

Looking forward there are four key themes to our work on sustainable development:

- Carbon, energy and water – defining our pathway to carbon neutrality and net zero, which will be driven primarily by reducing Scope 1 and 2 emissions in extrusion and recycling;
- Waste minimisation and circularity – further strengthening materials recovery and process optimisation;
- People and places – becoming a regional employer of choice and stepping up community engagement; and
- Governance – reporting progress against published ESG targets and aligning with recognised indices.

As a measure of commitment to achieving our goals, our new £75 million sustainable Revolving Credit Facility (refinancing completed in May, see the Chief Financial Officer's Report) contains annual recycling, emissions and waste reduction targets, with modest adjustments to the margin based upon performance.

In May, we also approved a c.£1.5 million investment in solar panels to be installed at our primary manufacturing facilities, which will supply more than 5% of the energy used in the manufacture of our extruded products.

Towards the end of 2022, the Group's Social Values and ESG Committee was formed to provide formal and transparent oversight of the Group's ESG programme. This includes sustainability, employee welfare and responsible business practices, as well as our contribution to the societies we operate in. The committee also monitors progress against our sustainability KPIs. It is comprised of two independent Non-executive Directors; Alison Littlely (Chair) and Iraj Amiri, as well as the Group's Sustainability Manager, Simon Drury, and Human Resources Director, Bruce Stephen.

Further information is provided in the Responsible Business section on pages 40 to 65.

Operational Performance

Health and safety

The safety and wellbeing of our employees and contractors is our first operational priority and we continue to maintain a good safety performance. Our Lost Time Injury Frequency Rate ('LTIR') was 1.0 in 2022, compared to 0.8 in 2021. Our RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013) performance was better than the industry average. There were no major injuries and 23 minor accidents recorded under RIDDOR in the year (2021: no major injuries, 28 minor injuries). We have improved the reporting of near misses and unsafe acts and conditions, as part of a proactive approach to risk management, with the aim of reducing the likelihood of future workplace injuries. This improvement, when combined with the effective and timely implementation of corrective and preventive action, supports our positive safety culture and we are targeting an improvement in the LTIR in 2023.

Production

In 2022 we manufactured 54.1k tonnes of rigid and foam PVC profiles at our primary extrusion facilities, 5% lower than 2021. This reflects our work to start reducing inventories, after the very high levels of production in 2021, when we built stock to mitigate the risk of raw material supply interruption and volatile pricing.

Overall Equipment Effectiveness ('OEE', a measure which takes into account machine availability, performance and yield) increased to 71% in 2022 (2021: 68%) due to improved efficiency and labour

availability across our operations. In addition, our initiatives to increase compliance with the production plan at a line-item level have been successful, which helped drive a reduction in manufactured stock of c.£5 million in the second half.

Recycling

We have made further progress in 2022, with the use of recycled material in our primary extrusion increasing to 29% (16.7k tonnes) of materials consumed, compared to 27% in 2021. This drives significant cost and carbon savings compared to the use of virgin material. In addition, substantially all scrap generated in extrusion is recycled back into our production processes, further reducing waste sent to landfill.

Supply Chain and Inflation

Strong demand in our markets over the last two years put sector supply chains under pressure, and we experienced tighter supply and an inflationary environment, with prices of certain raw materials, particularly PVC resin, rising significantly over this period.

Throughout this period we have taken effective action to offset ongoing input cost inflation, including a dynamic approach to selling prices and surcharges. Higher resin costs were also partially offset by our market-leading recycling plants. In addition, our progressive forward hedging policy for electricity provided some protection from rising energy costs in 2022.

The cost of key raw materials does now appear to be stabilising, and in some cases beginning to fall. However, the delay on recovering some raw material cost increases from the second half of 2022, combined with continued significant increases in the cost of energy and labour, has resulted in the implementation of further selling price increases from the beginning of 2023.

Strategy

Strategic priorities overview

Our overall strategic objective remains to deliver sustainable growth in shareholder value, by increasing sales and profits above our market growth rates. We have seven strategic priorities to help us achieve this objective. Our progress for each priority is covered in this Annual Report as follows:

Strategic priority	Progress update included in:			
	CEO Report	Divisional Review	Strategy in Action	Responsible Business
Grow market share in Profiles	✓	✓	✓	
Expand the branch network	✓	✓	✓	
Increase the use of recycled materials	✓			✓
Develop innovative new products	✓		✓	
Deliver sustained operational excellence	✓			
Develop a sector-leading digital proposition	✓		✓	
Explore potential bolt-on acquisition opportunities	✓			

Where the strategic priority is also covered elsewhere, only a brief description is set out in this CEO Report, along with a cross-reference to the other relevant sections.