disclosures for these CGUs are appropriate.</p>

Independent auditor's report / continued

to the members of SIG plc

Risk	Our response to the risk	Key observations communicated to the Audit & Risk Committee
<p>Benelux</p> <p>Management performed an analysis of the higher of the CGU's VIU and the fair value less costs to dispose ("FVLCD") of the assets of the CGU, engaging an external property valuation specialist to assist in valuing the right-of-use assets held.</p> <p>In this assessment, the FVLCD of the leases was higher than the VIU. There is judgement in assessing the recoverable amount of leases based on the tenure of the lease and the ability to sublet, and related terms thereof, for vacant properties.</p>	<p>Benelux Assessment</p> <p>Management obtained an independent external valuation report for the ROUA held by the CGU which supported their assessment that the net book value was recoverable. We engaged an internal specialist to corroborate the qualifications and methodology of management's specialist was appropriate to make this assessment.</p> <p>We also assessed that the contracts held by management included contractual rights to sublet the properties and any relevant costs to dispose were appropriately incorporated in the fair value.</p> <p>With input from our internal specialists, for a sample of leases, we assessed the achievability of the time frame in which a sublet might be secured and the validity of the related contractual conditions attached to a sublet on which management's valuation basis was met. We did this in comparison to prevailing market factors.</p> <p>Disclosures</p> <p>We assessed the disclosures against the requirements of IAS 36 Impairment of Assets, in particular the requirement to disclose further sensitivities for CGUs where a reasonably possible change in a key assumption would cause an impairment.</p> <p>We also assessed the disclosure within the key judgements and estimation uncertainty section of the financial statements.</p> <p><i>The primary audit team performed audit procedures over this risk area covering 100% of the risk amount.</i></p>	<p>The carrying value of the Benelux ROUA and PPE, as evaluated based on the FVLCD of those assets, is appropriate.</p>
<p>Misstatement of supplier rebate income and associated receivable</p> <p><i>Refer to accounting policies (pages 137 and page 145); and Notes 15 and 16 of the Consolidated financial statements (page 161 to 162)</i></p> <p>In 2023, income from Supplier Rebates totalled £369.3m (2022: £349.5m) with a receivable balance as at 31 December 2023 of £106.9m (2022: £125.9m).</p> <p>The terms of agreements with suppliers can be complex and varied. Judgement and estimation uncertainty is present in relation to supplier rebates, in particular where amounts receivable are tiered based on volumes purchased or where volumes are estimated, for example where arrangements span the year end. There is opportunity through management override of controls or error to either overstate or understate the balance of supplier rebates recognised.</p>	<p>We focused our audit procedures on the areas where management apply judgement and estimation, where the processing is either manual or more complex, and where the value is high. In particular, where amounts receivable are tiered based on volumes purchased or where volumes are estimated, for example where arrangements span the year end.</p> <p>We performed walkthroughs to understand the key processes used to record supplier rebate transactions and identified key controls.</p> <p>We performed analytical reviews to understand unusual movements in income statement and balance sheet accounts period on period, including ageing analysis.</p> <p>We selected a sample of suppliers in order to obtain independent confirmations to confirm key terms, income recognised and the year-end receivable.</p> <p>Using the confirmations received, we reconciled income recognised in the period and the receivable recorded at the year end.</p> <p>Where third party vendor confirmations could not be obtained for the sample, we:</p> <ul style="list-style-type: none"> – Obtained and reviewed the agreement signed by both parties. – Validated the purchase volumes used in the calculation of income through sample testing to supporting documentation. – Recalculated the year-end rebate receivable and income recognised in the year based on the validated volumes and the terms of the signed agreement. <p>Using data extracted from the accounting system, we tested the appropriateness of a sample of journal entries and other adjustments to supplier rebate accounts in the balance sheet and income statement.</p> <p>We performed a stand back analysis to ensure the untested population was not material by bringing additional items into scope of our testing or performing analytical procedures.</p> <p>We reviewed the appropriateness of the critical accounting judgements and key sources of estimation uncertainty disclosed in respect of supplier rebate amounts recorded in the income statement and balance sheet.</p> <p><i>We performed the above audit procedures over this risk area at ten full and specific scope locations, which covered 99% of the risk amount associated to supplier rebate income, and 99% of the risk amount associated to supplier rebates receivable.</i></p>	<p>The income recognised in the year and the balance sheet position at year end are appropriately recorded.</p> <p>We reviewed the disclosures included within the financial statements and consider them appropriate.</p>

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £2.8m (2022: £3.5m), which is 5.0% (2022: 4.4%) of underlying operating profit. We believe that underlying operating profit provides us with the most relevant performance measures to the stakeholders of the Group and is therefore an appropriate basis for materiality.

We determined materiality for the parent company to be £3.5m (2022: £3.5m), which is 1.0% (2022: 1.0%) of shareholders equity, being £338.2m, however we have capped the materiality for our audit testing at the materiality of the Group.

During the course of our audit, we reassessed initial materiality calculated at £3.0m, and revised this to £2.8m as a result of the actual trading performance of the Group.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2022: 50%) of our planning materiality, namely £1.4m (2022: £1.75m). We have set performance materiality at this percentage due to our assessment of the control environment, the level of misstatements in the prior year, and the outcome of our risk assessment.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.3m to £0.8m (2022: £0.4m to £0.8m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £0.14m (2022: £0.175m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 127, including the Strategic Report and the Governance reports (Corporate Governance Report, Nominations Committee Report, Directors' Report, Audit and Risk Committee Report, Directors' Remuneration Report, and Directors' Responsibilities Statement), 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 this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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.

Independent auditor's report / continued

to the members of SIG plc

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 55;
- 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 55;
- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 55;
- Directors' statement on fair, balanced and understandable set out on page 92;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 94 to 95;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 95; and;
- The section describing the work of the Audit and Risk Committee set out on pages 86 to 93.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 127, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Group and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those that relate to the reporting framework (UK adopted international accounting standards, the Companies Act 2006 and the UK Corporate Governance Code) and the relevant tax compliance regulations in the jurisdictions in which the Group operates. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules of the UK Listing Authority, and those laws and regulations relating to health and safety and employee matters.
- We understood how SIG plc is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures, and the Company Secretary. We corroborated our enquiries through our review of minutes of meetings of the Board of Directors, Remuneration Committee, Nominations Committee, and the Audit and Risk Committee (which we also observed in attendance). We also considered the results of our audit procedures across the Group.
- We assessed the susceptibility of the Group’s financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was a susceptibility to fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud and error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of Group management, those charged with governance and legal counsel, as well as journal entry testing, with a focus on manual consolidation journals and journals indicating significant or unusual transactions based on our understanding of the business. Through our testing we challenged the assumptions and judgements made by management in respect of unusual or significant one-off transactions in the year and significant accounting estimates as referred to in the key audit matters section above. At a component level, our full and specific scope component audit team’s procedures included inquiries of component management, journal entry testing, and focused testing, including in respect of the key audit matter of supplier rebate income and the associated receivable. We also leveraged our data analytics platform in performing our work on the order to cash processes to assist in identifying higher risk transactions for testing. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards, UK legislation and the UK Corporate Governance Code.
- Specific inquiries were made with the component teams to confirm the details of any instances of non-compliance with laws and regulations. This was reported via interoffice audit deliverables based on the procedures detailed in the previous paragraph. Additionally, the Group audit team communicates any instances of non-compliance with laws and regulations to component teams through regular interactions throughout the audit cycle. There were no instances of non-compliance with laws and regulations that we concluded would have a material impact on the Group consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor’s report.

Other matters we are required to address

- Following the recommendation from the Audit and Risk Committee we were appointed by the company on 4 July 2018 to audit the financial statements for the year ending 31 December 2018 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is six years, covering the years ending 31 December 2018 to 31 December 2023.
- The audit opinion is consistent with the additional report to the Audit and Risk Committee.

Use of our report

This report is made solely to the Group’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 Group’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 Group and the Group’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Adrian Roberts

(Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

4 March 2024

Notes:

1. The maintenance and integrity of the SIG plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Five-year summary

	Total 2019 £m	Total 2020 £m	Total 2021 £m	Total 2022 £m	Total 2023 £m
Statutory basis					
Revenue	2,160.6	1,874.5	2,291.4	2,744.5	2,761.2
Operating (loss)/profit	(87.9)	(160.0)	14.0	56.2	4.0
Finance income	0.5	0.7	0.7	1.3	2.2
Finance costs	(25.3)	(35.3)	(30.6)	(30.0)	(38.1)
(Loss)/profit before tax	(112.7)	(194.6)	(15.9)	27.5	(31.9)
(Loss)/profit after tax	(124.1)	(201.2)	(28.3)	15.5	(43.4)
(Loss)/earnings per share (p)	(21.0)	(23.1)	(2.4)	1.3	(3.8)
Total dividend per share (p)	1.25	—	—	—	—

	Underlying 2019 £m	Underlying 2020 £m	Underlying 2021 £m	Underlying 2022 £m	Underlying 2023 £m
Underlying basis¹					
Revenue	2,143.0	1,872.7	2,291.4	2,744.5	2,761.2
Operating profit/(loss)	42.5	(53.1)	41.4	80.2	53.1
Finance income	0.5	0.7	0.7	1.3	2.2
Finance costs	(25.3)	(23.7)	(22.8)	(29.9)	(37.9)
Profit/(loss) before tax	17.7	(76.1)	19.3	51.6	17.4
Profit/(loss) after tax	1.4	(86.8)	3.7	37.2	4.4
Earnings/(loss) per share	0.2	(10.0)	0.3	3.2	0.4

1. Underlying represents the results before Other items. See Accounting policies for further details.

Company balance sheet

as at 31 December 2023

	Note	2023 £m	2022 £m
Fixed assets			
Investments	5	163.7	267.6
Tangible fixed assets	6	0.5	0.6
Intangible assets	7	0.1	0.3
		164.3	268.5
Current assets			
Debtors – due within one year	8	503.7	580.8
Debtors – due after more than one year	8	80.5	–
Cash at bank and in hand		79.7	91.1
		663.9	671.9
Current liabilities			
Creditors: amounts falling due within one year	9	230.1	245.8
Provisions: amounts falling due within one year	11	–	0.9
		230.1	246.7
Net current assets		433.8	425.2
Total assets less current liabilities		598.1	693.7
Creditors: amounts falling due after one year	10	258.8	264.1
Net assets		339.3	429.6
Capital and reserves			
Called up share capital	13	118.2	118.2
Treasury shares reserve	13	(11.6)	(16.4)
Merger reserve	13	104.0	104.0
Capital redemption reserve	13	0.3	0.3
Share option reserve	13	7.6	8.6
Exchange reserve	13	(0.2)	(0.2)
Cash flow hedging reserve	13	(1.2)	1.4
Cost of hedging reserve	13	0.1	0.1
Retained profits	13	122.1	213.6
Shareholders' funds		339.3	429.6

The accompanying Accounting policies and Notes to the Company financial statements are an integral part of this Company balance sheet.

As permitted by Section 408 of the Companies Act 2006 the Company has elected not to present its own Company income statement for the year. SIG plc reported a loss after tax for the financial year ended 31 December 2023 of £91.5m (2022: £48.9m profit).

The Company financial statements were approved by the Board of Directors on 4 March 2024 and signed on its behalf by:

Gavin Slark **Ian Ashton**
Director Director

Registered in England: 00998314

Company statement of changes in equity

for the year ended 31 December 2023

	Called up share capital £m	Treasury shares reserve £m	Merger reserve £m	Capital redemption reserve £m	Share option reserve £m	Exchange reserve £m	Cash flow hedging reserve £m	Cost of hedging reserve £m	Retained profits/ (losses) £m	Total Equity £m
At 1 January 2022	118.2	(12.5)	104.0	0.3	4.4	(0.2)	(0.3)	0.1	164.7	378.7
Profit after tax	—	—	—	—	—	—	—	—	48.9	48.9
Other comprehensive income	—	—	—	—	—	—	1.7	—	—	1.7
Total comprehensive income	—	—	—	—	—	—	1.7	—	48.9	50.6
Purchase of treasury shares	—	(4.0)	—	—	—	—	—	—	—	(4.0)
Credit to share option reserve	—	—	—	—	4.4	—	—	—	—	4.4
Settlement of share options	—	0.1	—	—	(0.2)	—	—	—	—	(0.1)
At 31 December 2022	118.2	(16.4)	104.0	0.3	8.6	(0.2)	1.4	0.1	213.6	429.6
Loss after tax	—	—	—	—	—	—	—	—	(91.5)	(91.5)
Other comprehensive expense	—	—	—	—	—	—	(2.6)	—	—	(2.6)
Total comprehensive expense	—	—	—	—	—	—	(2.6)	—	(91.5)	(94.1)
Purchase of treasury shares	—	(1.7)	—	—	—	—	—	—	—	(1.7)
Credit to share option reserve	—	—	—	—	5.5	—	—	—	—	5.5
Settlement of share options	—	6.5	—	—	(6.5)	—	—	—	—	—
At 31 December 2023	118.2	(11.6)	104.0	0.3	7.6	(0.2)	(1.2)	0.1	122.1	339.3

The accompanying Accounting policies and Notes to the Company financial statements are an integral part of this Company statement of changes in equity.

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention except for derivative financial instruments which are stated at their fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36. Categorisation of fair value is set out in the Consolidated financial statements on pages 140 to 142.

The Company financial statements have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101) and the Companies Act 2006 as applicable to companies using FRS 101. FRS 101 sets out a reduced disclosure framework for a qualifying entity that would otherwise apply the recognition, measurement and disclosure requirements of UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006. The Company is a qualifying entity for the purposes of FRS 101.

Going concern

The Company closely monitors its funding position throughout the year, including monitoring compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations.

The Company's financing facilities comprise a €300m fixed rate bond (secured notes), due November 2026, and £90m Revolving Credit Facility ("RCF") which expires in May 2026. The only financial covenant within these facilities is a leverage maintenance covenant within the RCF which is only effective if the facility is over 40% drawn (i.e. £36m) at a quarter end reporting date. The RCF was undrawn at 31 December 2023 and has remained undrawn subsequent to the year end.

The Company has significant available liquidity and on the basis of current forecasts is expected to remain in compliance with all banking covenants throughout the forecast period to 31 March 2025 ("the going concern period").

The Company has no trading operations and therefore its ability to continue as a going concern is dependent on the trading of its subsidiaries and the forecasts for the Group as a whole. The Directors have considered the Group's forecasts which support the view that the Group and Company will be able to continue to operate within its banking facilities and comply with its banking covenants. The Directors have considered the following principal risks and uncertainties that could potentially impact the Group and Company's ability to fund its future activities and adhere to its banking covenants, including:

- worsening market conditions and further reductions in demand;
- high levels of product inflation, and current economic and political uncertainties, potentially impacting market demand; and
- potentially recessionary conditions in the coming year.

The forecasts on which the going concern assessment is based have been subject to sensitivity analysis and stress testing to assess the impact of the above risks and the Directors have also reviewed mitigating actions that could be taken. Details are set out in the Group going concern assessment on page 134.

The Directors have considered the impact of climate-related matters, but the impact on the Company is not considered to create any material uncertainties related to events or conditions that could cast significant doubt upon the Company's ability to continue as a going concern.

On consideration of the above, the Directors believe that the Company has adequate resources to continue in operational existence for the forecast period to 31 March 2025 and the Directors therefore consider it appropriate to adopt the going concern basis in preparing the 2023 Company financial statements.

New standards, interpretations and amendments adopted

A number of amendments and interpretations apply for the first time in 2023, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Company accounting policies / continued

for the year ended 31 December 2023

Exemptions applied in accordance with FRS 101

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 “Share-based Payment”
- the requirements of IFRS 7 “Financial Instruments: Disclosures”
- the requirements of paragraphs 91 to 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:
 - (i) paragraph 79(a)(iv) of IAS 1 and
 - (ii) paragraph 73(e) of IAS 16 “Property, Plant and Equipment”
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40B, 111, and 134 to 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
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 “Impairment of Assets”.

Share-based payments

The accounting policy for share-based payments is consistent with that of the Group as detailed on page 138.

Derivative financial instruments

The accounting policy for derivative financial instruments is consistent with that of the Group as detailed on page 142.

Financial assets and liabilities

The accounting policy for financial assets and liabilities is consistent with that of the Group as detailed on pages 140 and 141.

The Company has assessed on a forward looking basis the expected credit losses associated with amounts owed by subsidiary undertakings.

The impairment methodology applied depends on the ability to repay amounts repayable on demand and whether there has been any significant change in credit risk.

Investments

Fixed asset investments in subsidiaries are shown at cost less provision for impairment.

Tangible fixed assets

The accounting policy for tangible fixed assets is consistent with that of the Group as detailed on page 139.

Intangible assets

The accounting policy for tangible fixed assets is consistent with that of the Group as detailed on page 138.

Foreign currency

The accounting policy for foreign currency is consistent with that of the Group as detailed on page 136.

Taxation

The accounting policy for taxation is consistent with that of the Group as detailed on pages 137 and 138.

Dividends

Dividends proposed by the Board of Directors that have not been paid by the end of the year are not recognised in the Accounts until they have been approved by the Shareholders at the Annual General Meeting.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described above, the Directors are required to make judgements (other than those involving estimates) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The following are the critical judgements that the Directors have made in the process of applying the Company's accounting policies and that have had a significant effect on the amounts recognised in the financial statements. The judgements involving estimations are dealt with separately below.

Recognition of deferred tax assets

Deferred tax assets are recognised for unused tax attributes to the extent that it is probable that taxable profit will be available against which the attributes can be utilised, after consideration of available taxable temporary differences. The Company has £9.9m (2022: £10.6m) of potential deferred tax assets relating to cumulative UK tax losses and other deductible timing differences which are currently unrecognised as there is not considered to be sufficient convincing evidence at 31 December 2023 that sufficient future taxable profits will be available to allow the utilisation of the deductible temporary differences, in particular given the cumulative historic and current year tax loss position in the UK. This required significant management judgement to determine the likely timing and level of future taxable profits and whether sufficient, convincing evidence was available at 31 December 2023 to recognise the previously unrecognised deferred tax assets. If the Company were able to recognise all unrecognised deferred tax assets, profit and equity would have increased by £9.9m. Further details are disclosed in Note 12.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of the assets and liabilities recognised by the Company within the next financial year are detailed below.

Impairment of fixed asset investments

Determining whether the Company's investments are impaired requires an estimation of the investments' value in use. The key estimates made in the value in use calculation in relation to trading subsidiaries are those regarding discount rates, sales growth rates, gross margin and long term operating profit growth. The Directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money for the Group.

The Company performs investment impairment reviews by forecasting cash flows based upon the following year's budget as a base, taking into account current economic conditions. The carrying amount of investments in subsidiaries at the balance sheet date was £163.7m (2022: £267.6m). Of the £163.7m net book value at 31 December 2023, £159.8m (2022: £263.7m) relates to the Company's investment in SIG Trading Limited, the largest UK trading subsidiary, and therefore assumptions regarding sales, gross margin and operating profit growth of this subsidiary are considered to be the key areas of estimation in the impairment review process. At 31 December 2023 the carrying value was not supported by the future operating cash flows and an impairment of £103.9m has been recognised.

Whilst the Directors consider the assumptions used in the impairment review to be realistic, if actual results are different from expectations then it is possible that the value of the investment included on the Company balance sheet could become impaired further. Further details on the assumptions used in the forecast future cash flows of this subsidiary are provided in Note 11 of the Consolidated financial statements. A 2.0% reduction in revenue in each year, before considering any mitigations, would lead to further impairment of £41.7m.

Impairment of amounts owed by subsidiary undertakings

At 31 December 2023 the Company has recognised amounts owed by subsidiary undertakings of £581.9m (2022: £574.6m). The Company recognises an allowance for expected credit losses ("ECLs") in relation to amounts owed by subsidiary undertakings based on the ability to repay amounts repayable on demand and whether there has been any significant change in credit risk. An ECL provision of £83.8m has been recognised at 31 December 2023 (2022: £74.0m) based on estimates regarding the future cash flows from subsidiaries and taking account of the time value of money. Changes in the economic environment or circumstances specific to individual subsidiaries could have an impact on recoverability of amounts included on the Company balance sheet at 31 December 2023 and level of ECL provision required in the future.

Notes to the Company financial statements

for the year ended 31 December 2023

1. Loss for the year

As permitted by Section 408 of the Companies Act 2006 the Company has elected not to present its own Company income statement for the year. SIG plc reported a loss after tax for the financial year ended 31 December 2023 of £91.5m (2022: £48.9m profit).

The Auditor's remuneration for audit and audit-related services to the Company was £1.1m (2022: £1.1m).

2. Share-based payments

The Company had three share-based payment schemes in existence during the year ended 31 December 2023 (2022: four). The Company recognised a total credit to equity of £1.8m (2022: £2.0m) in the year relating to share-based payment transactions. Details of each of the share-based payment schemes can be found in Note 9 to the Consolidated financial statements.

3. Dividends

No interim dividend was paid during 2023 (2022: £nil) and the Directors are not proposing a final dividend for the year ended 31 December 2023 (2022: no dividend). Total dividends paid during the year was £nil (2022: £nil). No dividends have been paid between 31 December 2023 and the date of signing the Company financial statements.

See Note 13 for further details on distributable reserves.

4. Staff costs

Particulars of employees (including Directors and employees recharged to the Company from a UK subsidiary) are shown below:

	2023 £m	2022 £m
Employee costs during the year amounted to:		
Wages and salaries	7.2	7.8
Social security costs	1.2	1.3
IFRS 2 share-based payment expense	1.8	2.0
Pension costs	0.3	0.3
Total	10.5	11.4

The average monthly number of persons that these costs relate to is as follows:

	2023 Number	2022 Number
Management and administration	57	63

5. Fixed asset investments

Fixed asset investments comprise investments in subsidiary undertakings, as follows:

	2023 £m	2022 £m
Cost		
At 1 January	650.9	650.9
Additions	—	—
At 31 December	650.9	650.9
Accumulated impairment charges		
At 1 January	383.3	383.3
Impairment charge	103.9	—
At 31 December	487.2	383.3
Net book value		
At 31 December	163.7	267.6
At 1 January	267.6	267.6

Details of the Company's subsidiaries are shown on pages 204 to 205.

Of the £163.7m (2022: £267.6m) investment net book value, £159.8m (2022: £263.7m) relates to SIG Trading Limited, the largest UK trading subsidiary. At 31 December 2023 the carrying value was not supported by the future operating cash flows and an impairment of £103.9m impairment has been recognised.

Further details on the assumptions used in the forecast future cash flows of this subsidiary are provided in Note 11 of the Consolidated financial statements. A 2.0% reduction in revenue in each year, before considering any mitigations, would lead to further impairment of £41.7m.

6. Tangible fixed assets

The movement in the year was as follows:

	Freehold land and buildings £m	Leasehold improvements £m	Plant and machinery £m	Total £m
Cost				
At 1 January 2022	0.1	0.4	0.6	1.1
Additions	—	0.3	0.1	0.4
Disposals	—	(0.1)	—	(0.1)
At 31 December 2022 and 2023	0.1	0.6	0.7	1.4
Depreciation				
At 1 January 2022	0.1	0.1	0.6	0.8
Charge for the year	—	0.1	—	0.1
Disposals	—	(0.1)	—	(0.1)
At 31 December 2022	0.1	0.1	0.6	0.8
Charge for the year	—	0.1	—	0.1
At 31 December 2023	0.1	0.2	0.6	0.9
Net book value				
At 31 December 2023	—	0.4	0.1	0.5
At 31 December 2022	—	0.5	0.1	0.6

7. Intangible fixed assets

The movement in the year was as follows:

	Computer software £m	Total £m
Cost		
At 1 January 2022	1.5	1.5
Disposals	(0.5)	(0.5)
At 31 December 2022	1.0	1.0
Disposals	(0.1)	(0.1)
At 31 December 2023	0.9	0.9
Depreciation		
At 1 January 2022	0.9	0.9
Charge for the year	0.2	0.2
Disposals	(0.4)	(0.4)
At 31 December 2022	0.7	0.7
Charge for the year	0.2	0.2
Disposals	(0.1)	(0.1)
At 31 December 2023	0.8	0.8
Net book value		
At 31 December 2023	0.1	0.1
At 31 December 2022	0.3	0.3

Notes to the Company financial statements / continued

for the year ended 31 December 2023

8. Debtors

	2023 £m	2022 £m
Amounts owed by subsidiary undertakings	501.4	574.6
Derivative financial instruments	—	1.6
Prepayments	2.3	4.6
Debtors – due within one year	503.7	580.8
Amounts owed by subsidiary undertakings	80.5	—
Debtors – due after more than one year	80.5	—
Total	584.2	580.8

The Group recognises an allowance for ECLs in relation to amounts owed by subsidiary undertakings based on the ability to repay amounts repayable on demand and whether there has been any significant change in credit risk. An ECL provision of £83.8m (2022: £74.0m) has been recognised at 31 December 2023 based on estimates regarding the future cash flows from subsidiaries and taking account of the time value of money.

Amounts owed by subsidiary undertakings are measured at amortised cost and bear interest at rates between 0% and 8.0%. The amounts owed by subsidiary undertakings due after more than one year bear interest at 8.1% and are repayable at the end of 2025.

9. Creditors: amounts falling due within one year

	2023 £m	2022 £m
Amounts owed to subsidiary undertakings	219.7	235.5
Derivative financial instruments	1.0	—
Accruals and deferred income	9.4	10.3
Total	230.1	245.8

Amounts owed to subsidiary undertakings are measured at amortised cost, are unsecured and bear interest at rates between 0% and 7.25%.

10. Creditors: amounts falling due after one year

	2023 £m	2022 £m
Secured notes	258.7	264.0
Derivative financial instruments	0.1	0.1
Total	258.8	264.1

Secured notes

The €300m secured notes are repayable on 30 November 2026. The notes are guaranteed by certain subsidiaries of the Group and are secured by a first priority floating charge over the assets of the Company and the relevant UK subsidiaries and by a security interest over the shares, material bank accounts and intercompany receivables of the non-UK guarantor subsidiaries. The notes are recognised at amortised cost, net of arrangement fees, of which £1.5m is unamortised at 31 December 2023 (2022: £2.0m).

The contractual repayment profile of the secured notes is shown below:

	2023		2022	
	£m	Fixed interest rate %	£m	Fixed interest rate %
Total gross amount repayable in 2026	260.2	5.25%	266.0	5.25%
Unamortised fees	(1.5)		(2.0)	
	258.7	5.25%	264.0	5.25%

11. Provisions

	Onerous contracts £m	Total £m
At 1 January 2023	0.9	0.9
Utilised	(1.1)	(1.1)
New provisions	0.2	0.2
At 31 December 2023	—	—

	2023 £m	2022 £m
Amounts falling due within one year	–	0.9
Total	–	0.9

The onerous contract provision related to licence fee commitments where no future economic benefit was expected to be obtained, principally in relation to the SAP S/4HANA implementation following the change in scope of the project in previous years. The licence fee contract is now ended and there is no remaining provision at 31 December 2023.

12. Deferred tax

Deferred tax has not been recognised on trading losses and other deductible temporary differences of £39.4m (2022: £42.4m) on the basis that the realisation of their future economic benefit is uncertain. The unrecognised potential deferred tax asset in relation to this is £9.9m (2022: £10.6m). At the balance sheet date, there are no aggregate temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised.

13. Capital and Reserves

a) Called up share capital

	2023 £m	2022 £m
Authorised:		
1,390,000,000 ordinary shares of 10p each (2022: 1,390,000,000)	139.0	139.0
Allotted, called up and fully paid:		
1,181,556,977 ordinary shares of 10p each (2022: 1,181,556,977)	118.2	118.2

During 2023 the Company allotted no shares (2022: no shares) from the exercise of share options.

b) Treasury shares

Treasury shares relate to shares purchased by the EBT to satisfy awards made under the Group's share plans which are not vested and beneficially owned by employees. 5,901,425 (2022: 9,360,742) shares were purchased during the year at a weighted average cost of 28.9p (2022: 42.7p) per share, and 13,357,702 (2022: 297,920) shares were issued relating to the settlement of share awards. A total of 26,421,500 own shares are outstanding at 31 December 2023 (2022: 33,877,777).

c) Reserves

Details of all movements in reserves are shown in the Company statement of changes in equity.

The share option reserve represents the cumulative equity-settled share option charge under IFRS 2 "Share-based Payment" less the value of any share options that have been exercised.

The cash flow hedging and cost of hedging reserves represents movements in the Consolidated balance sheet as a result of movements in the fair value of cash flow hedges which are taken directly to reserves as detailed in the Accounting policies.

The merger reserve principally represents the premium on ordinary shares issued during a prior year through the use of a cash box structure.

The Company maintains its positive distributable reserves position and continues to review the Group structure to optimise reserves. At 31 December 2023 the Company had distributable reserves of £145.6m (2022: £247.3m).

14. Guarantees and contingent liabilities

a) Guarantees

At 31 December 2023 the Company had provided guarantees of £nil (2022: £nil) on behalf of its subsidiary undertakings.

b) Contingent liabilities

As at the balance sheet date, the Company had outstanding obligations under a standby letter of credit of up to £6.1m (2022: £5.2m). This standby letter of credit, issued by HSBC Bank plc, is in respect of the Group's insurance arrangements.

15. Related party transactions

Remuneration of key management personnel

The total remuneration of the Directors of the Group Board, who the Group considered to be its key management personnel, is provided in Note 4 of the Consolidated financial statements. In addition, the Company recognised a share-based payment charge under IFRS 2 of £1.8m (2022: £2.0m) with a credit to the share option reserve of £1.8m (2022: £2.0m).

Group companies 2023

This Note provides a full list of the related undertakings of SIG plc in line with the Companies Act 2006 ('CA 2006') requirements.

In accordance with Section 409 of the CA 2006 a full list of related undertakings, the country of incorporation, registered office address and the effective percentage of equity owned, as at 31 December 2023 is disclosed below. Unless otherwise stated, the share capital disclosed comprises ordinary or common shares which are held by subsidiaries of SIG plc.

Group companies

Fully owned subsidiaries (United Kingdom)

A. M. Proos & Sons Limited (England) (ii) (xxii)	Kestral Construction Products Limited (England) (xxii)
A. Steadman & Son (Holdings) Limited (England) (ii) (xxii)	Kitson's Thermal Supplies Limited (England) (ii) (v)
A. Steadman & Son Limited (England) (ii) (xxii)	Leaderflush + Shapland Holdings Limited (England) (xxii)
Aaron Roofing Supplies Limited (England) (ii) (xxii)	Lifestyle Partitions and Furniture Limited (England) (ii) (vi)
Acoustic and Insulation Manufacturing Limited (England) (ii) (xxii)	London Insulation Supplies Limited (England) (ii) (xxii)
Advanced Cladding & Insulation Group Limited (England) (ii) (xxii)	MacGregor & Moir Limited (Scotland) (ii) (xxii)
Ainsworth Insulation Limited (England) (ii) (xi)	Mayplas Limited (England) (ii) (ix)
Ainsworth Insulation Supplies Limited (England) (ii) (xiii)	MCP Fixings Limited (England) (xxii)
ALS Insulation Supplies Limited (England) (ii) (xxii)	Miers Construction Products Limited (England) (vii)
Asphaltic Roofing Supplies Limited (England) (ii) (xxii)	Ockwells Limited (England) (ii) (vii)
Auron Limited (England) (ii) (xix)	Omnic (Developments) Limited (England) (ii) (xxii)
BBM (Materials) Limited (England) (ii) (xxii)	Omnic Plastics Limited (England) (ii) (xxii)
Bowler Group Limited (England) (ii) (xxii)	One Stop Roofing Centre Limited (England) (ii) (xxii)
Building Solutions (National) Limited (England) (xxii)	Orion Trent Holdings Limited (England) (ii) (xvii)
Cairns Roofing and Building Merchants Limited (England) (ii) (xxii)	Orion Trent Limited (England) (ii) (xi)
Cheshire Roofing Supplies Limited (England) (ii) (xxii)	Penlaw & Company Limited (England) (xxii)
Clydesdale Roofing Supplies (Leyland) Limited (England) (ii) (xxii)	Penlaw Fixings Limited (England) (xxii)
CMS Danskin Acoustics Limited (England) (ii) (xxii)	Penlaw Norfolk Limited (England) (xxii)
Coleman Roofing Supplies Limited (England) (ii) (xxii)	Penlaw Northwest Limited (England) (xxii)
Complete Construction Products Limited (England) (xxii)	Roberts & Burling Roofing Supplies Limited (England) (ii) (xxii)
CPD Distribution Plc (England) (ii) (xxii)	Roof Shop Limited (England) (ii) (xxii)
Dane Weller Holdings Limited (England) (ii) (xxii)	Roofing Centre Group Limited (England) (ii) (xxii)
Danskin Flooring Systems Limited (Scotland) (ii) (xxii)	Roofing Material Supplies Limited (England) (ii) (xxii)
Davies & Tate plc (England) (ii) (xxii)	Scotplas Limited (England) (ii) (xxii)
Euroform Products Limited (England) (ii) (xxii)	Sheffield Insulations Limited (England) (i) (ii) (xxiii)
F30 Building Products Limited (England) (xxii)	Shropshire Roofing Supplies Limited (England) (ii) (xxii)
Fibreglass Insulations Limited (England) (ii) (xxii)	SIG Building Solutions Limited (England) (ii) (xxii)
Flex-R Limited (England) (ii) (ix)	SIG Building Systems Limited (England) (xxii)
Formerton Limited (England) (ii) (xxii)	SIG Dormant Company Number Eight Limited (England) (ii) (iv)
Formerton Sheet Sales Limited (England) (ii) (xxii)	SIG Dormant Company Number Eleven Limited (England) (ii) (xxii)
Gutters & Ladders (1968) Limited (England) (ii) (xxii)	SIG Dormant Company Number Seven Limited (England) (i) (ii) (xxii)
HHI Building Products Limited (Northern Ireland) (ii) (xxii)	SIG Dormant Company Number Six Limited (England) (ii) (xxii)
Insulation & Machining Services Limited (England) (ii) (v)	SIG Dormant Company Number Ten Limited (England) (i) (ii) (xvii)
Insulslab Limited (England) (ii) (xxii)	SIG Dormant Company Number Three Limited (England) (i) (ii) (xxii)
John Hughes (Roofing Merchant) Limited (England) (ii) (xxii)	SIG EST Trustees Limited (England) (i) (ii) (xxii)
John Hughes (Wigan) Limited (England) (ii) (xxii)	SIG European Holdings Limited (England) (i) (xxii)
Jordan Wedge Limited (England) (ii) (xxii)	SIG European Investments Limited (England) (xxii)
Kesteven Roofing Centre Limited (England) (ii) (xxii)	SIG Group Life Assurance Scheme Trustees Limited (England) (ii) (xxii)
	SIG (IFC) Limited (England) (xxii)

SIG International Trading Limited (England) (i) (xxii)
 SIG Logistics Limited (England) (ii) (xxii)
 SIG Manufacturing Limited (England) (xxii)
 SIG Retirement Benefits Plan Trustee Limited (England) (i) (ii) (xxii)
 SIG Roofing Supplies Limited (England) (i) (ii) (xxii)
 SIG Scots Co Limited (Scotland) (i) (xxii)
 SIG Specialist Construction Products Limited (England) (ii) (xxii)
 SIG Trading Limited (England) (i) (xxii)
 S M Roofing Supplies Limited (England) (xxii)
 Solent Insulation Supplies Limited (England) (ii) (xxii)
 South Coast Roofing Supplies Limited (England) (ii) (xxii)
 Specialised Fixings Limited (England) (ii) (xxii)
 Specialist Fixings and Construction Products Limited (ii) (xxii)
 Support Site Limited (England) (i) (ii) (xxii)
 Tenon Partition Systems Limited (England) (ii) (xxii)
 The Coleman Group Limited (England) (ii) (xviii)
 The Greenjackets Roofing Services Limited (England) (ii) (xv)
 Thomas Smith (Roofing Centres) Limited (England) (ii) (xxii)
 Trent Insulations Limited (England) (ii) (xxii)
 Trimform Products Limited (England) (ii) (xxii)
 Undercover Holdings Limited (England) (ii) (xxii)
 Undercover Roofing Supplies Limited (England) (ii) (v)
 United Roofing Products Limited (England) (ii) (xxii)
 Wedge Roofing Centres Holdings Limited (England) (ii) (xxii)
 Wedge Roofing Centres Limited (England) (ii) (xxii)
 Weymead Holdings Limited (England) (ii) (xv)
 Window Fitters Mate Limited (England) (ii) (xxii)
 Woods Insulation Limited (England) (ii) (xxii)
 Zip Screens Limited (England) (i) (ii) (xxii)

Fully owned limited partnership

The 2018 SIG Scottish Limited Partnership (Scotland) (xxi)

Controlling interests (United Kingdom)

Passive Fire Protection (PFP) UK Limited (England) (51%) (ii) (xxii)

Registered Office Address

Adsetts House, 16 Europa View, Sheffield Business Park,
 Sheffield, S9 1XH, United Kingdom

Fully owned subsidiaries (overseas) (including registered office addresses)

Gate Pizzaras SL (Spain) – Ponferrada, Villamartin Leon, Spain

Isolatec b.v.b.a. (Belgium) – Scheepvaartkaai 5,
 Hasselt 3500, Belgium

J S McCarthy Limited (Ireland) – Ballymount Retail Centre,
 Ballymount Road Lower, Dublin 24, Ireland

Larivière S.A.S. (France) – 3 rue Jean Zay – 49100, Angers, France

LiTT Diffusion S.A.S. (France) – 40 rue Gabriel Crie – 92240
 Malakoff, France

Meldertse Plafonneerartikelen N.V. (Belgium) – Bosstraat 60,
 3560 Lummen, Belgium

MIT International Trade S.L (Spain) – Carretera Sarria a
 Vallvidrera 259, Local 08017, Barcelona, Spain

MPA BXL N.V. (Belgium) – Bosstraat 60, 3560 Lummen, Belgium

SIG Belgium Holdings N.V. (Belgium) – Bosstraat 60,
 3560 Lummen, Belgium

SIG Building Products Limited (Ireland) (ii) – Ballymount Retail
 Centre, Ballymount Road Lower, Dublin 24, Ireland

SIG Construction GmbH (Germany) – Maybachstrasse 14,
 63456 Hanau- Steinheim, Germany

SIG Financing (Jersey) Limited (Jersey) – 44 Esplanade,
 St Helier, JE4 9WG, Jersey

SIG France S.A.S. (France) – 40 rue Gabriel Crie,
 92240 Malakoff, France

SIG Germany GmbH (Germany) – Maybachstrasse 14,
 63456 Hanau- Steinheim, Germany

SIG Holdings B.V. (The Netherlands) – Industrieweg 17,
 5145 PD Waalwijk, The Netherlands

SIG Nederland B.V. (The Netherlands) – Industrieweg 17,
 5145 PD Waalwijk, The Netherlands

SIG Property GmbH (Germany) – Maybachstrasse 14,
 63456 Hanau- Steinheim, Germany

SIG Trading (Ireland) Limited (Ireland) (viii) – Ballymount
 Retail Centre, Ballymount Road Lower, Dublin 24, Ireland

SIG Sp. z.o.o. (Poland) – ul. Kamienskigo 51, 30-644 Krakow,
 Poland

Sitaco Sp. z.o.o. (Poland) – ul. Kamienskigo 51,
 30-644 Krakow, Poland

Sitaco Spolka z ograniczona odpowiedzialnością sp.k. (Poland) –
 ul. Kamienskigo 51, 30-644 Krakow, Poland

WeGo Systembaustoffe GmbH (Germany) – Maybachstrasse 14,
 63456 Hanau-Steinheim, Germany

Notes

- (i) Directly owned by SIG plc
- (ii) Dormant company
- (iii) Ownership held in cumulative preference shares
- (iv) Ownership held in ordinary shares and 12% cumulative redeemable preference shares
- (v) Ownership held in ordinary shares and preference shares
- (vi) Ownership held in ordinary shares and deferred ordinary shares
- (vii) Ownership held in ordinary shares and class A ordinary shares
- (viii) Ownership held in ordinary shares and class B ordinary shares
- (ix) Ownership held in ordinary shares, class A ordinary shares and class B ordinary shares
- (x) Ownership held in ordinary shares, class B ordinary shares and class C ordinary shares
- (xi) Ownership held in ordinary shares, class A ordinary shares, class B ordinary shares and class C ordinary shares
- (xii) Ownership held in ordinary shares and class E ordinary shares
- (xiii) Ownership held in ordinary shares, class A ordinary shares, class B ordinary shares, class C ordinary shares, class D ordinary shares, class E ordinary shares, class F ordinary shares and class G ordinary shares
- (xiv) Ownership held in class A ordinary shares
- (xv) Ownership held in class A ordinary shares and class B ordinary shares
- (xvi) Ownership held in class A ordinary shares, class B ordinary shares and class C ordinary shares
- (xvii) Ownership held in class A ordinary shares, class B ordinary shares and preference shares
- (xviii) Ownership held in class A ordinary shares, class B ordinary shares and cumulative redeemable preference shares
- (xix) Ownership held in class B ordinary shares and preference shares
- (xx) Ownership held in class AA ordinary shares, class AB ordinary shares, class AC ordinary shares, class AD ordinary shares, class AE ordinary shares, class AF ordinary shares, class AG ordinary shares, class B ordinary shares and class C ordinary shares
- (xxi) Limited partner SIG Retirement Benefit Plan Trustee Limited
- (xxii) Ownership held in ordinary shares
- (xxiii) Ownership held in ordinary shares and cumulative preference shares
- (xxiv) Ownership held in ordinary shares, preference shares and redeemable preference shares

Company information

Financial calendar



Annual General Meeting
Thursday
2 May 2024



Interim results 2024
Tuesday
6 August 2024



Full-year results 2024
March 2025



Annual Report and Accounts 2024 posted to shareholders
March 2025

Shareholder analysis at 31 December 2023

Size of shareholding	Number of shareholders	%	Number of ordinary shares	%
0 – 999	546	34.43%	211,516	0.02%
1,000 – 4,999	539	33.98%	1,227,034	0.10%
5,000 – 9,999	152	9.58%	1,018,107	0.09%
10,000 – 99,999	177	11.16%	6,274,861	0.53%
100,000 – 249,999	46	2.90%	7,813,454	0.66%
250,000 – 499,999	26	1.64%	9,259,790	0.78%
500,000 – 999,999	27	1.70%	19,085,928	1.62%
1,000,000+	73	4.60%	1,136,666,287	96.20%
Total	1,586	100%	1,181,556,977	100.00%

Group General Counsel & Company Secretary

Andrew Watkins

Registered number

Registered in England 00998314

Corporate and Registered office

Adsetts House
16 Europa View
Sheffield Business Park
Sheffield S9 1XH
Tel: +44 (0) 114 285 6300
Email: info@sigplc.com

Company website

www.sigplc.com

Listing details

Market Reference Sector
UK Listed
SHI.L Support Services

Registrars and transfer office

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZY

Auditor

Ernst & Young LLP
1 More London Place
London SE1 2AF

Solicitors

Allen & Overy LLP
One Bishops Square
London E1 6AD

Principal bankers

National Westminster Bank plc
250 Bishopsgate
London EC2M 4AA

Barclays Bank plc
Level 25
1 Churchill Place
London E14 5HP

BNP Paribas
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10 Harewood Avenue
London NW1 6AA

Lloyds Bank plc
1 Lovell Park Road
Leeds LS2 8DA

HSBC UK Bank plc
4th Floor City Point
Leeds LS1 2HL

Joint stockbrokers

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100 Liverpool Street
London EC2M 2AT

Investec Bank plc
30 Gresham Street
London EC2V 7QP

Financial public relations

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200 Aldersgate
Aldersgate Street
London EC1A 4HD

Financial advisors

Lazard & Co Limited
50 Stratton Street
London W1J 8LL

Shareholder enquiries

Our share register is managed by Computershare, who can be contacted by telephone on:

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Text phone 0370 702 0005

* Operator assistance available between 08:30 and 17:30 UK time each business day.

Email: Access the Computershare website www-uk.computershare.com/ Investor and click on 'Contact Us', from where you can email Computershare.

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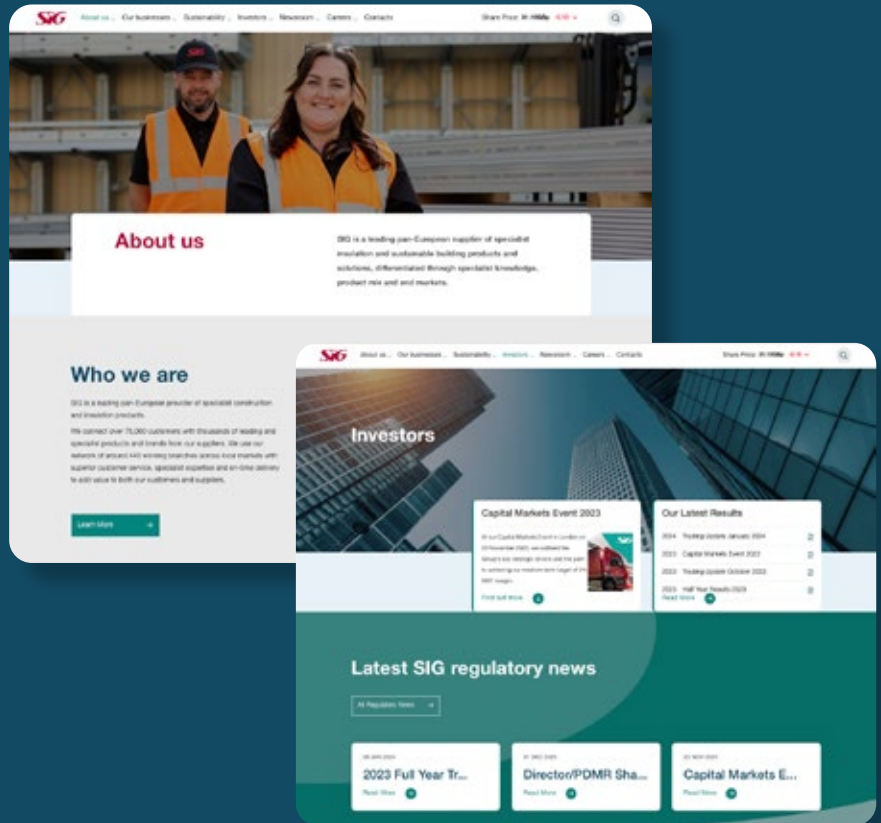
Website and electronic communications

Shareholders receive notification of the availability of the results to view or download on the Group's website www.sigplc.com, unless they have elected to receive a printed version of the results.

We encourage our shareholders to accept all shareholder communications and documents electronically instead of receiving paper copies by post as this helps to reduce the environmental impact by saving on paper and also reduces distribution costs.

If you sign up to electronic communications, instead of receiving paper copies of the annual financial results, notices of shareholder meetings and other shareholder documents through the post, you will receive an email to let you know this information is on our website.

If you would like to sign up to receive all future shareholder communications electronically, please register through our registrars Computershare at www.investorcentre.co.uk/ecomms.





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00998314

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