A pivotal year: accelerating to the next level

Annual Report and Accounts 2021

Accelerating to the next level

A pivotal year for SIG...

Return to winning ways
- Group back to underlying profitability with underlying operating profit of £41.4m vs £53.1m loss in 2020, driven by market share gains and margin discipline in challenging supply markets.
- Strategy developing ahead of expectations, reinforcing the value of SIG's core model.
- Strength of the franchise enables our ability to manage supply chain disruption and pass through inflation.
- Leadership team further strengthened.
- €300m bond issue in November 2021 further increases financial stability and flexibility.

Accelerating sales growth and consistent margin progression
- Group LFL sales up 24%, and 8% on non-Covid-19 affected 2019; H2 2021 LFL sales 15% above 2019.
- H2 2021 gross margin of 26.6%, 70bps up on H1 2021 and 120bps up on H2 2020.
- Underlying operating profit margin of 1.8%; rose consistently throughout 2021.

Relationships and reputation regained
- Supplier partnerships helped secure scarce inventory; availability and superior service was reflected in a favourable customer Net Promoter Score of 40.
- Empowered branches with flexibility and tools to trade – rising people engagement and growth go hand in hand.
- UK Interiors "Distributor of the year" in the supply category (Builders Merchants Journal ("BMJ") awards); Larivière (France) "2021 Best Specialist Distributor" (Geste D'Or).
- SIG appointments made to key industry association roles.

Net zero commitments set
- Net zero carbon by 2035: to be achieved by migrating our fleet to electric and low-carbon fuels and moving to greener energy suppliers.
- Zero SIG waste to landfill by 2025: through reuse, recycling and reduction.
- SIG announced as a Zero Carbon Business champion with CO_2nstruct Zero.

EU strength shows
- EU sales represent c60% of the Group, with 2021 LFL sales up 17% vs 2020 and 11% vs 2019.
- Particularly strong growth in France Exteriors and Poland, LFL sales up 22% and 29% respectively vs 2019.

UK turnaround faster than forecast
- UK Exteriors LFL sales grew 21% vs 2019, returning to an operating margin of >5%.
- 38% LFL sales growth and 2.5% gross margin increase vs 2020 brought UK Interiors back to profit in H2 2021.
- Decentralised operating model and branch P&L accountability re-established; experienced industry hires and return of expertise drove improved product mix, pricing and terms.

Acceleration of our strategy
- Confidence in achieving 3% operating margin for 2023, which enables meaningful cash generation.
- Clear path towards 5% operating margin in the medium-term.
- Further investment in expertise, network, digitalisation and modern fleet.
- "Born Green" – well positioned to capitalise on the industry shift to sustainable construction, backed by the progress on our own carbon emissions – Scope 1 and 2 GHG emissions c17% lower than 2019.

Revenue
£2,291.4m
2020: £1,874.5m

Like-for-like ("LFL") sales growth*
24%
2020: 13% decline

Gross margin*
26.3%
2020: 25.1%

Underlying operating profit/(loss)*
£41.4m
2020 (restated): loss of £53.1m

Statutory loss before tax
(£15.9m)
2020 (restated): loss of £194.6m

Net debt (post-IFRS 16)
£365.0m
2020: £238.2m

Lost time injury frequency rate ("LTIFR") – 12m rolling basis*
11.8
2020: 12.7

Greenhouse gas ("GHG") emissions per £m of revenue*
23.0 metric tonnes
2020: 25.4 metric tonnes

*Refer to pages 28 to 29 for definition

…in an eventful year for our world…

- The Covid-19 pandemic, unpredictable lockdowns, workplace relocation and constraints on travel and workforce movement triggered broad supply and demand shocks alongside significant inflation in commodity prices.
- COP26 was significant, not just for formalising governments' net zero carbon commitments, but effectively signalling the end of coal-fired energy through the phasing out of fossil fuel subsidies.
- Covid-19 induced remote working, combined with growing recognition of the climate emergency, shifted attitudes away from carbon-intensive ways of doing business, and accelerated the shift to digitalisation and ecommerce.
- The after-effects of 2020-21 are likely to be felt for years to come, potentially impacting inflation and interest rates, disrupting politics and industry structures, and changing attitudes to energy cost and conservation.

See pages 12 to 13 for more details

…and in an important year for the construction industry

- Demand and supply imbalances were the most immediate impact – manufacturers adjusted capacity, logistics networks were disrupted and workforce migration was constrained. Supply chains were caught out by the initial 2020 lockdowns, then by under-estimating the strength and length of the rebound through 2021, resulting in unusually high materials inflation and "allocation" of limited supply.
- The diversion of spend from leisure to renovation outlasted initial expectations. This added to a longer-term structural demand shift to replace or retrofit out-of-date or non-compliant buildings – imperative since it is estimated that >35% of European emissions relate to buildings and construction.
- Recognising this long-term demand shift, suppliers have announced significant new capacity plans in insulation and plasterboard, implying the largest capacity changes in a decade.
- With the increasing focus on sustainable construction, a growing number of SIG's large suppliers and customers launched or brought forward net zero carbon ambitions. This will bring growing scrutiny to the carbon intensity of products and supply chains, and accelerate product innovation from new technologies and new players e.g. in non-traditional insulation materials.
- Digitalisation in construction continues to lag other industries. However, labour shortages increase the importance of offsite construction and robotics. Adoption of Building Information Modelling ("BIM") continues to grow, attention to lifecycle carbon footprint adds significant product data complexity, and customers' desire for multichannel distribution is increasing.

See pages 12 to 13 for more details

Strategic report

Governance

Financials

Born Green

Sustainability and energy efficiency have been central to SIG for over 60 years.

SIG was founded by Ernest Adsetts in the 1950s and was born as a specialist insulation marketing and distribution business. Energy conservation is in our DNA, from taking fibreglass into domestic housing insulation in the 1950s, 60s and 70s, through to our current product range which is meeting the ever evolving needs of energy efficiency.

Over seven decades, SIG has been a leading force for higher standards and greater focus on the environment – our "Born Green" heritage is never more relevant than today and in the decade ahead.

Likewise, the commercial success factors throughout our history – deep supplier partnerships, specialist expertise, empowered local teams, value-creating M&A – remain fundamental to how we will win in the future.

1957–1981

"Born Green" growing federation of local branches

CEO, Sir Norman Adsetts, focused on developing "New technologies for insulation"

1973–1979 – SIG led the UK construction industry's response to the energy crisis, entering the new arena of energy conservation. The Group seized the opportunity presented by this and the Government's "Save it" campaign.

1981 – Sir Norman Adsetts joined, and subsequently became Chairman of, the Association for the Conservation of Energy which proved to have great success in increasing the awareness of the need to save energy.

1982–2001

Flotation and international expansion

During this period, the Group grew from £30m to £1bn revenue

- **1990: entered the UK Interiors market**
- **1994: entered the mainland European market with an acquisition in France**
- **1996: entered the German and Polish markets**
- **1997: entered the UK roofing and Irish markets**
- **2000: entered the Dutch market**

1987 – In the year coined the "Energy efficiency year" by the Secretary of State for Energy, Sir Norman was made an OBE for his services to energy conservation.

1990s – Continual focus on energy conservation drove higher insulation standards and robust demand.
The Group benefitted from the UK government's allocation of finance for the Home Energy Efficiency Scheme.

2002–2008

Rapid growth and diversification

The business tripled in size to revenue of £3bn, with over £0.5bn invested in acquisitions

2007 – SIG began collecting and reporting on carbon consumption and disclosed environmental stewardship as one of its core principles. In the 2007 annual report, our first environmental report included environmental objectives established at relevant levels within the organisation, along with a detailed policy statement.

- **2007: entered the French Exteriors market**

2009–2014

Restructuring and constrained investment

Major restructuring undertaken in 2009 alongside an equity raise with a focus on cash generation, debt reduction and non-core divestments

2010 – Introduction of the UK Carbon Reduction Commitment Energy Efficiency Scheme ("CRC").

2012 – SIG finished in the top 2% of the published CRC league tables, for reducing its carbon emissions 2011/2012.

CRC Energy Efficiency Scheme

2015–2019

Change of strategic direction

The Group's strategy was focused on debt reduction with a retail-like emphasis on managing costs and inventory

2015-2019 – Divergence from our traditional models in certain markets and subsequent restructurings distracted from our sustainability focus.

2020–present day

Return to Growth strategy based on time-honoured but modernised SIG formula

2021 brings market share recovery, rapid profit turnaround and renewed focus on sustainable construction

2021 – Sustainability commitments launched (refer to page 30):

- Net zero carbon by 2035 at the latest
- Zero SIG waste to landfill by 2025
- Partner with manufacturers and customers to reduce carbon
- Health & Safety leader
- Employer of choice

Diversified growth potential with a tried and tested business model

Our purpose: to enable modern, sustainable and safe living and working environments in the communities in which we operate.

Resilient, diversified and high potential franchise in sustainable construction

- For 25 years a leading pan-European specialist provider of selected interiors and exteriors solutions to the construction industry, competitively advantaged through scale and expertise.
- "Born Green" in 1957 with decades of experience as a leading force in energy efficient construction, well placed to benefit from sustainability tailwinds and market growth in energy efficient solutions, backed up by SIG's own commitments to be net zero carbon by 2035 at the latest.
- Rare multi-national platform, highly diversified by product, geography, customer base and end-user mix, with leading positions in relatively fragmented market segments.

Proven business model

- The seven pillar model of decentralised, entrepreneurial branch-based teams, delivering superior service through deep supplier partnerships, specialist expertise and logistics excellence, has underpinned SIG's success since our foundation.
- Tried and tested playbook in SIG's core categories is also applicable to adjacent specialist building materials markets with similar characteristics.
- Long-run track record of profitable growth, scale-up and expansion into new categories and geographies.

New leadership team building a strong track record

- Experienced and motivated management team with strong track records inside and outside SIG.
- Backed by a supportive shareholder base, with a successful maiden bond issue in November 2021 providing additional financial stability and flexibility.
- Strategy execution ahead of expectations, delivering above market growth and consistent operating margin uplift since its launch in mid-2020.
- Performance momentum into 2022.

Clear path towards 5% operating margin and opportunities to accelerate

- Supportive structural market growth drivers: energy efficiency categories likely to outpace construction.
- Step-change potential from portfolio businesses at different stages in their path towards operating margins of 5%.
- Relentless focus on operational excellence underpinned by capital-light investment and digitalisation.
- Fast-approaching cash generation with an increasing number of attractive acquisition opportunities to accelerate growth.

A strong Return to Growth

The Board is delighted with the progress that has been made under the Return to Growth strategy and is confident of further progress in 2022 to the benefit of all stakeholders.

Dear Shareholder,

2021 was a pivotal year for SIG, with the Return to Growth strategy gathering momentum and the Group returning to underlying profitability. Our customers, supplier partners and colleagues continue to affirm that our focus on empowered and entrepreneurial local teams, offering exceptional service and expertise to our customers, is a successful approach for building back our market share and profitability.

The Group finished well ahead of the expectations set at the beginning of the year. Strong execution of the strategy across the business, combined with a generally favourable market backdrop, enabled the Group to deliver a very encouraging set of results, and to put solid foundations in place for sustainable future growth.

The Executive Leadership Team now consists of operating company leaders who all have deep industry experience, and this is complemented by strong central support from functional leaders. I am very confident there is a strong and balanced leadership team in place to take the business further on its growth journey.

The Board is pleased with the progress that has been made and is confident that the business will continue to deliver value for all stakeholders as we move into the next phase of the strategy.

"2021 saw a step change in the Group's performance, driven by major strategic initiatives initiated at the outset of the Return to Growth strategy"

Revenue

£2,291.4m

2020: £1,874.5m

Underlying profit/(loss) before tax

£19.3m

2020 (restated): (£76.1m)

Strategic progress

Throughout the year, the Group has made excellent progress in implementing a consistent business model in all operating companies and has ensured central functions remain streamlined in line with our de-centralised approach. The business has continued to make great strides in re-connecting with customers, driving a stronger, local branch-led approach and restoring an entrepreneurial and customer facing culture, particularly across front-line teams. In addition, efforts to strengthen supplier partnerships and investment in local category expertise has been crucial in mitigating and managing the supply chain issues the industry experienced throughout the year.

Greater focus on investment for growth, including opening new branches in several operating countries, upgraded ecommerce capabilities and highly selective acquisitions, coupled with enhanced operational processes, systems and controls, has strengthened the foundations for further market share recapture and profitable growth.

As a result, the Group is back to profitability earlier than expected on an underlying basis, reporting an underlying profit before tax of £19.3m. Notably, the UK business is once again profitable, and France and Poland have delivered record years. Group like-for-like sales were up 24% on the prior year, and 8% up on 2019. The Board is increasingly confident that the Group will reach 3% operating margin in 2023, trending to 5% in the medium-term.

We were delighted to complete a successful refinancing in November 2021, which included the Group's first public bond issue, specifically €300m of 5.25% fixed rate secured notes. This transaction enabled us to refinance our existing facilities well ahead of their maturity dates and on more attractive terms. Together with a new Revolving Credit Facility ("RCF"), the notes further improve the Group's financial flexibility by extending the maturity profile of the Group's borrowings and increasing its available liquidity.

Details of the strategy and a strategic update can be found in the Chief Executive Officer's review on pages 18 to 27.

LFL sales

24%

2020: (13%)

Underlying operating margin

1.8%

2020: (2.8%)

Sustainability

During the year, a newly defined set of sustainability commitments were developed and approved at Board level. Our principles are clear: we need to do the right thing for all stakeholders and focus on where SIG can make a positive difference both within our own operations and in the industry as a whole. We intend to focus on five fundamental areas: Health & Safety, net zero carbon, zero SIG waste to landfill, the reduction in carbon and waste across our supply chain and becoming an employer of choice in the building materials distribution industry. The Board considers these initiatives to be particularly important for the long-term development and success of the Group.

Further information can be found on pages 30 to 52.

Governance and Board

The Group supports and sets high standards in corporate governance, and this requires a strong and effective Board. After the many changes to Board membership in 2020 and very early 2021, as set out in last year's report, we have had a year of greater stability, and I believe the Board is operating effectively. This is supported by the conclusions from our external Board evaluation exercise conducted in Autumn 2021. The relationship with Clayton, Dubilier & Rice ("CD&R") also continues to work well and we benefit greatly from their input.

Despite the ongoing challenges that this year has presented and the restrictions on physically meeting on a regular basis, the Board continued its commitment to support the Executive Leadership Team in the ongoing execution of the Return to Growth strategy.

During the year, nominated Board members also continued to fulfil the Board Employee Engagement programme, hosting focus groups with employees from across the Group in order to gain greater understanding of challenges and further insights into key areas of focus. The programme continues to be a valuable engagement tool benefitting both employees and the Board.

The Board currently comprises ten Directors, including two women, one man from a non-white ethnic background, and two male CD&R nominated Directors. This places us significantly below our aspiration to achieve at least the Hampton-Alexander target of 33% women and this is something we will address in our Board succession planning going forward.

Further information can be found on pages 68 to 128.

People and culture

People are integral to the delivery of our Return to Growth strategy and sustainability commitments.

The Board would like to thank all employees for their continued commitment, resilience and hard work throughout the year. Teams have responded flexibly to changing Covid-19 circumstances and macro industry challenges, always with a clear commitment to serving customers. Throughout the pandemic, the highest priority for the business has been to ensure the safety and wellbeing of our people.

In line with our commitment to reconnect with employees and provide greater opportunity for communication and engagement across the Group, a second annual employee engagement survey was conducted, and the Board was delighted to see improvements across many focus areas. In addition, the introduction of a Group-wide communications platform has provided greater visibility between operating countries, across all levels in the Group, and increased peer to peer engagement.

We remain focused on ensuring SIG is a fair, inclusive and supportive working environment for our people, and also for our customers, suppliers, business partners and the communities in which we work. We are pleased that 81% of the respondents to our recent employee survey answered positively when asked if they feel that employees are treated with respect regardless of their age, gender, and cultural background. However, we accept there is more we can do in this area and are reviewing our approach for 2022 and beyond.

As the business focuses on strengthening the foundations for growth, renewed emphasis is being placed on the recruitment and development of high-quality talent, measuring and managing performance and ensuring robust succession planning is in place to ensure we have the right talent at all levels to continue to deliver our strategy.

Further information can be found on pages 40 to 47.

Group performance

2021 LFL sales over 2020 were heavily distorted by the impact of the pandemic during H1 2020, finishing up 24%. LFL sales were up 8% on 2019, a more meaningful comparator. From the Spring onwards, the construction industry was severely affected by well publicised shortages of certain materials. This constrained our ability to fully meet customer demand, however, the impact of input cost inflation, which we were largely able to pass on to customers, provided a strong tailwind to the reported level of growth in H2.

We reported an underlying operating profit of £41.4m and underlying profit after tax of £3.7m. This led to an increase in underlying earnings per share from (10.0p) in 2020 to 0.3p. Statutory loss after tax was £28.3m, with a statutory loss per share of 2.4p.

As part of the Return to Growth strategy, the Group always planned to revisit the financing arrangements put in place in mid-2020. As noted previously, we were delighted to be able to conclude a successful refinancing in November 2021, which provides the Group increased flexibility as we execute the strategy.

No dividend is proposed for 2021. The next key step for the business is to continue to increase operating margin and, with that, also return to sustainable cash generation. I am confident that we are now very well placed to do both.

Outlook

The Group continued to respond well to exceptional circumstances over the last year. With no direct exposure to Russia or Ukraine, we are currently not seeing any significant impact on our business arising from the current conflict in Ukraine, but we will continue to closely monitor that rapidly evolving situation. Our deepest sympathies go out to the people of Ukraine, and we are working on ways on how best we can provide financial and practical support to those affected.

As regards SIG and our outlook, the Return to Growth strategy continues to gain momentum, the organisation has further strengthened, and we are seeing the results coming through. SIG retains strong positions in its core markets, and, notwithstanding the evolving geopolitical uncertainties, the fundamentals of the markets in which we operate remain robust. The Board is delighted with the progress that has been made under the Return to Growth strategy and is confident of further progress in 2022 to the benefit of all stakeholders.

The Board is grateful for the ongoing support of shareholders and employees and remains committed to leading the Group towards its goals in delivering the strategy.

Andrew Allner
Chairman
10 March 2022

Our strategy

Sustainable construction

To enable modern, sustainable and safe living and working environments in the communities in which we operate

Responsible actions

Winning branches

Superior service

Specialist expertise

Valuable partnerships

Highest productivity

Focused growth

Sustainable market leadership

- Grow our leadership positions and market share
- Operating margin of 3%, trending towards 5% in the medium-term
- Cash generation to reinvest in growth and support progressive dividend policy

See pages 18 to 27 for more details

Our sustainability commitments

Net zero carbon by 2035

Zero SIG waste to landfill by 2025

Partner with manufacturers and customers to reduce carbon

Health & Safety leader

Employer of choice

See page 30 to 52 for more details

Where we are

Business overview markets

SIG is a leading supplier of specialist insulation and sustainable building products and solutions to business customers across Europe.

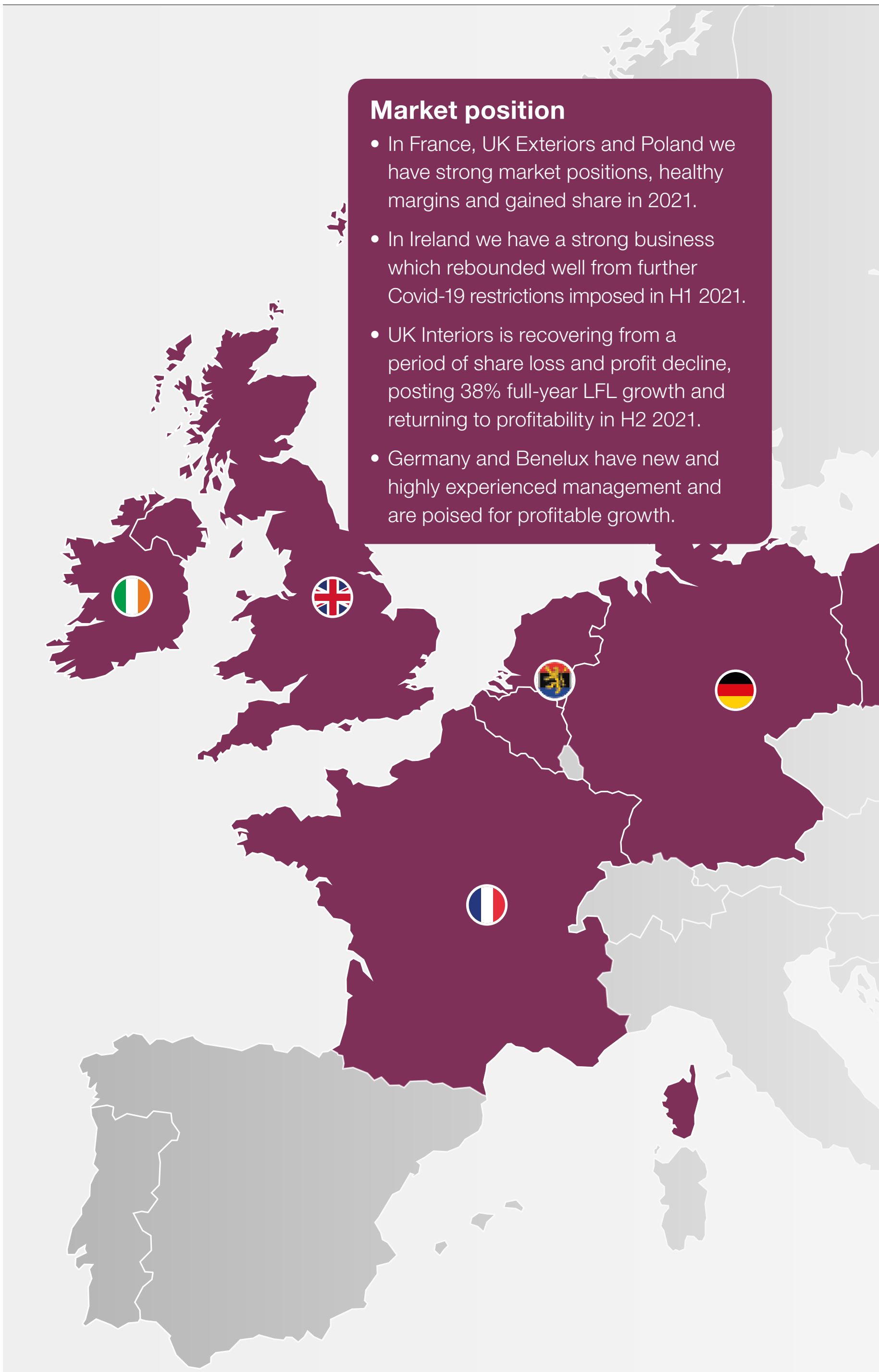
In our chosen interiors and exteriors markets we are twice the size of the next largest European player and the largest partner for many of our suppliers.

We have a long history in categories and segments that help to drive industry sustainability trends, with >50% of Group sales exposed to tightening energy efficiency regulation.

Sustainable market leadership

We aspire to sustainable market leadership in all our country markets:

- #1 or 2 market position;
- gaining share in priority categories;
- strong brand reputation and trust;
- leading net promoter scores;
- influencing the sector's sustainability agenda and fostering innovation; and
- operating margins at, or trending towards, 5%.



Market position

- In France, UK Exteriors and Poland we have strong market positions, healthy margins and gained share in 2021.
- In Ireland we have a strong business which rebounded well from further Covid-19 restrictions imposed in H1 2021.
- UK Interiors is recovering from a period of share loss and profit decline, posting 38% full-year LFL growth and returning to profitability in H2 2021.
- Germany and Benelux have new and highly experienced management and are poised for profitable growth.

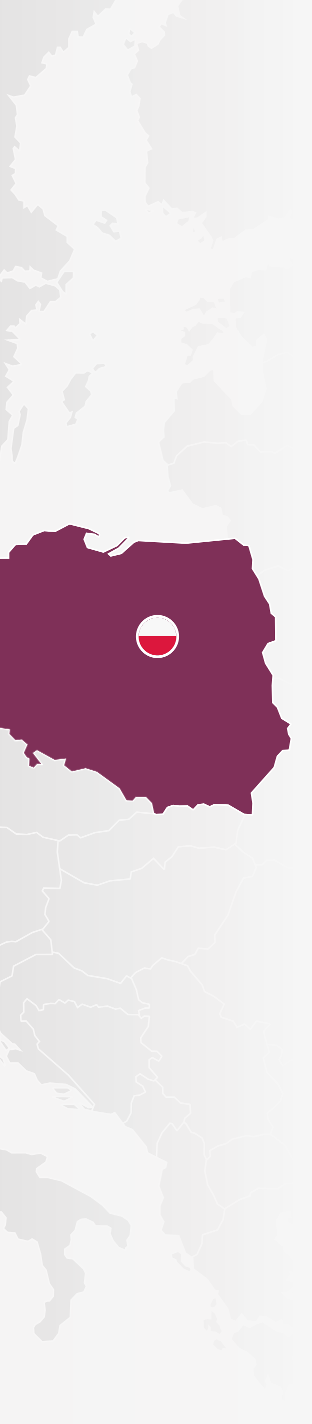
Sites
432

Revenue
£2,291.4m

Employees
>6,800

Underlying operating profit
£41.4m

2021



	Trading sites	Employees	Market position	Share gain	Revenue £m	Underlying operating margin %
United Kingdom						
Insulation and interiors	168	2,865	#2	↑	507	(0.5)
Leading national roofing specialist			#1	↑	422	5.9
France						
LiTT Insulation and interiors	144	1,286	#2	↑	195	5.7
Larivière Exteriors Roofing and Accessories			#1	↑	406	4.3
Germany	51	1,302	Top 3	↔	393	0.9
Poland	45	864	#1	↑	187	3.4
Rep of Ireland & NI	9	312	Top 3	↑	88	3.2
Benelux	15	219	Top 3	↓	92	(5.3)

Insulation and interiors Exteriors

What we do

We play a critical role in the construction industry, providing local expertise alongside the highest levels of customer service.

Our USPs

Expertise

SIG has decades of "specialist to specialist" expertise from deep partnerships with suppliers, in-house technical teams and specialist fabrication capabilities. Our people's product and market knowledge is our competitive advantage.

We help tackle the complexities of building standards and sustainability objectives across energy efficiency standards, fire protection and acoustic performance.

Service

SIG has a strong heritage of quality and reliability. 91% of customers agree that "SIG is a brand I trust".

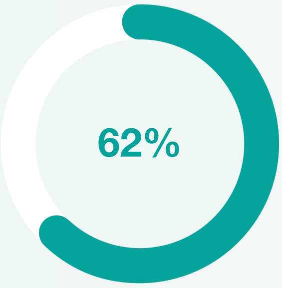
Our people go the extra mile to get our customers the right product in the right place at the right time. We help our valued partners deliver on their promises, protect their brands and increase their productivity.

Proximity

SIG has established leading positions and an extensive branch network across its core markets. Our integrated networks and multichannel approach allow us greater proximity to our customers to meet their needs. We offer market-leading brands on an international scale alongside a local focus on providing effective solutions.

Interiors

Revenue split



Revenue (£m)

1,426.1

Key brands

SIG Distribution
SIG Interiors
wego Systembaustoffe
vti Technische Isolierungen
Specjalistyczne Materiały Budowlane
LiTT
SIG Afbouw Specialist

Key suppliers

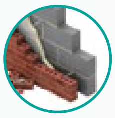
Rockwool
siniat
Armstrong
Knauf
Saint-Gobain
British Gypsum

Key products


Structural insulation

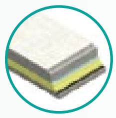

Technical insulation


Ceiling tiles and grids


Construction accessories and fixings

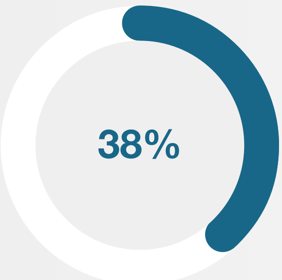

Partition walls and doorsets


Dry lining


Floor coverings

Exteriors

Revenue split



Revenue (£m)

865.3

Key brands

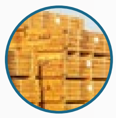
SIG Roofing
Lariviere

Key suppliers

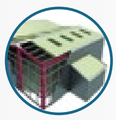
IKO
Marley
Edilians
Velux
Eternit
Wienerberger

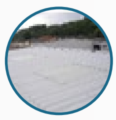
Key products


Tiles, slates and membranes


Batten for pitched roofs


Single-ply flat roof systems


Industrial roofing


Cladding systems


Room-in-roof panel systems


PV panels

Our market environment

2021 was an eventful year for our world and an important year for the construction industry, pointing to a decade of accelerating change ahead.

- Structural trends support robust underlying growth.
- Energy efficiency and sustainability focus create commercial opportunities for SIG, while in parallel we reduce our own carbon footprint.
- Digitalisation for SIG is a route to productivity enhancement and growth while our focus on specialist markets offers some protection against pure-play "digital" models.

Sustainable construction

- COP26 saw governments firm up their commitments to net zero carbon by 2050 (UK, France, Netherlands, Ireland) and 2045 (Germany) and, with an estimated >35% of European GHG emissions linked to construction, our industry is centre-stage.
- Fiscal stimulus to support new build and renovation includes the European Green Deal with a budget of c€1 trillion, while the UK's "Build back better" programme has an added sustainability focus; across our markets a range of grants, loans and subsidies are being deployed to drive demand.
- Building standards are being revised upwards e.g. in December 2021 the EU Commission proposed mandatory energy efficiency upgrades to at least E by 2030.
- Industry-wide, c30% of construction materials are wasted. This is being tackled by growth in offsite manufacturing (more energy and material efficient) and new technologies to recycle and convert waste to useable products.
- In 2021, a growing number of our large manufacturers and customers (e.g. house-builders, master contractors) adopted or strengthened their own net zero carbon commitments and waste and circularity goals. These ambitions will shape the solutions and materials they make and buy in the future, as well as framing their expectations of distributors as partners in this journey.
- The increasing need and investment to enhance energy efficiency across construction drives greater demand for SIG's core products (such as insulation and roofing), raises the importance of distributor expertise in energy and carbon efficiency, and reinforces the imperative of reducing emissions from our own operations.

Industry focus on sustainable construction creates five opportunities for SIG to capture commercial benefit and reduce carbon footprint along the value chain

1. Increase exposure to green trends
2. Partner with suppliers to accelerate uptake of low-carbon products
3. Reframe the strategic conversation with large accounts
4. Facilitate growth in the circular economy
5. Provide value-added services

Demand/supply shock

- Throughout 2020 and 2021, Covid-19 created a level of disruption in the construction industry, and it will be some time before this is fully resolved.
- Huge demand uncertainty at the time of the first wave of national lockdowns led to temporary supply shutdown, with construction labour constraints exacerbated by material shortages as manufacturers reduced capacity and logistics networks were disrupted. A renovation, maintenance and improvement ("RMI") spike followed the initial demand shock, with home-working driving reconsideration of DIY and renovation priorities, adding to long-term sustainability driven growth tailwinds.
- In 2021, global economic and supply chain factors contributed to a combination of shortages in some products (with manufacturers resorting to an "allocation" of limited supply between customers and distributors) and high and volatile inflation, particularly in steel and wood.
- Manufacturers have pushed ahead with capacity increases, confirming confidence in the robustness of medium-term demand.

Structural RMI demand

- Renovation of existing housing stock is key to reaching governments' net zero goals: 70% of EU homes need to be renovated and the EU renovation rate needs to double.
- The shift to home-working that accelerated in the pandemic has increased consumer intent for home renovation, and the diversion of spend from leisure to renovation outlasted initial expectations.
- Rises in gas prices shine a spotlight on the cost (and energy efficiency) of both residential and commercial heating.
- Energy efficiency tailwinds support long-term structural growth in RMI, albeit in an uncertain near-term macroeconomic environment.
- With c50% of sales in RMI, and concentration in energy efficiency categories expected to grow ahead of overall construction activity, SIG is well placed.

Digitalisation

- Digital adoption in construction lags some other industries, but the direction is clear and accelerating, driven by sustainability trends, pandemic disruption, and inflation.
- In building materials distribution, specialist trade customers increasingly demand easy to use digital services to research, plan, order and manage their accounts. But these capabilities are complementary to telephone, email and in-branch i.e. multi-channel rather than online pure-play.
- Growing attention to lifecycle carbon footprint adds significant product data complexity (e.g. Environmental Product Declarations for a standard plasterboard have five impact measures across five stages with hundreds of subsidiary data points). Helping customers understand thermal insulation performance, embodied carbon and other environmental factors requires data integration across multiple suppliers and specialist category expertise.
- Labour shortages and high energy prices increase the importance of offsite construction and robotics (which also cuts waste significantly vs traditional methods).
- Growing technologies such as BIM, 3D printing and robotics will have applications throughout the value chain from design, to construction, to maintenance, through to renovation and end of life; however common standards remain elusive.

The transition to more sustainable construction

In SIG's categories, sustainability is multi-dimensional – it is not as simple as green vs non-green products.

To truly understand sustainability over the life-cycle of a product requires considering, and sometimes trading-off:

- the carbon intensity of raw material sourcing and extraction;
- energy use (and electricity source) during manufacturing;
- road miles and vehicle fuel type at each stage of logistics;
- energy expended during installation;
- waste (product and packaging) generated across manufacturing, distribution and construction sites;
- in-use performance e.g. thermal insulation, acoustic insulation and fire safety; and how these properties sustain over time;
- end-of-life impact of dismantling, reuse, recycling or disposal;
- …and the difficulty multiplies when taking into account not just GHG emissions, but also water consumption, hazardous chemicals, biodiversity impact and modern slavery risk.

As one of the largest European specialist distributors in our markets, SIG has several roles to play in partnership with customers and suppliers, including:

- raising awareness of energy efficiency and carbon regulations;
- scaling up new lower-carbon solutions;
- helping customers optimise across cost, insulation performance and embodied carbon;
- coordinating complex logistics to reduce on-site cost and waste;
- providing ancillary services such as data, technical advice and support;
- backhauling waste from customers to supplier; and
- reducing emissions from our own operations.

Construction

Industry-wide, c30% of construction materials are wasted

- Growth in offsite manufacturing – more energy and material efficient.
- New technologies recycle and convert waste into useable products.

Raw materials and manufacturing

Significant variation across material type

- Raw material extraction and manufacturing is often 80% of lifecycle emissions.
- Extruded polystyrene insulation has 5x the embodied carbon of mineral wool or fibreglass…
- …while hempcrete or dense pack cellulose naturally sequester carbon.
- Bio-sourced materials are currently only 1-2% of the insulation market.

Logistics

Fuel is the biggest factor in emissions from logistics

- Transport emissions depend on road miles, capacity utilisation and fuel type.
- HGVs are behind cars and forklifts in electric technology.

Building lifetime

Trade-offs between in-use energy conservation and embodied carbon

- Extruded polystyrene insulation, for example, has 5x the embodied carbon of hemp-based but 25% better thermal insulation.
- Net carbon impact depends on application and building lifetime.

SIG's pivotal role in sustainable construction creates value for all our stakeholders

SIG is a leading supplier of specialist insulation and sustainable building products and solutions, differentiated through expertise, service and proximity

Valued by future generations

- Minimising carbon in SIG's own operations
- Partnering with suppliers and customers to reduce carbon across the supply chain
- Facilitating the circular economy

Valued by manufacturers

- Access to a fragmented customer base
- Energy efficient path for small orders
- Scale-up of new low-carbon solutions
- Provision of technical advice and support

Manufacturers

Valued by long-term Shareholders

- Sustainable advantage
- Path to attractive returns
- Unique platform for growth

Valued by customers

- One stop access to wide range of established and new products
- Helping customers trade-off cost, performance and carbon footprint
- Breaking bulk, bespoke fabrication
- Coordinating complex logistics, to reduce on-site cost and waste

Developers

Contractors

Specialist installers

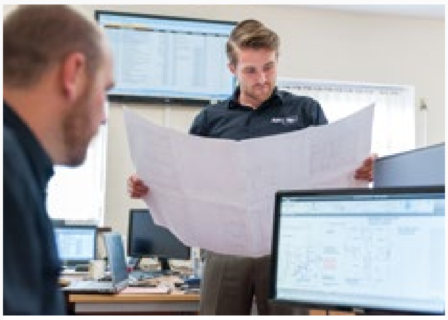
Independent merchants

End user

Valued by colleagues and our communities

- Safe and sustainable working environments
- Pride in SIG's purpose, values and standards
- Job creation and active community contribution

Our specialist expertise supports customers and suppliers to take tangible steps towards more sustainable construction



Easy-kit solar panels

Larivière has been a market leader in the supply of solar panels for a decade, with supply mainly to larger companies and key accounts. Our easy-kit solar panel solution, with accessible and straightforward installation, allows our roofing customers, of all sizes, to offer solar panel installation as part of their portfolio.

SIG Technical Services

Drawing on 60 years of experience, SIG Technical Services in the UK offers the construction industry a selection of energy saving insulation products and guidance on building regulation compliance. Through its own in-house energy assessors, a complete and integrated service ensures unbiased access to thousands of market leading insulation products and solutions.

Bio-sourced insulation

Traditional insulation, such as stone and glass-wools are very high consumers of CO_2. Therefore our team in France are raising awareness and accessibility of alternative bio-sourced solutions such as wood, linen, hemp and straw-wool.

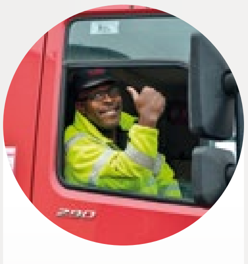
Acceleration of Return to Growth strategy

Return to winning ways

In H2 2020, we launched our Return to Growth strategy after a period of falling market share and profitability, especially in the UK. I am delighted with our progress in 2021, with the Group returning to underlying profitability and reporting an underlying operating profit of £41.4m and 1.8% operating margin. Our market share gains and margin uplift, in challenging supply markets, reinforce the value of the core model that has underpinned decades of SIG success: entrepreneurial local teams delivering exceptional service based on specialist category expertise and deep partnership with our suppliers.

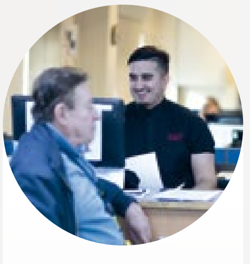
We empowered branches with the flexibility and tools to trade effectively, and significant improvements in staff engagement went hand in hand with accelerating sales growth. Supply partnerships helped secure scarce inventory, with product availability and service reflected in a favourable customer Net Promoter Score of 40. Our people remain very engaged, with our annual employee survey highlighting positive feedback on our vision, leadership, culture and safety practices. Our people feel valued, committed and are happy to work for SIG.

Connecting with our stakeholders



Colleagues

Engagement with our colleagues is vital for the future growth of the Group. Our annual engagement survey gives our people a voice and allows us to drive actions that make our colleagues feel increasingly proud and valued.

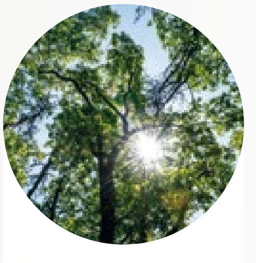


Customers

Our extensive branch network provides unrivalled coverage and proximity to customers in an industry where branch level relationships remain key.

Suppliers

Constructive and collaborative supplier partnerships are fostered at every level from the Board to the branches, strengthening our service to our customers and allowing us to create win-win strategies for all parties.



Our world

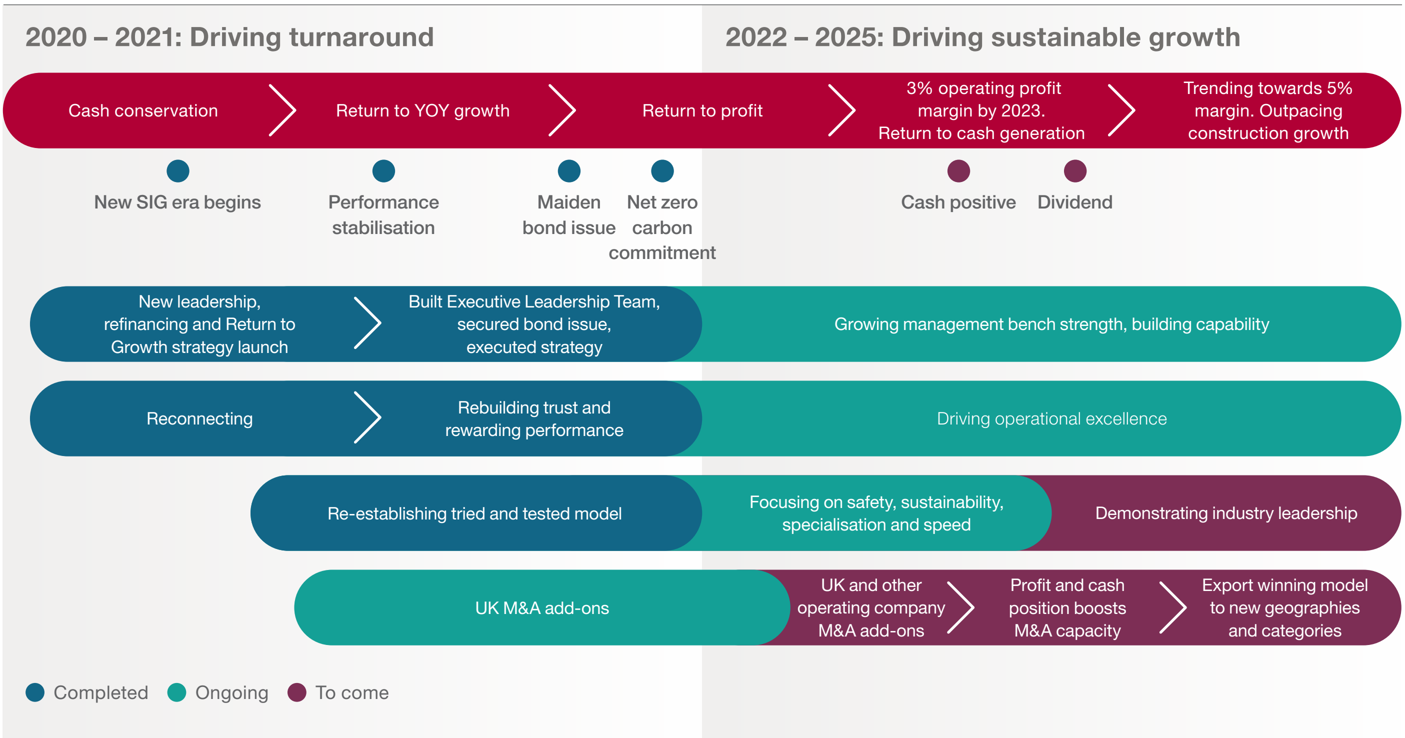
The climate change emergency that came sharply into focus in 2021 shapes the purpose and strategy of the Group and will continue to do so as solutions to address this issue are refined.

Investors

The views of our investors are an integral part of our decision-making process, and we engage in frequent and open communication on a wide range of topics.

Further information can be found in the Section 172 statement on pages 78 to 83.

2021 momentum underpins confidence to accelerate



Investment behind our strategy is paying off and lays the foundations for future growth

We invested in stock availability, more expertise and people in the field, better training and incentives, modernising and decarbonising our fleet, digitalising processes across our supply chain, improving our branches and expanding the network. We strengthened our leadership bench in all countries and central functions in preparation for accelerated growth.

Reputation and influence regained

UK Interiors and Larivière (France Exteriors) were respectively awarded “Distributor of the year” in the supplier category (BMJ) and “2021 Best Specialist Distributor of the Year” (Geste D’Or), alongside several SIG appointments to high-profile leadership roles in industry associations. Our level of strategic engagement with major suppliers and customers has stepped up, opening up new opportunities, leveraging SIG’s scale and footprint.

Net zero commitments set

SIG has played a leading role in helping to make the build environment more sustainable since our foundation in 1957. In each era of renewed focus on energy conservation, we have worked closely with suppliers and governments to promote better practices and materials. SIG began measuring its carbon footprint in 2007, issuing its first Environmental Management Report that year.

In 2021, we refreshed our sustainability commitments, including: net zero carbon by 2035 at the latest, by migrating our fleet to electric and low-carbon fuels and shifting to green energy suppliers; and zero SIG waste to landfill by 2025, through reuse, recycling and reduction.

Financial results ahead of expectations

LFL revenue growth of 24% vs 2020 (and 8% up vs 2019), plus 120bps gross margin improvement, enabled 340bps improvement in operating costs as a percentage of sales, driving our recovery to £41.4m underlying operating profit (vs a loss of £53.1m in 2020).

Momentum accelerated during the year: H2 LFL sales were 15% above 2019 levels and operating margin increased steadily through 2021, adding up to a 4-5% positive swing since the launch of our strategy in 2020. Successful pass through of product price inflation added approximately 8% to revenue across the Group for the year as a whole, with this increasing in H2; importantly this was accompanied by disciplined margin management and underlying share gains.

UK turnaround delivered

UK Exteriors gained share and returned to >5% operating margin in 2021. UK Interiors (which previously saw the greatest deterioration in performance in 2019/20) achieved an impressive 38% LFL growth and 270bps gross margin improvement, enabling a return to profitability in H2. This is to the credit of a rebuilt but highly experienced UK leadership team (five of seven market-facing directors joined in 2020 with an average of 27 years experience – all but one are ex-SIG) and the recruitment of >100 senior sales and branch managers who hit the ground running.

Healthy EU growth

Performance in our European businesses was also very encouraging with our French Exteriors and Polish businesses performing strongly against 2020 and 2019. Germany and Benelux are at an earlier stage of turnaround than UK Interiors, but the profit levers will be similar and actions are underway under new and experienced leadership teams. Ireland was uniquely impacted by local Covid-19 related restrictions in H1, but rebounded in H2.

M&A add-ons and refinancing

In 2021, we acquired Penlaw, one of the UK's foremost suppliers of building materials, and F30 Building Products, a national supplier of specialist construction accessories. These acquisitions are performing well and bring additional specialist expertise to the Group. Focused M&A will continue to play a role in accelerating execution of our strategy.

SIG's maiden bond issue of €300m in November was completed comfortably ahead of the maturity dates of, and on more attractive terms than, existing facilities, increasing our financial flexibility and capacity for growth.

2022 priorities – Accelerating our Return to Growth strategy

Successful strategic execution in 2021, momentum into 2022 and structural demand trends that support robust market growth give us confidence in our path towards 5% Group operating margin in the medium-term and 3% for 2023. SIG achieved this level of performance in the past by staying true to simple principles of "specialist to specialist" customer focus, deep supplier partnerships, empowered local teams, effective stock management, contained overheads and value-adding acquisitions. Each of our businesses are at a different stage on their journey towards a 5% margin, but the ethos is the same.

In 2022 this requires a relentless focus on operational excellence – continuing the implementation of our seven pillars and remaining flexible to respond to the after-effects of the Covid-19 pandemic, supply chain disruption and energy cost-driven inflation. We are adapting our tried and tested model to reflect the evolving needs of our markets, focusing on four themes:

Safety

A strong safety culture is the foundation stone of any good business, and our promise to our people is that they, at all times, feel safe, proud and valued. We deliver on this through training, investment in our sites, honest reporting, proactive interventions, and most importantly making it everyone's priority, from drivers and warehouse colleagues to members of the Board.

Sustainability

The significant carbon footprint of the construction industry will drive strong demand for a more sustainable built environment in the coming years and SIG's "Born Green" heritage means we are well positioned to lead this industry shift to sustainable construction. We will pursue growth opportunities by focusing on categories aligned to green growth drivers, deepening our insight into the sustainability of the products we offer, enabling customers to consider trade-offs between embodied carbon and in-life energy efficiency, and making lower carbon materials and systems accessible. This means partnering closely with existing suppliers as well as early stage innovators.

We will embed SIG's drive towards net zero carbon by 2035 and zero SIG waste to landfill by 2025, developing detailed country-level plans and interim targets, and ensuring sustainability is central to our focus, behaviours and performance measures. Migration of our fleet (c85% of SIG emissions) to electric and lower-carbon fuels will continue, along with shifting to greener energy suppliers. Just as for our customers, pursuing net zero carbon requires focus, investment and creativity to tackle implementation trade-offs, such as slower technology development in HGV (vs cars or forklifts), variation in site readiness for charging and fuel access points, and country-specific regulations (e.g. distributor responsibility for removal of construction-site materials in France).

Specialisation

SIG is a specialist distribution business with top three market share positions across our operating companies – we want to be the clear #1 in our target specialisms. Category leadership is about not just scale, but more importantly expertise, trust, thought leadership and positive industry influence. Our business development and talent development efforts are focused on categories where the importance of technical knowledge and complex logistics will differentiate SIG, such as roofing systems, technical insulation, construction accessories and specialist timber. Strengthening specialist expertise is our route to winning share, upweighting higher margin categories and increasing exposure to sustainability growth drivers.

Speed

We must be easier, faster and more flexible to work for, sell to and buy from. SIG handles thousands of products from a broad supplier ecosystem, provides bespoke fabrication, and serves complex time-critical logistics needs – our job is to make this as simple as possible. In 2022, we will further reduce barriers to front-line decision-making and increase digitalisation in key processes (modernisation enabled by technology). We are tackling identified pain points in the "order to cash" and "procure to pay" processes, and will adopt systematic KPIs to track simplification progress and productivity benefits. Multi-channel engagement will increase, by making it easier for customers to research, plan, order and manage their accounts online.

Structural drivers support long-term market growth. SIG is a resilient, diversified and high potential franchise in sustainable construction, with a proven business model and a new leadership team delivering ahead of expectations. We are on a path towards 5% operating margin and a return to cash generation, with an increasing number of investment opportunities to further accelerate growth.

We look forward with confidence and excitement.

Seven pillar strategic handbook

The seven pillars of our strategy served us well during 2021, are aligned with SIG's proud history, and are key to constructing our future.

Our strategy

Sustainable construction

Enable modern, sustainable and safe living and working environments in the communities in which we operate

Responsible actions

- Our people feel safe, proud and valued
- A greener fleet and estate
- Positive community impact

Winning branches

- Local teams trusted and empowered to succeed
- Differentiated through expertise, proximity and service

Superior service

- Agile and entrepreneurial sales teams
- Multi-channel, data-rich customer journey

Specialist expertise

- Known for specialist focus and technical knowledge
- Advice to optimise cost, performance and carbon

Valuable partnerships

- Win-win strategies with suppliers
- Supporting suppliers' and customers' sustainability goals

Highest productivity

- Digitalising operational processes
- Lean and effective governance

Focused growth

- Growing energy efficient and low-carbon solutions
- Expanding branch network
- Acquisitions

Sustainable market leadership

- Grow our leadership positions and market share
- Operating margin of 3%, trending towards 5% in the medium-term
- Cash generation to reinvest in growth and support progressive dividend policy

2021 strategic pillar review

We have made significant progress on the seven strategic pillars that underpin our Return to Growth strategy, helping to accelerate our delivery of the strategy and bringing the Group back to growth sooner than expected.

Reduction in Scope 1 and 2 GHG emissions

16.8%

vs 2019

Employees who feel good about working for SIG

71%

Responsible actions

- Our people feel safe, proud and valued
- A greener fleet and estate
- Positive community impact

2021 progress

– Five sustainability commitments established and announced including net zero carbon commitment of 2035 at the latest.

– 71% of people say they feel good about working for SIG and our eNPS rating improved by 8 points. Our people feel safe, committed and valued by SIG with 91% of employees saying they feel safe at work.

– Strengthened the Environmental, social and governance ("ESG") capability within the Group with the appointments of sustainability directors in the UK and France and Health & Safety directors in Germany, France and the UK.

– Ireland achieved a zero LTIFR in 2021 following a renewed focus on safety culture.

– Scope 1 and 2 GHG emissions reduced 16.8% against 2019.

– Investment in a greener fleet with ongoing move to electric cars and forklifts in most operations.

– SIG Poland was awarded the title of "Reliable Employer of the Year 2021" in recognition of its excellent working conditions and safety record, as well as its commitment to corporate social responsibility and personal development.

Link to KPIs

– Lost time injury frequency rate ("LTIFR")

– Greenhouse gas emissions ("GHG" emissions)

– Employee engagement result ("eNPS")

Link to principal risks

– Health & Safety

– Macro-economic uncertainty

– Environmental, social and governance

– Legal or regulatory compliance

– Change management

Winning branches

- Local teams trusted and empowered to succeed
- Differentiated through expertise, proximity and service

2021 progress

– UK turnaround now consolidated with branches given empowerment to make pricing decisions locally that are appropriate for their market and shape their business at a branch level.

– LFL sales have increased by 24% from 2020 with gross margin improving from 25.1% to 26.3%.

– Challenging product availability issues ongoing through H2, particularly in UK, France and Germany.

Link to KPIs

– Net Promoter Score ("NPS")

– Like-for-like sales (%)

– Gross margin (%)

– Operating margin (%)

Link to principal risks

– Health & Safety

– Attract, recruit and retain our people

– Digitalisation

– Change management

Underlying operating margin

1.8%

2020: (2.8%)

Empowered local teams

Investing in their sites, giving them the tools to operate, simplifying targets, and upgrading incentives has generated huge energy and increased employee engagement.

Driving growth

A focus on driving operational performance at branch level alongside superior product range and availability, leveraging our supplier partnerships to secure scarce stock and supporting our customers in one of the most challenging supply years has driven our growth in 2021.

Specialist expertise

- Known for specialist focus and technical knowledge
- Advice to optimise cost, performance and carbon

2021 progress

– Larivière's technical expertise was recognised by Le Geste D'Or (an independent trade association) as it was awarded "2021 Best Specialist Distributor of the Year". Larivière also celebrated its 75th anniversary in operation, highlighting its heritage in the market and the depth of knowledge and expertise of its products.

– Market-experienced Managing Directors ("MDs") are now in place in all countries following recent appointments in Germany and Benelux.

– An industry leading category organisation has been rebuilt in the UK with the UK senior management team having, on average, 27 years of industry experience and an average of 13 years of experience in other senior roles.

Link to KPIs

– Net Promoter Score ("NPS")
– Like-for-like sales (%)
– Gross margin (%)
– Operating margin (%))

Link to principal risks

– Attract, recruit and retain our people
– Mergers and acquisitions

Superior service

- Agile and entrepreneurial sales teams
- Multi-channel, data-rich customer journey

2021 progress

– Customer NPS of 40 with favourable customer recommendations.

– UK Interiors awarded "Distributor of the year" in the supplier category at the BMJ awards.

– Strong development of omnichannel sales approach in Poland with new functionalities on their ecommerce platform and improved product availability. Ecommerce also launched in Ireland.

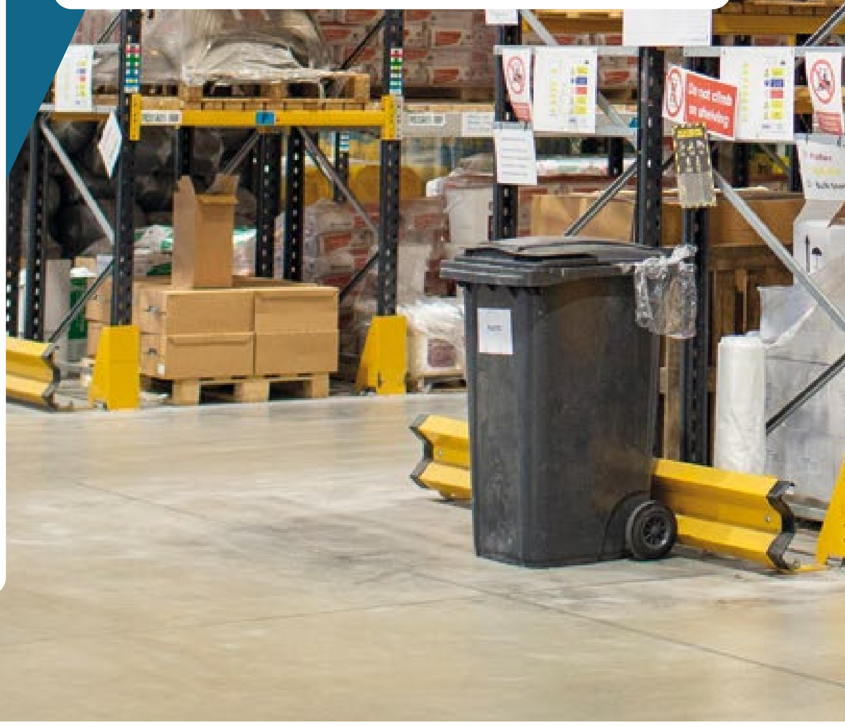
– Reorganisation and reset of our German operations with a new "Empowering the Touchpoints" strategy focusing on the market, our customers and superior branch management.

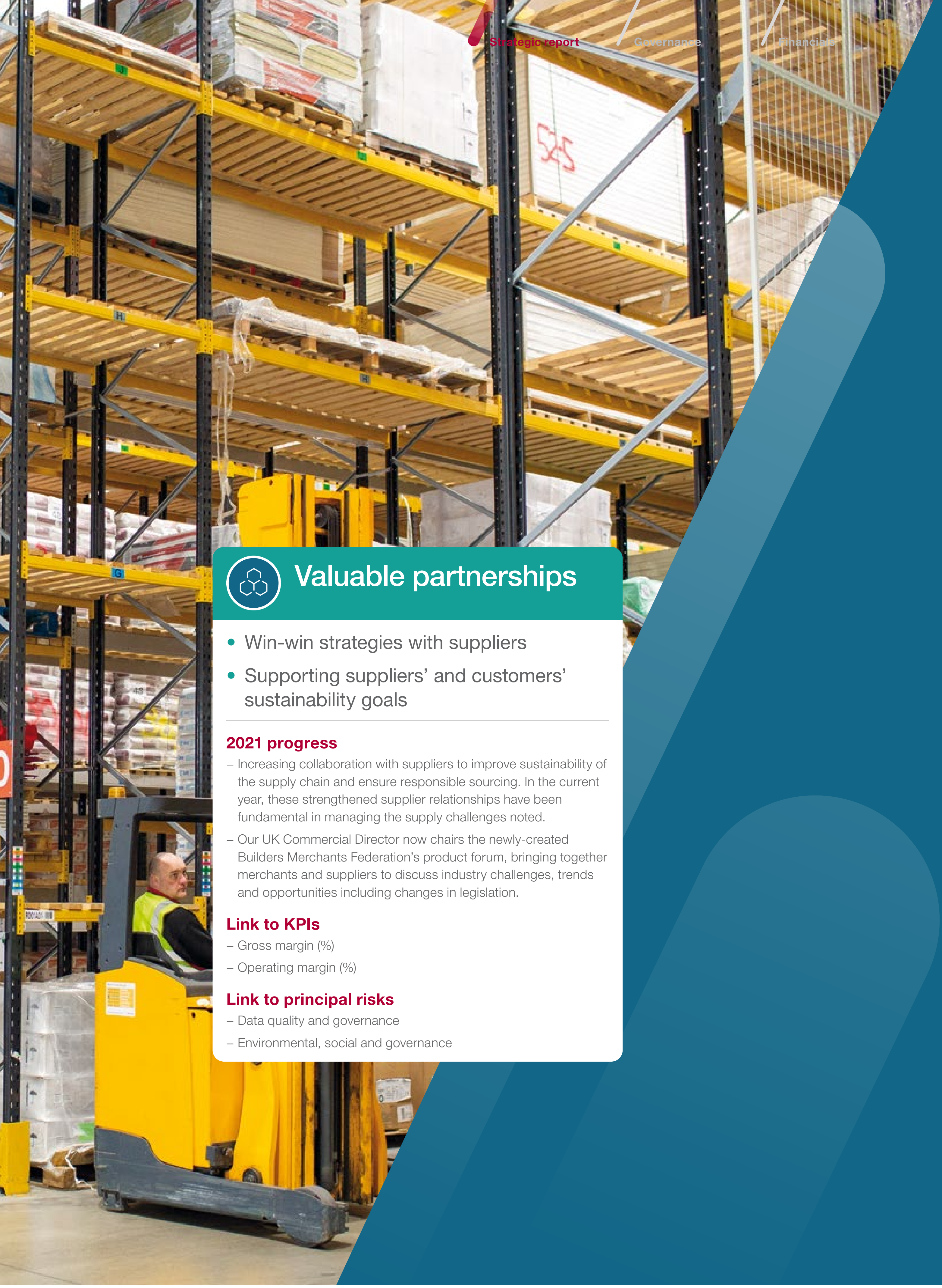
Link to KPIs

– Net Promoter Score ("NPS")
– Like-for-like sales (%)

Link to principal risks

– Macro-economic uncertainty
– Attract, recruit and retain our people
– Digitalisation
– Change management





Valuable partnerships

- Win-win strategies with suppliers
- Supporting suppliers' and customers' sustainability goals

2021 progress

– Increasing collaboration with suppliers to improve sustainability of the supply chain and ensure responsible sourcing. In the current year, these strengthened supplier relationships have been fundamental in managing the supply challenges noted.

– Our UK Commercial Director now chairs the newly-created Builders Merchants Federation's product forum, bringing together merchants and suppliers to discuss industry challenges, trends and opportunities including changes in legislation.

Link to KPIs

– Gross margin (%)

– Operating margin (%)

Link to principal risks

– Data quality and governance

– Environmental, social and governance

Highest productivity

- Digitalising operational processes
- Lean and effective governance

2021 progress

– Improved technology processes to make the business easier to work for, buy from and sell to.
– Roll out of Workplace from Facebook throughout the Group to facilitate better communication and collaboration across teams and enhance employee engagement.
– Appointment of an Interim Group Digitalisation Director to drive the Group's digital agenda.
– Some operational challenges in Germany and Benelux which are the main focus of the new leadership teams in these businesses.

Link to KPIs

– Lost time injury frequency rate ("LTIFR")
– Greenhouse gas emissions ("GHG emissions")
– Employee engagement result (eNPS)
– Operating margin (%)
– Average trade working capital to sales ratio (%)

Link to principal risks

– Digitalisation

Branch openings

We opened branches in all countries, with a multi-year programme of branch openings now underway to in-fill geographic gaps or upgrade our presence in major urban markets.

Number of branches

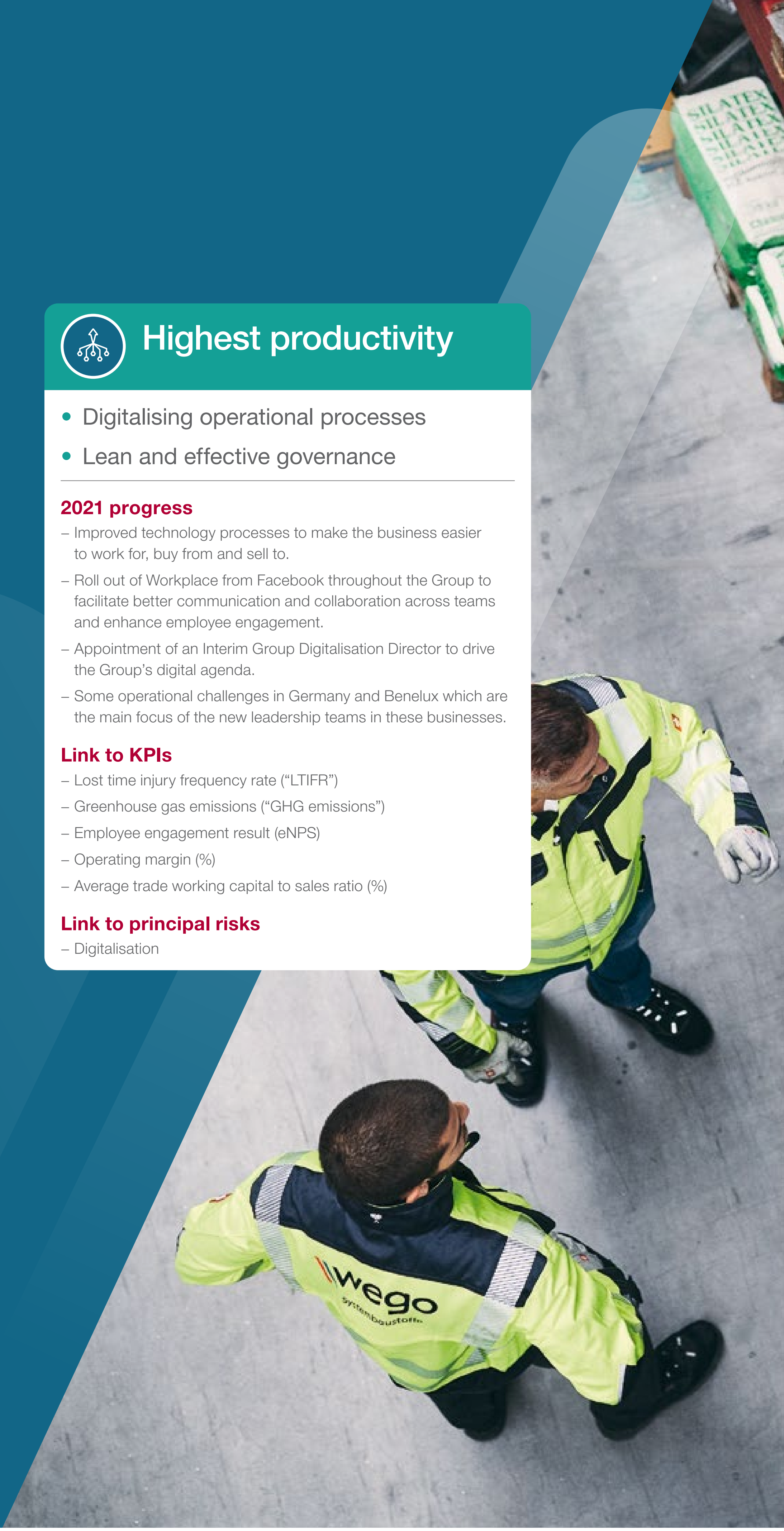
432

2020: 421

Number of employees

>6,800

2020: >6,500



Focused growth

- Growing energy efficient and low-carbon solutions
- Expanding branch network
- Acquisitions

2021 progress

– Focus on energy efficient solutions with new products such as easy-kit solar panels and bio-friendly insulation coming onto the market.

– Branch network expanded with new branches opened in Poland, France and the UK.

– Strategic acquisitions of Penlaw and F30 have accelerated growth in the UK with a strong ongoing M&A pipeline.

Link to KPIs

– Like-for-like sales (%)

– Gross margin (%)

– Operating margin (%)

– Average trade working capital to sales ratio (%)

Link to principal risks

– Cyber security

– Macro-economic uncertainty

– Data quality and governance

– Mergers and acquisitions

– Change management

Steve Francis
Chief Executive Officer
10 March 2022

How we performed

Non-financial KPIs

Lost time injury frequency rate

11.8

Definition
The ratio of any injury resulting in any lost time per 1,000,000 hours worked – on a 12m rolling basis.

2021 performance
An encouraging reduction in the year with good safety performances in France, Ireland and Poland.

Link to strategy

Link to risks
2 4 6

Link to remuneration
Health & Safety measures in annual bonus scheme

Net Promoter Score (NPS)

+40

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.

2021 performance
Despite a small reduction in NPS in 2021, customer satisfaction remains high driven by good product availability in a difficult supply year and superior customer service.

Link to strategy

Link to risks
1 3 10

Link to remuneration
To be considered in 2022

GHG emissions per £m of revenue (metric tonnes)

23.0

Definition
Metric tonnes of GHG emissions per £m of revenue.

2021 performance
A significant reduction from 2020 and 2019 driven by initiatives to reduce carbon emissions across the Group. These include the ongoing migration of our vehicles to electric and low-carbon fuels alongside a shift towards greener energy suppliers.

Link to strategy

Link to risks
6 8

Link to remuneration
To be considered in 2022

Employee engagement result (eNPS)

+3

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

2021 performance
An encouraging result which is trending the right way. Our company culture scores highly and in general people enjoy their job and the people they are working with. People are proud to work for SIG and are highly committed to their work, the organisation and their teams.

Link to strategy

Link to risks
2 4 6

Link to remuneration
To be considered in 2022

Our strategic initiatives

- Responsible actions
- Winning branches
- Superior service
- Specialist expertise
- Valuable partnerships
- Highest productivity
- Focused growth

Risks

1. Cyber security
2. Health & Safety
3. Macro-economic 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

Financial KPIs

Like-for-like sales (%)

2021	24%
2020	(13%)
2019	(7%)

24%

Definition
The growth/(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 200 for the calculation.

2021 performance
A significant improvement on 2020 and 2019 reflecting the recovery from the Covid-19 pandemic as well as the pass through of inflationary increases in input costs.

Link to strategy

Link to risks
3 4 10

Link to remuneration
Profit measures in annual bonus scheme

Gross margin (%)

2021	26.3%
2020	25.1%
2019	25.9%

26.3%

Definition
The calculation of underlying gross profit, divided by the 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.

2021 performance
A 120bps improvement on 2020 driven by increased rebate receipts following higher sales volumes.

Link to strategy

Link to risks
3 4 9 10

Link to remuneration
Profit measures in annual bonus scheme

Operating margin (%)

2021	1.8%
2020	(2.8%)
2019	2.0%

1.8%

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 201 for the calculation.

2021 performance
Underlying operating margin has increased by 460bps from 2020 driven by increased sales volumes and strong margin discipline in turbulent supply markets.

Link to strategy

Link to risks
3 4 9 10

Link to remuneration
Profit measures in annual bonus scheme

Average trade working capital to sales ratio (%)

2021	13.8%
2020	14.3%

13.8%

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.

2021 performance
A stable performance which highlights continuing balance sheet discipline against a backdrop of a difficult supply year.

Link to strategy

Link to risks
3 4 10

Link to remuneration
Included in operating company annual bonus schemes

Our ESG approach

2021 highlights

- Announcement of five sustainability commitments to drive our ESG agenda
- Carbon emissions 35% lower than ten years ago and in comparison to 2019 (the last year unaffected by Covid-19), a reduction in Scope 1 and 2 emissions of 16.8%
- Positive feedback from our 2021 employee engagement survey with strong support for our aim to be an employer of choice. 71% of our people feel good about working for SIG
- 91% of our people feel safe working for SIG, an improvement from 89% in 2020
- Refreshed Health & Safety culture with senior hires made to enhance capability and know-how throughout the organisation
- Expansion of the senior team dedicated to sustainability in the UK and France
- Improvement in the robustness of the governance supporting our ESG agenda with the establishment of a CEO-led ESG steering group

Our sustainability commitments

Commitment	Measure
Health & Safety leader in building materials distribution	• "Our people feel safe" (from the employee engagement survey) • LTIFR
Net zero carbon by 2035 at the latest	• Emissions by Scope 1, 2 and travel • Current fleet mix by fuel type
Zero SIG waste to landfill by 2025	• % waste diverted from landfill • Details of types of waste i.e. hazardous and non-hazardous
Partner with manufacturers and customers to reduce carbon and waste across the supply chain	• Case studies and examples in the long term will inform scope 3 emissions
Employer of choice in building materials distribution	• Employee engagement (eNPS) • Diversity statistics

Our approach also considers the impact of the United Nations Sustainable Development Goals ("SDGs") and the underlying ESG risks we consider to be important to the Group. These are detailed further on pages 48 to 51. We also further consider the governance of our ESG obligations on page 48.

Environment

We support sustainable construction through our long-established focus on energy efficient solutions, by promoting use of lower carbon materials, by helping customers make trade-offs between insulation performance and embodied carbon, and by reducing emissions from our own operations.

Our sustainability credentials are fundamental to our history and to our future success. Practical innovation in energy conservation is in the DNA of SIG, from taking fibreglass into domestic housing insulation in the 1950s, 60s and 70s through to providing product kits and training to empower small roofing contractors to install residential photovoltaic panels. As customer needs and technologies have evolved, so has our product range and our expertise.

Our most direct environmental responsibility is to reduce the carbon footprint of our own operations, most materially the emissions from our fleet, estate, and business travel. We have committed to making SIG net zero carbon by 2035 at the latest. Vehicle fuel represents c85% of total emissions so our biggest lever is transitioning to electric vehicles ("EVs") for cars and forklifts, and to lower carbon technologies in commercial vehicles, including hydrogenated vegetable oil while electric vehicle and/or hydrogen HGV solutions are still evolving.

Alongside net zero carbon by 2035 we have committed to zero SIG waste to landfill by 2025, through waste segregation, reuse of packaging and paperless processes.

Social

SIG is a "people to people" business, founded on high trust relationships with suppliers and customers. Our commercial success depends on responsible entrepreneurship – local operations empowered to succeed, where our people feel safe, proud, and valued, and where local communities recognise SIG's positive social impact.

Our social commitments are to our employees, our partners and customers, and the communities in which we operate. We have committed to being both a Health & Safety leader and an employer of choice in building materials distribution. The physical safety of our employees and anyone who visits our premises is our first priority, and we also do all we can to protect the mental wellbeing of everyone who works with us. We want people to be proud to work for SIG: proud of who we are, our high standards and our purpose and vision. Everyone is respected for who they are, and we value and promote diversity throughout the business.

As a people business, it is vital that we recruit and retain the best employees and we can do this because we take good care of our employees. We are embedded in the communities we serve and are committed to contributing to them to earn our place as a valued part of them.

Our annual employee engagement survey reinforces the progress we are making with 91% of people stating that they feel safe at work (a 2% increase from 2020) and 71% of employees feeling positive about working for SIG.

Governance

Our devolved operating model goes hand in hand with robust standards, controls, and transparency – a strong governance framework that fosters accountability for sustainable performance and enables sharing of best practices within and across our operating companies. We are proud to be a strongly governed, transparent and fair business. Our Governance section, set out on pages 68 to 128, provides full details of the governance frameworks in place within the Group.

In 2021, we took a fresh look at the governance of issues relating to ESG. It was a year in which we built the foundations that will help us to achieve the commitments we have set ourselves. We established an ESG steering group, led by the CEO and comprising the CFO, senior representatives from the operating companies and functional experts from the Group. A key output from the steering group has been the articulation of our five sustainability commitments, set out on the previous page.

ESG priorities

In 2021, the Group undertook a process to determine those ESG areas that are of primary significance and relative importance to the Group and its internal stakeholders. Through this process, we sought and considered the views and concerns of a range of employees throughout the Group and have built a clear picture of where our collective priorities lie.

The most important priorities identified were:

- **Carbon reduction** – reflecting the climate emergency that has come sharply into focus in the last year;
- **Health & Safety** – everyone in our organisation should feel safe;
- **Employee wellbeing** – ensuring that our people continue to feel connected and valued; and
- **Management of the supply chain** – in particular, focusing on the responsible sourcing and human rights elements of the supply chain.

The ESG section of this report addresses each of these material issues and sets out our commitments for how we are tackling them.

Environment

Environmental impact

SIG was "Born Green" and our core products – insulation and roofing – are vital for the optimal energy efficiency of buildings. Increasing awareness of the need to build sustainably plays to our strengths and represents a significant opportunity for us.

We recognise and balance this opportunity with our obligation to respond responsibly to it. We are committed to reducing carbon emissions in our own business as well as developing strong partnerships and working relationships with our customers and suppliers to contribute to the protection of the environment.

The environmentally related sustainability commitments we have developed have been made to minimise the impact of our operations on the environment, including our climate change impact, as well as influencing the broader carbon emissions associated with our products.

Net zero carbon by 2035 at the latest

We have committed to net zero carbon in SIG's operations by 2035 at the latest. That means eliminating (or as a last resort offsetting) 52,771 metric tonnes of GHG emissions (2021), of which vehicle fuel is the largest component. We measure and report on our carbon footprint in accordance with the Streamlined Energy and Carbon Reporting Regulations ("SECR"), and the accounting process has been externally assessed to the ISO14064-3 standard.

We aim to achieve net zero carbon by meeting the following secondary goals:

- 80% reduction against total Scope 1 and 2 (and business travel) emissions by 2035 (using 2021 emissions as a base year) and offsetting any residual emissions;
- cars and forklifts to be 100% electric by 2030; and
- commercial vehicles to be 100% electric, hydrogen, or low-carbon biofuel by 2035 (although this is dependent on the pace of progress in the development of external technology, especially for HGVs)

In 2022, we will also set intermediate targets for the reduction of Scope 1 and 2 emissions between now and 2035 and will define our framework for Scope 3 emissions.

SIG's carbon emissions are now 35% lower than they were ten years ago and 16.8% lower than 2019. 2020 was an anomalous year because of Covid-19 impact on activity and travel.

We will track the implied cost of carbon emissions across SIG's operations to inform internal decision-making, by applying an indicative price per metric tonne of €50 – this is broadly in line with levels used by large listed peers for internal carbon pricing. We do not intend to operate an "internal market" for carbon credits, since we want the primary focus of the organisation to be on reducing emissions, not carbon trading or accounting. However, converting our carbon footprint (and reduction) into the indicative equivalent cost of offsetting today enables us to look holistically at sustainable business performance. Just as we are driving growth and operating productivity to raise SIG's underlying operating profit, we will also drive carbon efficiency in our operations to reduce emissions and minimise any residual cost of offsetting to meet our net zero carbon by 2035 commitment.

ESG key milestones: Born Green

1957

Sheffield Insulations Limited is founded by Ernest Adsetts with the principal activity of "Wholesale and retail Distribution of Insulating Materials".

1973-79

SIG led the UK construction industry's response to the energy crisis, entering the new arena of energy conservation. The Group seized the opportunity presented by this and by the Government's "Save it" campaign.

1981

Sir Norman Adsetts joins, and subsequently become Chairman of, the Association for the Conservation of Energy which proves to have great success in increasing the awareness of the need to save energy.

1987

In the year coined the "Energy efficiency year" by the Secretary of State for Energy, Sir Norman was made an OBE for his services to energy conservation.

1990s

Continual focus on energy conservation driving higher insulation standards and robust demand. The Group benefits from the UK Government's allocation of finance for the Home Energy Efficiency Scheme.

Partner with manufacturers and customers to reduce carbon and waste across the supply chain

Our most direct environmental responsibility is to reduce the carbon footprint and waste of our own operations, most materially the emissions from our fleet, estate, and business travel. However, our role as a specialist distributor connecting customers and manufacturers means we can influence the broader carbon emissions associated with the products we distribute. This is key to increasing our contribution to sustainable construction, as well as being a commercial opportunity for SIG.

There are several "win-win" levers, which include climate-related opportunities that the organisation has identified. These include:

- continue to expand our presence in energy-conserving solutions with green growth drivers, such as insulation, roofing and solar panels;
- partner with suppliers to encourage uptake of lower carbon products, such as bio-sourced insulation solutions;
- work with large customers, such as housebuilders, to support them in their sustainability ambitions e.g. reducing customers' Scope 3 emissions;
- facilitate growth in the circular economy to reduce waste, for example back-hauling waste from customers' sites; and
- provide value-added specialist services, such as advice to architects and contractors to optimise longevity, energy efficiency and carbon footprint, as offered by SIG Technical Services in the UK, for example.

The opportunities the organisation has identified in relation to climate-related issues are discussed in more detail on pages 12 to 17 and page 50 of the Strategic report. As can be seen from these sections, sustainable construction is key to our strategy and is embedded within the DNA of our Group.

Zero SIG waste to landfill by 2025

Our commitment is for zero SIG waste 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 breaking bulk, which helps reduce on-site waste (both materials and labour) in construction. We are also well placed to support a circular economy by recycling and repurposing materials to reduce waste and raw materials extraction.

2007

SIG began collecting and reporting on carbon consumption and disclosed environmental stewardship as one of its core principles. In the 2007 annual report, our first environmental report included environmental objectives established at relevant levels within the organisation along with a detailed policy statement.

2010

Introduction of the UK Carbon Reduction Commitment Energy Efficiency Scheme ("CRC").

2012

SIG finished in the top 2% of published CRC league tables for reducing its carbon emissions in 2011/2012.

2015–19

Divergence from our traditional models in certain markets and subsequent restructures distracts from our sustainability focus.

2021

Sustainability commitments launched:

- Net zero carbon by 2035 at the latest
- Zero SIG waste to landfill by 2025
- Partner with manufacturers and customers to reduce carbon
- Health & Safety leader
- Employer of choice

Our carbon footprint

In comparison to 2019 (the last year unaffected by Covid-19), we have achieved a reduction in both Scope 1 emissions, which include vehicle and heating fuel, of 15.6%, and Scope 2 emissions, which include electricity, of 25.3%. Overall Scope 1 and 2 emissions combined have reduced by 16.8%.

Lower emissions have been achieved through effective projects designed to maximise the efficient use of delivery vehicles, consolidating our vehicle fleet and, through better use of communication technology, reducing the miles travelled by colleagues. We are also investing across the business in energy-efficient vehicles, including cars and forklift trucks, as well as in facilities for powering them. In this way, along with analysis of driving practices, driver assessment and training, and efficient vehicle routing, we continue to achieve annual reductions in emissions.

"Since our foundation in 1957, we have always played a leading role in helping to make the built environment sustainable"

Local initiatives to meet our carbon-related sustainability commitments

Each of our businesses are committed to reducing carbon emissions and meeting our carbon-related sustainability commitments

Rep of Ireland & NI

Ireland is working towards ensuring there are solar panels on all of its business premises. It has partnered with an organisation who will help to implement this plan in return for a commitment from SIG Ireland to buy electricity from them for five years at a price that is around 60% of the current contract price. This will not only help to manage the volatility of future energy prices but will also make a significant impact on the carbon footprint of the Irish business.

SIG Ireland is also in the process of converting all its forklift trucks to electric power and expects to complete this programme by 2023 at the latest.
In addition, it is on target to have a fully electric car fleet by 2025.

Germany

During 2021, the team at WeGo Systembaustoffe has focused on developing new solutions in sustainable e-mobility. Following the successful test phase for electric forklifts, the transition to environmentally friendly vehicles is underway, with the necessary charging infrastructure already included in the planning and conversion of new sites.

One of our electric trucks on site in France


Our solar panels solutions in France

France

Environmental responsibility, including the reduction of carbon emissions, is deeply embedded in the French business and in 2021 the team took steps to ensure that this culture became more visible throughout the business. With the goal of building a leadership position on environmental sustainability, the team invited everyone in the business to a series of workshops to feed directly into their 5 year ESG strategy. These workshops explored not only the challenges faced in the industry and the business in relation to ESG but also sought to build engagement and commitment from employees to the strategy. Alongside these workshops, the team also published its first Annual Sustainability Report, detailing their sustainability objectives and activities.

Our branches also play a crucial role in how we are educating our customers about the more sustainable options that are available for them. New products such as easy-kit solar panels and bio-friendly insulation (as detailed on page 17) are just two examples of how our team in France is influencing the market to become more environmentally responsible and reduce carbon emissions.

Poland

The team in Poland has an established eco-driving training programme along with software that tracks how its cars and trucks are being driven. This encourages greener, as well as safer, driving. Its Master Driver competition also recognises and rewards the safest, most fuel-efficient drivers in the business. In 2022, Poland will begin to provide electric cars for its sales force and will introduce electric forklift trucks at its new warehouse.

For the last ten years, Poland has also committed to a programme whereby for every new company car that is allocated, a tree is planted.

United Kingdom

In 2020 and 2021, the UK has replaced 125 cars within its fleet with electric vehicles (replacing previous petrol/diesel models). Future orders for cars being delivered in 2022 are also predominantly electric. It is also currently working on installing EV charging capacity at a number of its branches to allow staff to charge whilst at work – these have started to be installed and will extend out to the wider branch network during 2022/23.

As of 2021, 39% of the UKs forklift trucks are electric, and of those purchased this year, 56% were electric. The UK also moved onto a green energy contract in January 2022, and is forecast to realise an annual carbon saving from the electric forklift trucks of approximately 269 tonnes. The aim is to move all of its fleet to electric in the next seven years on the replacement cycle.

Benelux

One third of the Benelux car fleet is now electric, with EV-charging capacity being rolled out across the branches and head office sites to encourage the use of electric cars.

Our recently opened branch in Nieuwegein along with our head office site in Waalwijk both have solar panels on their roof and we anticipate this will be rolled out to other branches in the future.

A tree being planted in Poland to offset each company car that is allocated

CO_2 emissions – Scope 1 – Direct

	Metric tonnes 2021 Group	Metric tonnes 2020 Group	Metric tonnes 2019 Group	Metric tonnes 2021 UK	Metric tonnes 2021 Europe
Road vehicle fuel emissions[1]	**35,002**	36,818	43,160	**16,010**	**18,992**
Plant vehicle fuel emissions[2]	**4,759**	4,206	4,858	**2,183**	**2,576**
Natural gas[3]	**2,642**	1,488	2,024	**1,580**	**1,062**
Coal/coke for heating[4]	**79**	40	37	**0**	**79**
Heating fuels (kerosene and LPG)[5]	**479**	490	849	**73**	**406**
Total	**42,961**	43,042	50,928	**19,846**	**23,115**

Data source and collection methods

1. Fuel cards and direct purchase records in litres converted according to BEIS guidelines.
2. Direct purchase records in litres converted according to BEIS guidelines.
3. Consumption in kWh converted according to BEIS guidelines.
4. Purchases in tonnes converted according to BEIS guidelines.
5. Purchases in litres converted according to BEIS guidelines.

Vehicle fuel is c85% of total current emissions (incl. third party) Equivalent to >120m miles in an average passenger vehicle

CO_2 emissions – Scope 2 – Indirect

	Metric tonnes 2021 Group	Metric tonnes 2020 Group	Metric tonnes 2019 Group	Metric tonnes 2021 UK	Metric tonnes 2021 Europe
Electricity[6]	**4,944**	4,280	6,622	**2,678**	**2,266**

	kWh 2021 Group	kWh 2020 Group		kWh 2021 UK	kWh 2021 Europe
Electricity	**22,795,687**	17,503,880		**12,546,670**	**10,249,017**

Data source and collection methods

6. Consumption in kWh converted according to BEIS guidelines.

Purchased electricity is c10% of total current emissions (incl. third party) Equivalent to the annual electricity use of 900,000 average homes

CO_2 emissions – Scope 3 – Other indirect

	Metric tonnes 2021 Group	Metric tonnes 2020 Group	Metric tonnes 2019 Group	Metric tonnes 2021 UK	Metric tonnes 2021 Europe
Third party provided transport (air and rail)[7]	**4,866**	249	541	**399**	**4,467**

Data source and collection methods

7. Distance travelled converted according to BEIS guidelines.

	2021 Group	2020 Group	2019 Group	2021 UK	2021 Europe
Total Scope 1, 2 and 3 emissions (metric tonnes)	**52,771**	47,346	58,091	**22,923**	**29,848**
Total energy (MWh)[8]	**215,481**			**92,462**	**123,019**

Conversion factor

8. UK Government GHG Conversion Factors for Company Reporting 2021 provided by Defra.

This is equivalent to
- **870,000** tree seedlings grown for 10 years
- **>6bn** smart phone charges

Emissions per £m of revenue

	Metric tonnes 2021 Group	Metric tonnes 2020 Group	Metric tonnes 2019 Group	Metric tonnes 2021 UK	Metric tonnes 2021 Europe
Scope 1	**18.7**	23.0	23.5	**21.2**	**17.0**
Scope 2	**2.2**	2.3	3.1	**2.9**	**1.7**
Scopes 1 and 2 as required by GHG Protocol	**20.9**	25.3	26.6	**24.1**	**18.7**
Scope 3	**2.1**	0.1	0.3	**0.4**	**3.3**
Scopes 1, 2 and 3	**23.0**	25.4	26.9	**24.5**	**22.0**

All 2020 and 2019 CO_2 data is with the Air Handling business removed following its disposal in January 2020.

GHG emissions

We are committed to providing full and accurate data for our carbon footprint, with minimal reliance on estimates. In 2021, 100% of information is based on actual data (2020: 93.2%). To provide the appropriate time and resource to enable more accurate carbon reporting and auditing of the process, our emission accounting period is different from the Group's financial year. The current data year is to 30 September 2021. We continue to improve our data collection and accounting processes, and the GHG information for the period October 2020 to September 2021 has been verified by Carbon Intelligence to ISO14064-3 to a limited level of assurance.

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 (Scope 2). We have also disclosed Scope 3 emissions over which the business has limited control, including third-party air and rail transportation and, in 2021, broadened these emissions to include third-party deliveries as well as third-party transportation.

We reported a 1.2% increase in Scope 1 and 2 emissions combined, mainly as a result of our facilities opening after the Covid-19 lockdown. Emissions from road vehicles have decreased 4.9% despite a higher volume of miles undertaken, alongside this, emissions per £m of revenue have decreased by 2.4 metric tonnes. Both of these improvements are driven by the ongoing carbon reduction initiatives in the businesses (refer to pages 34 to 35 for more details).

Our carbon footprint includes all emission sources as required under the Companies Act 2006 (Strategic report and Directors' report) 2013 Regulations. Emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2021, along with factors from the International Energy Agency (IEA) list for 2021 have been used to calculate our GHG disclosures. The data relating to CO_2 emissions has been collected, where practicable, from all the Group's material operations. The 2020 data includes the businesses classified as non-core in the financial statements for the year ended 31 December 2020 but excludes data relating to the Air Handling business that was disposed of in January 2020.

"Emissions per £m of revenue decreased by 2.4 metric tonnes, driven by the ongoing carbon reduction initiatives in the businesses"

Waste

At SIG we are committed to eliminating waste wherever possible. As a distributor in the middle of the supply chain, we have the opportunity to influence and support both our suppliers and our customers in encouraging reuse, recycling and reducing waste. We aim to be sending zero SIG waste to landfill by 2025.

As it is difficult to measure and quantify the amount of waste disposed of in a year, the KPI for waste management remains the percentage of waste diverted from landfill. We are a member of the Valpak compliance scheme and we comply with our commitments under the Producer Responsibility Obligations (Packaging Waste) Regulations 2007.

Hazardous waste diverted from landfill

47%

2020: 0%

Non-hazardous waste diverted from landfill

87%

2020: 78%

Marly-La-Ville logistics building, fostering biodiversity and sustainability

During 2021, our Interiors business in France opened a new logistics building in Marly-La-Ville, Bordeaux. This site is the first of its nature to have received a BiodiverCity "Excellent" AAAB label. The site was constructed with environmental sustainability at the core.

By investing in the wellbeing of our people and ensuring our sites and logistics are kind to the environment and foster biodiversity, we can contribute to meeting our sustainability commitments and our purpose of sustainable construction.

18,000 m²
of mesohydrophilic meadows

9,000 m²
of preserved woodlands

100 m²
forest pond

2,000 m²
of orchards

a health trail
and picnic spaces for breaks

Products and supply chain

One of our sustainability commitments is to "Partner with manufacturers and customers to reduce carbon and waste across the supply chain". As a distributor of materials to the building industry, SIG is in the middle of the supply chain and we aim to use that position to influence both our suppliers and our customers to ensure that the materials we supply are as sustainable and environmentally friendly as they can be.

We see our role as presenting as much choice as we can to our customers, providing access to the most environmentally friendly materials in the market. We are also working with our suppliers to promote their climate-friendly products and share information about them with our customers. We plan to offer as wide a range of products as we can, with full environmental and sustainability data attached. Our salespeople will be trained so they have a robust understanding of the environmental credentials of all the options, as well as other product information. We are also strengthening our procurement policies in favour of more ethical and sustainable procurement across the Group, and pursuing specifically "green" purchasing, in line with customer demand and industry standard.

Our category mix is well positioned with both insulation and roofing critical to building energy performance. Over 50% of our sales have exposure to the tightening energy efficiency regulations and subsidies, with the European insulation market estimated to grow above overall construction output.

SIG Assured

SIG Assured is SIG UKs Compliance Tracking System that ensures that the products we stock, by participating suppliers, meet essential regulatory compliance. Whenever UK customers see the SIG 'shield of assurance' stamp, they can be confident that their purchase is fully traceable and supported by SIG's Compliance Tracking System appraisal. This stamp gives our customers peace of mind that:

- Stock items supplied by the Group's participating suppliers have been considered against various legislative requirements including:
  - Registration, Evaluation, Authorisation and Restriction of chemicals (REACh)
  - Safety data sheets (SDS)/(e-SDS)
  - Product safety and handling sheets (where SDS is not warranted)
  - Declarations of performance/conformity (DoP/DoC)/CE Marking
  - Restrictions of Hazardous Substances (RoHS)
  - European Timber Regulations (EUTR)
  - Biocidal products
  - Poisons and explosive precursors
  - Psychoactive substances
  - Conflict minerals
  - Modern slavery
- All products are supported by the appropriate relevant documentation
- All documentation is validated for legal compliance

Flex-R sustainability award

The Flex-R team in the UK celebrated after its project Cwm Mawr came top in the "Best Sustainability" category at the 2021 SPRA Awards, which recognise the outstanding workmanship and excellence of single ply roofing projects. It received the award for its collaboration with contractor Randell and Janes Roofing on a distinctive project which sits in an area designed as a "Site of Special Scientific Interest".

Cwm Mawr, in the heart of the Welsh National Park, has been designed by architects Kinver Kreations as a low impact dwelling that blends seamlessly with its surroundings. The roof features a large, curved form to echo the surrounding hillside which has been completed with a green roof. Requiring a membrane which would be buried beneath a green roof, the architects needed professional, accurate and warranty guaranteed installation.

Due to the sensitivity of the site, which contains rare plants and flowers of scientific interest, Flex-R worked with the roofing contractors to carefully plan the installation and overcome any challenges, including the avoidance of use of heavy machinery that may have damaged the landscape.

Social

Health & Safety

Our ambition

Our commitment is to be a "Health & Safety leader in building materials distribution". Everyone in our organisation should feel safe; physical safety and mental wellbeing is paramount for all our employees.

Our ESG priorities on page 31 support this, with Health & Safety ranking as one of the top ESG priorities for our internal stakeholders.

2021 has been an encouraging year for Health & Safety in the organisation and we have achieved much.

- Health & Safety is now the first topic at every Board and operating company review meeting – accident statistics and key initiatives are being discussed and socialised at every level of the organisation.
- The engagement survey shows an encouraging increase in the number of people who feel safe at work (91% v 89% in 2020) and 88% of people feel that safety is being taken seriously.
- There has been significant investment in Health & Safety capability and corresponding expertise throughout the organisation.
- The Health & Safety agenda has been enhanced and reframed with two additional programmes – "Leadership leading by example" and "Estate review – is the fabric safe to work in?".
- The Health & Safety metrics indicate an increasing awareness of the Group's safety culture along with an understanding of the correct behaviours, processes and protocols in the Group.

Further details on the new Health & Safety programmes along with regional Health & Safety highlights can be seen on pages 42 to 43. The regional highlights and initiatives noted are linked to where each operating company is in its overall operational excellence journey. Some businesses are now refining their Health & Safety approach whereby others are investing significantly in capability and capital investments to materially drive forward their journey.

Governance and structure

The CEO is ultimately responsible for Health & Safety within the organisation. Each country has its own Health & Safety team who are supported by a central team, including the Group Health, Safety and Environment Director. In the spirit of our business model, each devolved team directs their own Health & Safety objectives under a central Health & Safety policy and set of guidelines. We are currently in the process of updating our central policies and standards and are also in the midst of upgrading our Group Health & Safety reporting tool.

There is considerable Board and management oversight into this area. A comprehensive report is presented at each Board meeting by the Group Health, Safety and Environment Director, detailing accident statistics, progress on key initiatives, details of significant incidents and changes in the Health & Safety organisation. This is presented at a country level which allows the Board to understand the key issues on the ground at each site.

The Group Health, Safety and Environment Director is also a member of our Executive Leadership Team and updates this forum on a regular basis with the same information as the Board.

The underlying country teams have been strengthened in the year with the addition of a new Health & Safety Director in Germany and the remainder of the country teams expanded to ensure they are adequately resourced. A new Health & Safety Director will also join the UK in the first quarter of 2022.

Health & Safety performance in the year

In 2021, we continued to use the Total Recordable Incident rate ("TRIR") and Lost Time Injury Frequency Rate ("LTIFR") as our reporting metrics. This allows us to better compare against similar industries and our competitors and allows for more transparency within the reporting system.

The TRIR, which is calculated as an incident resulting in injury or medical treatment being required, environmental detriment or property damage per 200,000 hours worked has increased 21% from 8.8 in 2020 to 10.6 in 2021. Whilst this indicates performance has worsened over the year, this increase is believed to be due to more robust reporting across the businesses alongside enhanced awareness and education of correct behaviours, processes and procedures embedded into the organisation; it now represents a good baseline for future reporting and we would expect to see this improve in 2022 as the restructuring of the organisation is completed and operational activity stabilises.

The LTIFR, which is calculated as any injury resulting in any lost time per 1,000,000 hours worked (on a rolling 12 month basis), has decreased to 11.8 from 12.7 in 2020 driven by strong performances in Ireland and Poland and an improved performance in France.

Covid-19

In our 2020 report, we outlined a detailed response to the pandemic including specific risk assessments, investment in testing equipment and signage and implementation of hygiene stations alongside wellbeing measures. We have continued these measures into 2021 where relevant and have followed country government guidelines throughout the period with respect to working from home, social distancing and use of PPE.

Occupational road risk

We strive for continuous improvement in the standard of our vehicle fleet. By acquiring vehicles to the latest standards, working in partnership with our vehicle designers and with effective management of routine maintenance and inspections we maintain a high level of efficiency and safety for our fleet.

Our drivers are assessed for competence and selected through an authorisation and licence check procedure. We promote a culture of safe and courteous driving through our driver assessment and training programmes to provide for safe and efficient driving and enable drivers to be exemplary representatives of the business. Driver alcohol and substance testing is conducted within the Group.

Information obtained from the Group's vehicle management systems is used to educate and support drivers to improve their standard of driving and fuel efficiency. Formal audits are conducted of our drivers, vehicles, and fleet management to ensure business compliance with legal and company procedures. Any significant issues are communicated to the Board and our insurers.

Embedding safety culture

Ireland has had zero lost time incidents in the last twelve months. This compares to an incident rate of over 20 less than two years ago. As noted on the previous page, each operational team is empowered to direct their own Health & Safety objectives under central policies and guidelines. Ireland has used this flexibility to implement a new behaviour-based safety culture which has brought safety back to its basics under the mantra:

"Doing what we do better, smarter, safer"

Ireland has defined safety culture to be the core values and behaviours resulting from a collective commitment by leaders and individuals to emphasise safety over competing goals and to ensure the protection of people, the environment, premises, equipment and stock.

This has been delivered through 12 key principles.

- **Leadership safety values and actions** – Senior leaders demonstrate a commitment to safety in their decisions and their behaviours.
- **Problem identification and resolution** – Issues potentially impacting safety are promptly identified, fully evaluated, and fully addressed and corrected, commensurate with their significance.
- **Personal accountability** – All individuals take personal responsibility for the safety of themselves and for others.
- **Work processes** – A process of planning and controlling work activities is implemented so that safety is maintained.
- **Continuous learning** – Opportunities to learn about ways to ensure safe systems of work are sought out and implemented.
- **Environment for raising concerns** – A safety-conscious work environment is maintained where individuals feel free to raise safety concerns without fear of retaliation, intimidation, harassment, or discrimination.
- **Effective safety communication** – Open communication is key to maintaining a focus on safety.
- **Respectful work environment** – Trust and respect permeate the organisation. A commitment to improving the profile of, and attitude to, Health & Safety and increased employee engagement in safety.
- **Questioning attitude** – Individuals avoid complacency and continuously challenge existing conditions and activities to identify discrepancies that might result in error or inappropriate action.
- **Value safety** – Individuals hold safety as a "value" and not just a priority.
- **What is "safe"?** – An emphasis on safe and unsafe behaviour; not a sole dependence on lagging indicators such as safety statistics.
- **Awareness** – Awareness amongst all staff of different ways to consider or query human factors – how we do what we do, and why.

Enhancing the Health & Safety agenda

Our aim is to eliminate accidents from our four critical hazards: pedestrian and forklift truck interaction, road travel, work at height, and contact with machinery.

Our focus to achieve this has previously been on front-line execution with good housekeeping and Health & Safety routines on all sites, visible and adequately resourced teams, delivery of training and communication programmes managed locally in each country, frequent accident reporting and investigations and regular Health & Safety audits.

In 2021, the Health & Safety agenda has been supplemented and reframed with two additional programmes:

1. Leadership leading by example

We are demanding that our leadership, at all levels of the organisation, are actively and visibly leading by example when it comes to Health & Safety. Regular site visits should always incorporate a Health & Safety review alongside briefings to continually reinforce the Health & Safety agenda. Our leaders should always be challenging the status quo when it comes to Health & Safety and ensuring any Health & Safety concerns are thoroughly and effectively investigated.

2. Estate review – is the fabric safe to work in?

A review of our estate has begun to assess the safety of our sites. This includes ensuring that all yards are suitably set up to manage traffic and pedestrian flow; the welfare facilities on site are appropriate; and sufficient investment has been identified for areas that need rectification.

The progress on these programmes is being reported to the Board and the Executive Leadership Team on a monthly and country basis to ensure transparency. We are already seeing these programmes deliver results and we expect to see further progress in 2022.

2021 regional highlights

Poland

Poland has established an eco-driving training programme along with software that tracks how its cars and trucks are being driven. This encourages greener, as well as safer, driving.

Rep of Ireland & NI

Ireland has focused on reporting near misses; these are events in which no harm is done, but had luck or other circumstances not prevailed, could have caused an accident. Far from a near miss being perceived as a failure, Ireland has created a working atmosphere in which people are encouraged to identify potentially dangerous situations and flag them. That way, they can scrutinise the full circumstances.

Germany

Germany has appointed a new Health & Safety Director to drive positive change throughout the organisation with further Health & Safety hires expected in 2022 to strengthen the capability of the team.

Health & Safety is at the top of all leadership meeting agendas with additional monthly safety talks being received from logistics specialists.

France

France has invested in the fabric of its premises. It has improved infrastructure, for example the quality of storage facilities such as racking in warehouses, as well as improving the overall environment for employees and customers. It has introduced new signage in warehouses designed to reduce accidents, particularly those involving forklift trucks, and has also made extensive improvements to the facilities for employees, introducing more comfortable amenities and relaxation areas at its branches.

United Kingdom

The UK has invested heavily in its estate in 2021 with c£2m being spent on renovating sites, improving welfare facilities and significantly improving traffic management at all its branches. A behavioural safety programme called "Positive interventions" has also been launched to understand the trends and root causes of Health & Safety infringements.

Benelux

One of the first actions of the new management team in Benelux, including a new Operations director who is overseeing Health & Safety improvements, has been to produce a Health & Safety handbook. This, along with a clear roadmap and plan for 2022, has allowed Benelux to set Health & Safety benchmarks and targets for future improvements.

Priorities for 2022

The focus for 2022 will be delivery in 6 areas:

1. **Discipline** – embed Health & Safety disciplines across the businesses such that all employees in the working environment are aware of, and following, safety standards, protocols and processes.
2. **Communication** – develop and deliver a communications strategy that reflects the differences between the businesses, yet is coordinated under a Group communications framework.
3. **Metrics** – refine and improve existing output metrics and develop and integrate input and activity metrics. Ensure they are embedded within the businesses.
4. **Training** – design and deliver robust training and awareness programmes and ensure that Health & Safety capability across the Group is enhanced.
5. **Benchmarking** – continue internal and external verification of Health & Safety benchmarks.
6. **Culture** – continue the transition from the Zero Harm culture to one where our working environment benefits the health, safety and wellbeing of our colleagues, contractors, and stakeholders.

"Everyone in our organisation should feel safe; physical safety and mental wellbeing is paramount for all our employees"

People

Our approach to our people is aligned to our purpose and is integral to meeting our commitment to be an employer of choice in building materials distribution. Having a culture of being practical, helpful and humble is key to facilitating our success. SIG is a family of c6,800 colleagues and growing, with 432 multi-disciplinary branch teams across 8 countries. We operate a decentralised business model enabling empowered local teams, assisted by regional and national support teams and management. Our people make SIG the success it is; their efforts and commitment over the last year demonstrate they continue to be our greatest strength and have enabled our return to growth.

Whilst Covid-19 continued to cause disruption to the delivery of some people programmes, we focused on ensuring that our people continued to feel safe, engaged, connected and valued, paying particular attention to their health and wellbeing and facilitating our people to work flexibly where this was possible. We support our employees so they can continue to deliver success today, tomorrow and into the future.

Employee engagement

We strive to create a sense of belonging among everyone who works at SIG and appropriate two-way communication is key to this. Our employees' opinions and views are genuinely important to us and key to our success.

We had a very encouraging response to our annual employee engagement survey in October 2021, with 75% of employees responding to the questionnaire. This is well above both the SIG response rates last year (61%) and the industry average (63%).

We achieved a positive eNPS score, which was up by 8 points from last year and demonstrates that our employees are more likely than not to recommend working at SIG. In addition to eNPS, we achieved an engagement score of 71%, which was a new measure for 2021. There has been significant progress in several focus areas, particularly in vision and leadership, culture, communication and learning and development. The highest scoring areas were Health & Safety, job satisfaction and culture with scores well above the industry average.

Similarly, as part of our obligation under the UK Corporate Governance Code, and to ensure we provide a direct communication channel between the Board and our people, we ran a Board Workforce Engagement programme again this year, delivered by Simon King, a Non-Executive Director. Several sessions were held across the business with over 100 employees volunteering to attend the sessions and providing feedback on how they felt about working for the organisation. The feedback was consistent across the business, with employees feeling that the strategic direction of the Group was right, that we were reconnecting with what we have historically done well and were renewing the focus on our people and our customers. You can read more about this engagement programme in the Governance section on pages 76 to 77.

Great communication is a core part of our engagement focus and in 2021 we introduced a new internal communications platform, Workplace by Facebook. All employees across the Group have access to it, along with video broadcasts, to receive business updates and successes, share ideas and experiences, ask questions, and give feedback.

Additionally, ensuring we facilitate robust engagement with our leaders in the vision, strategy and direction of the business is key. As such, we have established our European Leadership Group, which comprises 129 leaders across the organisation.

Reliable Employer of the Year

SIG in Poland has been recognised as a "Reliable Employer of the Year" in 2021 in recognition of its safe working conditions, strong organisational culture and excellent employee development opportunities – including conferences, workshops, training and e-learning systems.

This award recognises the very best employers in Poland, who promote the most effective solutions in people management and HR innovation in addition to having high standards of safety and working conditions.

Employee wellbeing

In January, we launched a Group-wide Employee Health and Wellbeing Policy and provided compulsory training for all employees to ensure both an awareness and an understanding of the policy and their responsibilities in keeping themselves and their colleagues safe and well. This policy included promoting and supporting mental and social wellbeing in the workplace, reducing organisational risk factors such as stress and excessive working hours and providing support for individuals who are experiencing health and wellbeing issues.

As a result, training sessions have been developed for our management population to enable them to regularly communicate and engage with their teams in this area. To further support individuals who are experiencing issues, we have also trained a number of nominated individuals in mental health first aid training and we have relaunched an Employee Assistance Programme service that is available to all employees. We have also used our employee communications platform, Workplace, to push out notices about wellbeing and to encourage people to take steps to help them deal with the pressures of both work and home life, particularly around learning to live with Covid-19.

In our employee survey, we received a 73% positive response when our employees were asked about how the Group supports their health and wellbeing. We recognise there is always more we can do, and this will, therefore, continue to be a focus in 2022.

“Our people are our greatest asset; it is important that we support them and the communities in which they live”

Duo Day

In November 2021, France welcomed a number of people with disabilities into their offices at Malakoff and Angers to support European Week for the Employment of Persons with Disabilities.

The individuals spent time with SIG employees and were provided with an opportunity to understand our business and participate in our day-to-day life with the aim of building their confidence and helping them to understand how they can bring value to an organisation like SIG.

Our participation in Duo Day, which has c17,000 people with disabilities registered for the scheme, forms a crucial part of the development of a more diverse recruitment strategy, with the overarching purpose of increasing disability representation in the workforce.

Diversity and inclusion

SIG operates in a traditionally male-orientated industry. Women account for approximately 20% of our workforce and within that 20% there is a greater proportion of women working in sales and central functions (28% and 35% respectively), with just 8% in operations. We are working to address this balance.

As well as the gender balance of our employees, we also monitor other subsets of the population such as: age, ethnicity, disability, and tenure with the Group. While there are restrictions in collating certain information in some of our businesses, we report and monitor it where it is available.

We are committed to supporting and promoting better diversity and inclusion across all areas of the business, from Board level all the way through the business and have further developed a dashboard of statistics which allows us to understand the roles, functions, and geographical areas where particular groups are under-represented. This data is currently available on a monthly basis for all the countries for which we are legally permitted to collate the data.

We have an updated diversity and inclusion policy and training, which is mandatory for all employees to complete, outlining both management and employee responsibilities. The policy sets out our aims to encourage, promote, and maintain an inclusive and supportive work environment, which reflects the rights of individuals to be treated fairly and with respect and best enables them to fulfil their potential.

We have also carried out diversity and unconscious bias awareness training for our senior leader population alongside a number of local activities across the business, such as implementing changes to the recruitment process in Ireland, bringing individuals with disabilities into our business in France, promoting Women in Construction in the UK and working with schools in Poland to promote joining the construction industry to young adults.

We are pleased that 81% of the respondents to our recent employee survey answered positively when asked if they feel that employees are treated with respect regardless of their age, gender, and cultural background which is a result of the focus that has been put into this area to date.

To build on this focus, we are working to establish a strategic framework and a plan for 2022 and beyond. The first phase of this is a full audit of SIG's representation, disclosure and initiatives today at both a Group and local level to identify areas where we can improve on current performance. We will then develop a medium and long-term plan with continued and wider leadership education, awareness and commitment.

Total employees[1]

6,848

Board members

10

Executive Leadership Team[2]

13

European Leadership Group[3]

129

1. Headcount at 31 December 2021.
2. Data is per s.414c(8) of the Companies Act and includes subsidiary directors.
3. Data is per provision 23 of the UK Corporate Governance Code.

"We have exceptional talent who are driving our business forward. We are building robust succession plans to ensure a sustainable future."

Talent and succession

In 2021, we launched "Performance Manager", an online platform for personal development reviews. The platform can be used for all employees and both simplifies and automates the task of setting objectives, reviewing performance throughout the year, measuring the behaviours displayed by employees and planning personal development activity. The feedback on the platform has been positive in terms of ease of use, transparency, consistency, and reporting.

We also undertook a full talent and succession review of our leadership group, which allowed us to identify the level of capability in key roles throughout the organisation, high potential, successors to critical roles, candidates for potential development moves and key business risks and development opportunities with supportive action planning.

This review of talent, performance and succession and follow up activity continues to demonstrate our commitment to identifying, developing, and investing in the right balance of "home grown" talent across SIG with external hires.

Local initiatives have also been launched in this area. In France, we have developed a leadership training programme for 200 managers, focusing on key leadership skills, whilst in the UK, a sales competency framework and development programme has been developed and launched across its sales population.

Community and charity

We actively encourage, support and provide resources for our people to take part in community projects. Our internal communications platform, Workplace, enables our colleagues to raise awareness of good causes, fundraise for charities and organise events. Our workplace charity committees have organised events and developed projects in all areas across the Group with nominated charities, who were selected through a workplace ballot. As a result, our colleagues have embraced this area with both personal and team fundraising efforts supported by our social media platforms to raise awareness and gain support.

Over the past year we have continued to develop local and national community support projects such as;

- our Polish business dedicated over 110 hours of colleagues' time to provide activity sessions for local children aimed at supporting learning techniques for success;
- in Ireland we have made donations to local charities including the provision of meals and presents to families in need over the festive period. We have also installed defibrillators within the branches and provided training on their use;
- in the UK we have continued our support for Cancer Research UK and the Rainy Day Trust which is a charity that supports people in the construction industry when they are in particular need of assistance; and
- in addition to this, in early 2022 we are working on ways on how best we can provide financial and practical support to those affected in the Ukraine. Each of our operating companies has donated funds directly to front-line agencies and we have set up SIG funds to be deployed directly to locally assist refugees and affected employees and their families. We are increasingly receiving donations from employees to the same schemes. Where we can, we are planning more direct practical support, for example in housing of refugees.

We continue to play a significant role in attracting people to the industry in all our business areas through providing apprenticeships, Kickstart (UK) and work experience opportunities. Our online, virtual and in person training platforms have proven popular once again, providing learning activities for our colleagues to improve their work opportunities and to develop skills that are transferable into their family lives.

Priorities for 2022

We will continue to value and nurture our employees as the momentum of our recovery continues. In 2022, we will bring an even sharper focus to the talent, development, and succession of our people, particularly those in leadership positions. We will be placing greater emphasis on our approach to diversity and inclusion, to make sure we continue to be inclusive at all levels and are attracting, recruiting, and developing the best people from diverse groups. We will look more closely at both our sales and operations teams to develop their skills and provide them with improved tools and processes to outperform and we will continue to communicate, engage, connect, and celebrate our people.

Governance

Governance of ESG and climate-related matters

Board oversight – The governance supporting ESG within the Group, including our understanding of climate-related impacts, has evolved over the year and we have made great strides in ensuring that the risks, opportunities and commitments included in our approach are balanced, measured, and appropriate for our business. Climate-related risks and opportunities fall within the Group's ESG framework and form a fundamental part of our overall ESG strategy, driving our environmentally-related sustainability commitments. Throughout 2021, the Board has been provided with regular and pertinent oversight of the Group's ESG risks and opportunities, including climate-related matters from members of the Executive Leadership Team, as well as a focused review on the new sustainability commitments and our approach to achieving them.

The result of these reviews is that the Board considers the sustainability commitments and overall ESG approach to be balanced and measured, with an appropriate focus on reducing vehicle emissions and waste, which will help to mitigate the climate change risks noted on the next page. The Board, however, also recognises that there are significant opportunities for the Group from climate-related matters and the drive for sustainable construction. These are explored further on pages 12 to 17. Based on these reviews, and as disclosed on page 66 in our viability statement, the Board does not consider there to be a significant risk of climate change causing a significant downturn in the financial health of the Group in the short-term.

Management oversight – During 2021, we have set up an ESG steering group which is run by the Group CEO and includes the CFO, senior representatives from the operating companies, and functional subject matter experts. This group, whilst not a Board Committee, has been instrumental in developing the sustainability commitments and understanding the climate change risks and opportunities in the Group. In 2022, we will use this working group to develop a wider ESG community who will drive through the changes needed at an operational level to ensure that the commitments and strategy are delivered, including developing a framework for our Scope 3 emissions and interim targets for our sustainability commitments.

Management's role in assessing and managing our ESG and climate-related risks and opportunities is starting to be embedded throughout the Group. The newly formed European Leadership Group and the Executive Leadership Team discuss ESG and climate-related topics regularly and each operating company is expanding their senior team to include sustainability specialists. Management are also responsible for harnessing the opportunities that climate-related matters bring. Page 14 sets out our role in driving sustainable construction, and each team is responsible for ensuring that we continue our tradition of bringing energy efficient solutions to the market.

Climate-related impact on strategy

The Group considers short, medium and long-term horizons in the context of climate-related risks and opportunities 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 on page 49 sets out the main climate-related transition risks the Group faces alongside proposed mitigating strategies and the time horizons which are relevant.

The Group does not consider physical risks such as extreme heat, drought, rising sea levels, 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 and Ireland, France, Germany, the Netherlands, Belgium, Poland and Spain. Flood risk could be a consideration but based on an external review of our branch network, only c1% of our branches have any flood risk attached to them, leading to minimal risk for the Group's strategy.

The impact on our strategy from the transition risks identified are as follows:

- We are already in the process of migrating our car and forklift fleet towards electric and other low-carbon fuels (see pages 34 to 35). Costs for these migrations have already been factored into our short-terms forecasts.
- The biggest unknown in the short to medium-term are detailed cost implications for the replacement of our commercial truck fleet. This is dependent on the pace of the development of external technology and infrastructure, especially for HGVs.
- Increasing need for better product carbon data and a Scope 3 emissions framework will mean an investment in climate change specialism in the Group. This has already begun with senior hires in the UK and France and we expect to see additional recruitment in 2022 onwards.
- No legislation has yet been passed which would negatively impact the Group's key revenue streams or products and therefore our strategy in the short, medium or long-term.

Climate change also presents a number of opportunities for the Group which are already built into our strategy. Through our position in the middle of the supply chain we are able to influence both suppliers and customers to help ensure that the materials we supply are as sustainable and environmentally friendly as they can be, and we have identified a number of "win-win" opportunities. These include: continuing to expand our presence in energy-conserving solutions with green growth drivers such as insulation, roofing and solar panels; partnering with suppliers to encourage uptake of lower-carbon products, such as bio-sourced insulation solutions; working with large customers such as housebuilders to support their sustainability ambitions; and providing value-added specialist services, such as advice to architects and contracts to optimise longevity, energy efficiency and carbon footprint. Our category mix is well positioned with both insulation and roofing critical to building energy performance and over 50% of our sales have exposure to tightening energy efficiency regulations.

The financial impact of climate-related matters is further discussed on page 66 as part of our viability and going concern statements as well as in Note 13 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 cashflows across the Group.

ESG and climate-related risks

During the year, the Group has refreshed its approach to identifying, monitoring and reporting its key ESG risks, including climate-related risks. The process of identifying and assessing these risks follows our overall approach to risk management set out on pages 54 to 55 in that we focus on our strategic objectives and combine a top-down strategic Group-level view and a bottom-up operational view of the risks at operating company level. In addition, a more granular and specific risk review has been performed and reviewed with members of the ESG steering group and other stakeholders. The outputs from these risk review exercises have been combined to consolidate our view of our principal ESG and climate-related risks and will be reviewed by the Board, Executive Leadership Team and ESG steering group regularly during the year.

Risk	Description	Mitigation	Impact[1]
Carbon targets[2] (S/M/L)	The carbon commitments stated on page 30 use an offset strategy to fill any shortfalls in achieving net zero carbon. There is a risk, however, that the use of offsets is very limited (restricted to c<10% of targets) and if we are unable to achieve the required carbon targets, enough offsets may not be available or allowable to fill any gaps in achieving our targets.	We are committed to achieving our challenging carbon targets and, as part of our Scope 3 scenario assessments and planning, we will identify and prioritise the key enablers to reducing our carbon emissions and ensure that offsets are utilised only as a last resort.	High
Removal of fossil fuels from fleet[2] (S/M/L)	There is a significant degree of uncertainty regarding the optimum future technology for our fleet and there is therefore risk regarding what and when any investment in new technologies should be made.	Pages 34 to 35 set out the progress we have made and future plans we have for decarbonising our car and forklift truck fleets across the Group. The most cost-effective route for decarbonising heavy-duty vehicles remains less clear. We are, however, working with our fleet partners and manufacturers to assess the most viable alternatives to diesel, including electric, hydrogen and bio-fuel.	High
Waste management[2] (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.	We are a member of the Valpak compliance scheme and we comply with our commitments under the Producer Responsibility Obligations (Packaging Waste) Regulations 2007.	Medium
Product carbon data[2] (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
Health & Safety compliance	There is a risk that poor organisational arrangements or behavioural culture with regards to Health & Safety compliance directly contributes to a significant Health & Safety failure, resulting 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 matters relating to Health & Safety. He is supported by local Health & Safety managers, embedded in each of our businesses, who provide leadership and support as well as providing regular monitoring and reporting of key performance metrics and the status of local actions and initiatives.	High
Diversity and Inclusion	There is a risk that SIG's relative lack of diversity in the workforce is a missed opportunity to tap into additional sources of new employees and talent, in addition to potentially contributing to adverse reputational risk.	We have an updated diversity and inclusion policy, which is mandatory for all employees to review and understand, outlining both management and employee responsibilities. The policy sets out our aims to encourage, promote, and maintain an inclusive and supportive work environment, which reflects the rights of individuals to be treated fairly and with respect and enables them to fulfil their potential.	Medium
Scope 3 emissions[2] (S)	Until the necessary Scope 3 analysis is performed, there is a degree of uncertainty regarding SIG's ability to deliver on its Scope 3 commitments. The risk may also be exacerbated by the complexity and resources required to perform a reasonable level of scenario analysis.	We currently provide limited data with regards to Scope 3 emissions. This is an area of focus for 2022 and a strategy will be developed to ensure we have considered the emissions relating to our broader supply chain.	Medium

1. The risks noted above that have a "High" impact have been referenced as part of the wider ESG risk disclosed in the Group's principal risks and uncertainties on page 57. Risk classification has been determined based on complexity or cost of risk reduction.
2. Indicates climate-related transition risks. We anticipate the impact of the climate-related risks to reduce over the medium/long term as we gain more certainty and clarity on our detailed plan to achieve net zero carbon.

(L) Long-term horizon (M) Medium-term horizon (S) Short-term horizon

Climate-related Financial Disclosures

The Financial Conduct Authority have introduced the mandatory Taskforce on Climate-related Financial Disclosures ("TCFDs") for all premium-listed companies. This is effective for accounting periods beginning on or after 1 January 2021.

The TCFD recommendations are supported by 11 recommended disclosures that aim to give detailed information to allow stakeholders to understand how organisations assess climate-related risks and opportunities.

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

We have addressed how we have complied with these recommendations elsewhere in the report and, where we have not complied, we have also explained why this is the case below.

The relevant disclosures can be seen on the following pages:

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	Page 48
	Describe management's role in assessing and managing climate-related risks and opportunities	Page 48
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 – Page 48 to 49 Opportunities – Pages 12 to 17, 48
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Risks – Page 48 to 49 Opportunities – Pages 12 to 17, 48
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	We have not yet completed an exercise to test the resilience of the Group's strategy to different climate-related scenarios. This will be completed in 2022. The focus on 2021 has been the execution of the Return to Growth strategy. We do not, however, expect this exercise to have a significant impact on the Group's strategy and financial planning given our minimal exposure to physical climate-related risks and the significant climate-related opportunities identified (detailed on page 48).
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 49
	Describe the organisation's processes for managing climate-related risks.	Page 49
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Page 49
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 30 GHG emissions on page 36-37
	Disclose Scope 1, Scope 2, and if appropriate, Scope 3 GHG emissions, and the related risks.	Disclosed on pages 36-37. Our Scope 3 emissions framework will be further developed in 2022.
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	The high-level commitments made by the Group to manage climate risks and opportunities have been set out on page 30. However, interim targets to ensure these commitments are met have not yet been set and will be completed in 2022.

United Nations Sustainable Development Goals

We are committed to creating long-term sustainable value for our stakeholders. To achieve this goal, we have aligned our operations with the United Nations Sustainable Development Goals ("SDGs"), providing us with a framework against which to map our ESG and business activities.

The SDGs are the blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including those related to inequality, climate change and responsible consumption and production.

We welcome the framework as it is committed to solving global issues, and these universal principles support our commitment to responsible business operations. Our ESG report details the work undertaken by the Group and highlights our commitment to the SDGs.

SIG UK announced as a Zero Carbon Business Champion

SIG in the UK has been announced as a Zero Carbon Business Champion by the CO_2nstruct Zero programme team. CO_2nstruct Zero is the Construction Leadership Council's response to the Government's Ten Point Plan for a Green Industrial Revolution and is backed by the Builders Merchants Federation.

The aim of the CO_2nstruct Zero programme is to drive carbon out of all parts of the construction supply chain by 2050 and to set out how the construction industry as a whole can meet the net zero carbon challenges set by the Government. SIG UK's proposals for our net zero carbon journey were assessed by the CO_2nstruct Zero programme team and ultimately approved with the announcement of our Zero Carbon Business Champion status made in January 2022.

CO_2nstruct ZERO
The Construction Industry's Zero carbon change programme

SDGs include:

Good health and wellbeing
Ensure healthy lives and promote wellbeing for all, at all ages.

Quality education
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

Gender equality
Achieve gender equality and empower all women and girls.

Decent work and economic growth
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Industry, innovation and infrastructure
Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.

Reduced inequalities
Reduce inequality within and among countries.

Responsible consumption and production
Ensure sustainable consumption and production patterns.

Climate action
Take urgent action to combat climate change and its impacts.

Peace, justice and strong institutions
Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

ESG principles

SIG Code of Conduct

SIG has a Code of Conduct that sets out our ethical standards and expected behaviours from all employees of the Group. The Code of Conduct provides guidance on how to manage certain situations, where to go for advice, and outlines our obligations across a number of business policies, including anti-bribery, corruption, ethical trading, and human rights. The Code of Conduct is supported by our Group and local policies, procedures and guidelines that are designed to protect the business and our employees from legal, financial, and reputational risk.

A confidential and independent hotline service is available to all employees so that they can raise any concerns about how the Group conducts its business. SIG believes this is an important resource, which supports a culture of openness throughout the Group. The service is provided by an independent third party with a full investigation being carried out on all matters raised and a report prepared for feedback to the concerned party, where possible.

The Code of Conduct can be viewed on our website (**www.sigplc.com**).

Diversity and equal opportunities

The Group has policies that promote equality and diversity in the workforce as well as prohibiting discrimination in any form. SIG encourages and considers all applications from individuals with recognised disabilities to ensure they have equal opportunity for employment and development within the business. If an employee becomes disabled during employment, every effort is made to ensure they can continue in employment, by making reasonable adjustments in the workplace or by providing retraining for alternative work where necessary.

Ethical Trading and Human Rights policy

The Ethical Trading and Human Rights policy covers the main issues that may be encountered in relation to product sourcing and sets out the standards of professionalism and integrity that should be maintained by employees in all Group operations worldwide. The policy sets out standards concerning:

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

SIG promotes human rights through its employment policies and practices, supply chain, and the responsible use of its products and services.

Anti-bribery and Corruption policy

SIG has a number of fundamental principles that it believes are the foundation of sound and fair business practice, one of which is a zero-tolerance position on bribery and corruption. The Group's Anti-bribery and Corruption policy clearly sets out the ethical standards required to ensure compliance with legal obligations within the countries in which SIG and its subsidiary companies operate.

Anti-bribery and Corruption training is provided to all employees across the Group. This online training includes modules on competition law. SIG values its reputation for ethical behaviour, financial probity and reliability. It recognises that over and above the commission of any crime, any involvement in bribery will also reflect adversely on its image and reputation. Its aim, therefore, is to limit its exposure to bribery and corruption by:

- setting out a clear policy on anti-bribery and corruption;
- training all employees so that they can recognise and avoid the use of bribery by themselves and others;
- encouraging employees to be vigilant and to report any suspicion of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately;
- rigorously investigating instances of alleged bribery and assisting the police and other appropriate authorities in any resulting prosecution; and
- taking firm and vigorous action against any individual(s) involved in bribery or corruption.

A copy of the Anti-bribery and Corruption policy is available to view on our website (**www.sigplc.com**).

Modern Slavery Act 2015

The Group has published its Group Modern Slavery statement in respect of the year ended 31 December 2020 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 to slavery. The 2021 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 2022 for the six months to 31 December 2021.

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.

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 requirement	Our response	Relevant policies and frameworks	Relevant risks (pages 56 to 59)
Environmental matters Read more on pages 30 to 39	• Net carbon zero by 2035 at the latest • No SIG waste to landfill by 2025 • Partner with manufacturers and customers to reduce carbon and waste across the supply chain • Maintain ISO accreditation	• Sustainability commitments (page 30) • Waste management (page 37) • Health, Safety and Environment policy (pages 40 to 43)	• Health & Safety • Environment, social and governance
People and social Read more on pages 40 to 47	• Annual employee engagement survey • Health & Safety leader in building materials distribution • Employer of choice in building materials distribution • Launch of employee wellbeing training	• Sustainability commitments (page 30) • Diversity and equal opportunities (page 46) • SIG Code of Conduct (page 52) • Employee engagement (page 44) • Talent and succession (page 47)	• Attract, recruit and retain our people • Environmental, social and governance
Human rights and anti-bribery Read more on page 52	• Raise awareness of policies • Included in mandatory training	• Ethical Trading and Human Rights policy (page 52) • Anti-bribery and Corruption policy (page 52)	• Legal or regulatory compliance

Our business model provides insight into our key activities and how we add value to our stakeholders.

Read more on pages 16 to 17

Principal risks and uncertainties are managed through the risk management framework.

Read more on pages 54 to 59

Our KPIs enable us to measure the success of our strategic objectives and performance.

Read more on pages 28 to 29

The Section 172 Statement is set out on pages 78 to 83 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.

Principal risks and uncertainties

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 Committee, sets the strategy for the Group and ensures the associated 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.

The three lines model

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.

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.

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.

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.

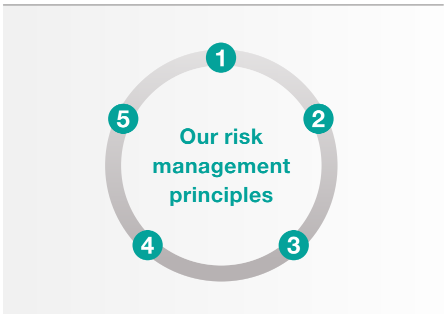
To identify our risks, we focus on our strategic objectives and consider what might stop us achieving our plan within our strategic planning period. The approach combines a top-down strategic Group-level view and a bottom-up operational view of the risks at operating company level. Meetings are held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

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.

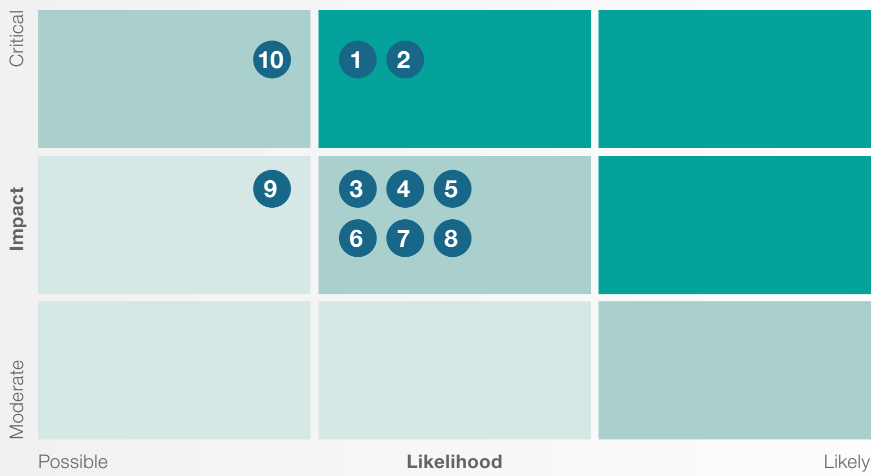
We continue to have a higher appetite for those risks that present the greatest opportunities for commercial reward and take a balanced approach to such opportunities in terms of assessing potentially higher levels of risk and return.

We do, however, have a very low appetite or tolerance for risks that have significant negative consequences, particularly when they could adversely impact Health & 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 matrix below and details of the risks and current mitigations are included in the table on the following pages.

Principal risks



1. Cyber security
2. Health & Safety
3. Macro-economic 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	Description:	Mitigation:

1. Cyber security

Risk	Description:	Mitigation:
Internal or external cyber-attacks could result in system disruption or sensitive data being compromised **Risk movement:** → **Link to Strategic pillars:**	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 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.

2. Health & Safety

Risk	Description:	Mitigation:
Danger of incident or accident, resulting in injury or loss of life to employees, customers, or the general public **Risk movement:** → **Link to Strategic pillars:**	There is a risk that poor organisational arrangements or behavioural culture with regards to Health & 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 matters relating to health, safety and environmental performance, oversight and strategy. He is supported by local Health & Safety managers, embedded in each of our businesses, who provide local leadership and support, and provide regular monitoring and reporting of key performance metrics and the status of local actions and initiatives implemented. A compliance standards framework is in place to ensure the adequacy of local Health & Safety standards and arrangements, with assurance provided through a programme of compliance audits performed by suitably trained and experienced Health & Safety professionals.

3. Macro-economic uncertainty

Risk	Description:	Mitigation:
Macro-economic volatility impacts the Group's ability to accurately forecast and to meet internal and external expectations **Risk movement:** → **Link to Strategic pillars:**	Supply and demand distortions (such as goods and materials shortages throughout the global supply chains and increased inflationary pressures) and the reimposition of public health restrictions in response to future waves and variants of Covid-19 may continue to impact European economies throughout 2022. This volatility has the potential to impact customer demand, along with presenting significant challenges to our financial, operational and commercial resilience, whilst adding costs to our operations and making planning and forecasting more difficult. Very recently the conflict in Ukraine has contributed to heightened uncertainty. Changes in macro-economic conditions may adversely affect the Group's people, business, results of operations, financial condition or prospects.	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 and to selectively pre-purchase products in order to ensure continuity of supply. The Group's geographical diversity across Europe reduces the impact of changes in market conditions in any one country while industry based KPIs, monitored monthly at a Group and operating company level, help to ensure that warnings and indicators of risk are identified early, and appropriate mitigation strategies implemented.

Our strategic initiatives

Responsible actions
Superior service
Valuable partnerships
Focused growth
Winning branches
Specialist expertise
Highest productivity

Risk movement

↗ Risk increased
→ Risk unchanged
↘ Risk decreased

Risk	Description:	Mitigation:

4. Attract, recruit and retain our people

Risk	Description:	Mitigation:
Failure to attract and retain people with the right skills, drive and capability to reshape and grow the business **Risk movement:** ↘ **Link to Strategic pillars:** Winning branches, Superior service, Specialist expertise	A combination of structural labour and vocational skills shortages in the construction sector, exacerbated by reduced short-term intra-EU and UK-EU mobility resulting from both Covid-19 restrictions and Brexit, 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. We ensure accountabilities, responsibilities, and organisational structures are regularly reviewed and where necessary restructured to optimise employee motivation and engagement. Ongoing enhancements to pay and conditions, including benchmarking remuneration packages to ensure market competitiveness, broadening the scope of variable elements of remuneration and the development of retention and succession plans for critical roles helps to mitigate this risk.

5. Data quality and governance

Risk	Description:	Mitigation:
Poor data quality negatively impacts our financial management, fact-based decision-making, business efficiency, and credibility with customers **Risk movement:** → **Link to Strategic pillars:** Valuable partnerships, Focused growth	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.

6. Environmental, social and governance (ESG)

Risk	Description:	Mitigation:
SIG suffers reputational impacts due to poor environmental, social and governance arrangements and performance **Risk movement:** ↗ **Link to Strategic pillars:** Responsible actions, Valuable partnerships	Public and commercial consciousness has been growing on a wide range of environmental, social and governance issues, including climate change, employee wellbeing and how an organisation contributes to society. Organisations should not only minimise their negative impacts, but also contribute positively to both society and the environment. 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. This is particularly the case in how we ensure we achieve our stated aims with regards to climate change. 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.	As outlined on page 30, we have set ambitious ESG commitments and will focus on demonstrating leadership in building materials distribution, Health & Safety, committing to a net zero carbon target by 2035 at the latest, sending zero SIG waste to landfill by 2025, partnering with manufacturers and customers to reduce carbon and waste across the supply chain, and to being recognised as the employer of choice in building materials distribution. These commitments will be supported by verifiable and evidenced-based data to ensure that progress in achieving these aims and ambitions is monitored and subject to appropriate rigour.

Risk	Description:	Mitigation:

7. Mergers and acquisitions

Risk	Description:	Mitigation:
We lack the capabilities to effectively identify, acquire and integrate significant mergers and acquisition opportunities and ensure deals deliver desired scalability and value creation **Risk movement:** New principal risk **Link to Strategic pillars:**	As part of our growth strategy, 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 future revenues generated.	We have dedicated M&A Group resource supported by appropriately skilled in-house expertise and the use of approved external advisors. Clear accountability and authority limits for the initiation and approval of M&A activity are defined in the Group Delegation of Authority. Resource is also available in the organisation to ensure that transactions are subject to post-integration and lessons learnt exercises.

8. Legal or regulatory compliance

Risk	Description:	Mitigation:
We fail to comply with, or are found to be in breach of, legal or regulatory requirements **Risk movement:** New principal risk **Link to Strategic pillars:**	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 & Safety, environmental, ethical, fraud, data protection and product safety. The Group has a dedicated internal controls function to ensure that appropriate controls are in place and are operating effectively to mitigate 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.

Our strategic initiatives

Responsible actions
Superior service
Valuable partnerships
Focused growth
Winning branches
Specialist expertise
Highest productivity

Risk movement

Risk increased
Risk unchanged
Risk decreased

Risk	Description:	Mitigation:

9. Digitalisation

SIG fails to maintain or offer the digital capabilities necessary to maintain market competitiveness

Risk movement:
New principal risk

Link to Strategic pillars:

Increased technological innovation and change, some of which has been driven by the societal and working environment challenges presented by the Covid-19 pandemic, has accelerated the increasing role digitalisation will have in the construction materials supply chain. Both suppliers and customers are increasingly seeking digital solutions to enable a more integrated and frictionless experience.

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 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 2021, we benchmarked our digital capabilities across the Group and have identified opportunities for further progress in digital, particularly with regards to how we can increase our own internal efficiencies and enhance the customer experience. This will form the basis of the focus on developing our digital capabilities throughout 2022.

10. Change management

Failure to deliver the change and growth agenda in an effective and efficient manner, resulting in management stretch, compromised quality, and inability to meet growth targets

Risk movement: ↘

Link to Strategic pillars:

As part of the Return to Growth strategy we have made significant changes to our operating model, infrastructure, and leadership. As we enter the next phase of executing our strategy, allied to ongoing economic and pandemic-driven shifts in everything from demand patterns to delivery models and working arrangements, there is a risk that the business is challenged by "change fatigue" and that future changes are not implemented as planned, or benefits 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 staff engagement surveys continue to facilitate the early identification of change impact in terms of our employees, and action plans are implemented and monitored accordingly.

Improving financial performance

"The Group is back to underlying profit, driven by market share gains and margin discipline in challenging supply markets"

Revenue
£2,291.4m
2020: £1,874.5m

Gross margin
26.3%
2020: 25.1%

Underlying operating profit/(loss)
£41.4m
2020 (restated): (£53.1m)

Net debt
£365.0m
2020: £238.2m

The financial performance in 2021 included a more rapid return to profitability than anticipated, driven by the Return to Growth strategy, and helped by market demand.

The macro-economic environment, and specifically the global supply chain impact of the initial responses to Covid-19, affected material availability during H2, creating a shortfall in the supply of key materials to the industry. This led to significant input cost inflation along with a shortage of supply across our key product categories. These supply constraints were managed proactively to minimise the commercial impact, although they did inevitably impact our ability to meet customer demand at times. Inflation on input costs was largely passed on to customers, increasing the reported revenue.

We increased our inventory holding levels in certain segments during H2 to maintain and enhance customer service, and this increased the inventory held at 31 December 2021. Combined with the impact of inflation on working capital as a whole, this has created a headwind on cash flow for the year, which we expect to abate and then start to unwind during 2022.

Revenue and gross margin

The Group saw a 24% increase in its LFL revenue over the year, with Group revenue up to £2,291.4m (2020: £1,874.5m), reflecting a strong recovery from the Covid-19 impact in 2020, driven by the effective implementation of the Return to Growth strategy as well as the inflationary tailwind. Pass through of product price inflation added to the top line in all geographies, to an increasing degree in H2. We estimate the impact on revenue for the full year to be approximately 8%.

Gross profit increased 28% to £602.1m (2020: £470.5m) with a gross profit margin of 26.3% (2020: 25.1%). This primarily reflects increased rebate receipts due to increased sales.

Operating costs and profit

The Group's underlying operating costs were £560.7m (2020 (restated): £523.1m). Underlying results exclude businesses that are classified as non-core and Other items, in order to provide a better understanding of the performance of the Group. The increase in costs was primarily due to increased trading volumes, inflation, increased variable compensation and the non-recurring government support schemes in the prior year, such as furlough and other wage initiatives. The Group's underlying operating profit was £41.4m (2020 (restated): £53.1m loss) and at a statutory level, the Group's operating profit was £14.0m (2020 (restated): loss of £160.0m) after Other items of £27.4m (2020 (restated): £107.4m). The latter included £9.9m impairment of goodwill, £4.7m amortisation of intangible assets, £2.0m of onerous contract costs, £2.4m costs associated with refinancing, £3.7m costs relating to restructuring activities and £3.3m related to cloud computing costs following IFRS Interpretation Committee guidance on this topic issued during the year. Prior year operating profit has also been restated as a result of the cloud computing guidance issued – please refer to the Statement of significant accounting policies on page 135 for more details.

Profitability continued to improve in H2 compared to the first half, with underlying operating profit approximately doubling in H2 vs H1.

Segmental analysis

UK

	Underlying revenue 2021 £m	Underlying revenue 2020 £m	LFL sales vs2020	LFL sales vs2019	Underlying operating (loss)/profit 2021 £m	Underlying operating loss (restated) 2020 £m
UK Interiors	**507.4**	357.4	38%	(8%)	**(2.5)**	(45.3)
UK Exteriors	**422.2**	310.1	36%	21%	**25.0**	(7.3)
UK	**929.6**	667.5	37%	4%	**22.5**	(52.6)

Underlying revenue in UK Interiors, a specialist insulation and interiors distribution business, was up 42% to £507.4m (2020: £357.4m). This included a 5% impact from acquisitions in the year, LFL growth was 38%. The LFL decline against 2019 (pre Covid-19) included a decline in H1 and then good growth in H2, reflecting the strong progress being made. Despite supply chain shortages and consequent adoption of "allocations" by suppliers, especially around dry lining, daily sales showed strong growth throughout the year. The improved trading volume drove a substantially lower loss, with the business driving the additional volumes through the existing capacity in the network. This resulted in an underlying operating loss of £2.5m (2020 (restated): £45.3m loss).

UK Exteriors, a specialist roofing merchant, which also includes our Building Solutions business, traded extremely well, benefitting from both the strong demand environment and strategic stock management, with underlying revenues of £422.2m (2020: £310.1m), a LFL increase of 36%. The increase in revenue, further benefit from an increased margin due to rebates, and favourable product mix resulted in an underlying operating profit of £25.0m (2020 (restated): £7.3m loss).

France

	Underlying revenue 2021 £m	Underlying revenue 2020 £m	LFL sales vs2020	LFL sales vs2019	Underlying operating profit 2021 £m	Underlying operating profit/(loss) 2020 £m
France Interiors	**195.3**	168.1	20%	7%	**11.2**	7.1
France Exteriors	**406.0**	344.8	22%	22%	**17.4**	8.3
France before non-core	**601.3**	512.9	21%	17%	**28.6**	15.4
Non-core businesses	**–**	1.8	–	–	**–**	(0.3)
France	**601.3**	514.7	21%	17%	**28.6**	15.1

France Interiors, trading as LiTT, a structural insulation and interiors business, saw underlying revenue increase by 16% to £195.3m (2020: £168.1m), and by 20% on a LFL basis. 2021 continued the revenue growth experienced in the second half of 2020. The increase in revenue, coupled with an improved margin as a result of supplier rebates, partially offset by higher operating costs due to trading levels and inflation, resulted in a £4.1m increase in underlying operating profit to £11.2m (2020: £7.1m).

Underlying revenue in France Exteriors, trading as Larivière, a specialist roofing business, increased by 18% to £406.0m (2020: £344.8m), and by 22% on a LFL basis. The strong demand in the RMI market witnessed in late 2020 continued throughout 2021. The increase in revenue together with increased supplier rebates and strict pricing discipline, partially offset by increased costs to fulfil higher trading volumes, resulted in an underlying operating profit increase of £9.1m to £17.4m (2020: £8.3m).

Segmental analysis continued

Germany

	Underlying revenue 2021 £m	Underlying revenue 2020 £m	LFL sales vs2020	LFL sales vs2019	Underlying operating profit 2021 £m	Underlying operating profit 2020 £m
Germany	**393.2**	370.7	10%	4%	**3.6**	0.4

Underlying revenue in WeGo/VTi, our specialist insulation and interiors distribution business in Germany, increased by 6% to £393.2m (2020: £370.7m) and by 10% on a LFL basis. The improvement in Germany was aided by proactive stock management, allowing the business to meet customer demand despite supply shortages, and input price inflation that was largely passed on to customers. The increased trading levels resulted in an underlying operating profit of £3.6m (2020: £0.4m). We have new management in place in our German business and are encouraged by early progress.

Benelux

	Underlying revenue 2021 £m	Underlying revenue 2020 £m	LFL sales vs2020	LFL sales vs2019	Underlying operating loss 2021 £m	Underlying operating profit 2020 £m
Benelux	**92.4**	91.6	5%	(8%)	**(4.9)**	2.5

Underlying revenue from the Group's business in Benelux increased slightly by £0.8m to £92.4m (2020: £91.6m), with increased volumes following recovery from Covid-19 in the prior year largely offset by the impact of strong competitive pressure in the Netherlands, combined with certain regulatory changes. This, along with a temporary increase in the cost base necessary to improve operational effectiveness, has resulted in an operating loss of £4.9m compared to an operating profit of £2.5m in 2020. The new management appointed in mid-2021 have made good initial progress in addressing both the operational issues and the cost base.

Ireland

	Underlying revenue 2021 £m	Underlying revenue 2020 £m	LFL sales vs2020	LFL sales vs2019	Underlying operating profit 2021 £m	Underlying operating profit 2020 £m
Ireland	**88.2**	80.5	14%	(5%)	**2.8**	0.8

Our business in Ireland is a specialist distributor of interiors and exteriors, as well as a specialist contractor for office furnishing, industrial coatings and kitchen/bathroom fit out. The business was affected by further Covid-19 related government restrictions in the Republic of Ireland from January until early May 2021, but saw a strong rebound in the second half, with underlying revenue increasing by 10% to £88.2m (2020: £80.5m), and by 14% on a LFL basis. Underlying operating profit improved by £2.0m, finishing at £2.8m (2020: £0.8m) as the business saw a shift in sales mix towards its higher margin offerings.

Poland

	Underlying revenue 2021 £m	Underlying revenue 2020 £m	LFL sales vs2020	LFL sales vs2019	Underlying operating profit 2021 £m	Underlying operating profit 2020 £m
Poland	**186.7**	149.5	33%	29%	**6.3**	2.0

In our Polish business, a market leading distributor of insulation and interiors, underlying revenue increased to £186.7m (2020: £149.5m), with LFL sales up 33% due to an increase in customer numbers, branch openings and significant price inflation. The business had a record year with an underlying profit of £6.3m (2020: £2.0m), driven by the sales growth and partially offset by volume-related increases in operating costs.

Reconciliation of underlying to statutory result

Other items, being items excluded from underlying results, during the year amounted to £35.2m (2020 (restated): £118.5m) on a pre-tax basis and are summarised in the table below:

	2021 £m	Restated 2020 £m
Underlying profit/(loss) before tax	**19.3**	(76.1)
Other items – impacting profit/(loss) before tax:		
Amortisation of acquired intangibles	**(4.7)**	(5.6)
Impairment charges	**(10.2)**	(61.5)
Net restructuring costs	**(3.7)**	(6.7)
Onerous contract costs	**(2.0)**	(13.2)
Cloud computing configuration and customisation costs	**(3.3)**	(7.1)
Costs associated with acquisitions	**(1.5)**	(0.2)
Costs associated with refinancing	**(2.4)**	(7.4)
Non-underlying finance costs	**(7.8)**	(11.6)
Profit on agreed sale or closure of non-core businesses and associated impairment charges	**–**	0.6
Net operating losses attributable to businesses identified as non-core	**–**	(0.3)
Investment in omnichannel retailing	**–**	(4.2)
Other specific items	**0.4**	(1.3)
Total Other items	**(35.2)**	(118.5)
Statutory loss before tax	**(15.9)**	(194.6)

Further details of Other items are as follows:

- Impairment charge of £10.2m (2020: £61.5m) includes £9.9m relating to the impairment of goodwill in Benelux.
- Net restructuring costs of £3.7m (2020: £6.7m) were incurred principally in connection with the restructuring of corporate functions as part of the implementation of the Return to Growth strategy and restructuring in Germany and Benelux.
- Onerous contract costs of £2.0m (2020: £13.2m) related to provisions recognised for licence fee commitments where no future economic benefit is expected, principally in relation to the SAP 1HANA implementation.
- Cloud computing costs relate to project configuration and customisation costs associated with cloud computing arrangements which are expensed rather than being capitalised as intangible assets following IFRS Interpretation Committee guidance on this topic issued during the year.
- Costs associated with refinancing of £2.4m (2020: £7.4m) includes adviser, legal and other professional fees of £4.9m offset by a £2.5m gain in relation to the recycling of the cash flow hedging reserve following the termination of hedging arrangements in connection with the refinancing.
- Non-underlying finance costs of £7.8m (2020: £11.6m) comprise a £12.9m make-whole payment on settlement of the previous private placement notes, £2.8m write-off of arrangement fees in relation to the previous debt arrangements, offset by £8.0m release of the loss on modification previously recognised in relation to the amendment of the private placement notes in 2020, together with £0.1m unwinding of the discount on the onerous contract provision

Taxation

The effective tax rate for the Group on the total loss before tax of £15.9m (2020 (restated): £122.6m) is negative 78.0% (2020 (restated): negative 7.3%). As the Group operates in several different countries, tax losses cannot be surrendered or utilised cross border. Tax losses are not currently recognised in respect of the UK business, which also impacts the overall effective tax rate. The combination of these factors means that the effective tax rate is less meaningful as an indicator or comparator for the Group.

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 four (2020: four) defined benefit pension schemes and a number of defined contribution pension schemes.

The largest defined benefit scheme is a UK scheme, which was closed to further accrual in 2016.

The Group's total pension charge for the year, including amounts charged to interest, was £6.9m (2020: £6.9m), of which a charge of £0.6m (2020: £0.7m) related to defined benefit pension schemes and £6.3m (2020: £6.2m) related to defined contribution schemes.

The total net liability in relation to defined benefit pension schemes at 31 December 2021 was £10.7m (2020: £25.1m). The last triennial actuarial valuation of the UK scheme as at 31 December 2019 was concluded at the end of March 2021. This showed that the market value of the scheme's assets had increased by 20% to £196m and their actuarial value covered 102% of the benefits accrued to members after allowing for expected future increases in pensionable salaries. As part of the funding discussions, the Company paid an additional one-off contribution of £2.5m into the Plan in July 2021 to accelerate plans to achieve a secondary funding target.

Financial position

Overall, the net assets of the Group have decreased by £37.2m to £264.7m (2020 (restated): £301.9m), with a cash position at year-end of £145.1m (2020: £235.3m) and net debt of £365.0m (2020: £238.2m).

Cash flow

	2021 £m	Restated 2020 £m
Underlying operating profit/(loss)	**41.4**	(53.1)
Depreciation	**68.3**	68.4
Amortisation	**3.4**	4.8
Underlying EBITDA	**113.1**	20.1
Cash exceptional items	**(10.9)**	(19.7)
Increase in working capital	**(85.4)**	(42.1)
Repayment of lease liabilities	**(57.3)**	(54.8)
Capital expenditure	**(18.6)**	(13.3)
Other	**(15.0)**	5.1
Operating cash flow	**(74.1)**	(104.7)
Interest and financing	**(22.7)**	(22.6)
Refinancing cash costs	**(16.9)**	(8.3)
Tax	**(10.4)**	(9.7)
Free cash flow	**(124.1)**	(145.3)
(Acquisitions)/disposals	**(10.6)**	147.0
Drawdown/(repayment) of debt	**52.0**	(85.2)
Net proceeds from capital raise	**–**	151.9
Total cash flow	**(82.7)**	68.4
Cash and cash equivalents at beginning of the year[1]	**235.3**	145.1
Effect of foreign exchange rate changes	**(7.5)**	21.8
Cash and cash equivalents at end of the year[1]	**145.1**	235.3

1. Cash and cash equivalents at 31 December 2021 comprise cash at bank and on hand of £145.1m (2020: £235.3m) less bank overdrafts of £nil (2020: £nil). Cash and cash equivalents at 1 January 2020 include £110.0m from continuing operations and £35.1m from businesses held for sale.

Free cash flow represents the cash available after supporting operations, including capex and the repayment of lease liabilities, and before acquisitions and any movements in funding.

During the year, the Group reported a free cash outflow of £124.1m (2020 (restated): £145.3m outflow) as a result of the increased underlying operating profit in the year being offset by an increase in working capital, together with payments in relation to interest, tax and capital expenditure, and exceptional and other cash flows. The costs associated with the refinancing exercise totalled £16.9m. “Other” includes payments to the Employee Benefit Trust to fund share plans, and payments of £5m to the UK pension scheme, including the additional £2.5m referenced on the previous page.

The increase in working capital was £85m of which £76m related to inventory movements. There were three key factors driving the increase, being sales volume growth, year-over-year inflation, and the increases in holding levels referenced above.

Other movements in cash below free cash flow include £10.6m cash outflow in relation to the purchase of businesses (2020: £147.0m inflow from the sale of businesses) and £52.0m net cash inflow from the restructuring of the debt facilities, consisting of £200.3m repayments of previous facilities offset by £251.5m net proceeds from the new senior secured notes and £0.8m receipt on settlement of derivatives (2020: £85.2m repayments).

Financing and funding

On 18 November 2021, the Group completed the restructuring of its debt arrangements, comprising the issue of €300m senior secured notes and the establishment of a new RCF of £50m. The existing private placement notes of £129.8m and a £70m term loan were repaid, together with a £12.9m make-whole payment on early settlement of the private placement notes. The Group now has committed facilities in place to November 2026 (senior secured notes) and May 2026 for the RCF. The senior secured notes are subject to incurrence based covenants, 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 2021.

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 2023.

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 54 to 59. 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 2024 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 2021 following the robust trading performance during the year and the refinancing completed in November 2021. On 18 November 2021, the Group completed the restructure of its debt arrangements with the issue of €300m senior secured notes and a £50m RCF (undrawn at 31 December 2021) and repayment of existing private placement notes and term loan. The Group has committed facilities in place until 2026, with significantly less restrictive covenants than the previous debt arrangements (as detailed in the Financing and funding section previously). On 24 June 2021, the Group also completed the cancellation of its share premium account resulting in the transfer of £447.7m from the share premium account to retained earnings and creating distributable reserves.

As part of the Group's financial and strategic planning process, the Group has prepared financial forecasts for the three years to 31 December 2024. 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.

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
Following the significant changes to the Group's operating model, infrastructure and leadership as part of the Return to Growth strategy, sensitivity analysis has been modelled on the basis that the next phase of execution of the strategy does not deliver the level of expected continued growth, with downside scenarios modelled on the medium-term plan for 2022, 2023 and 2024.	• Change management
The implications of a challenging economic environment, in particular the potential impacts which may result from further waves of the ongoing Covid-19 pandemic, have been assessed. The impact of resulting goods and material shortages throughout global supply chains and increased inflationary pressures have been modelled by assuming a severe but plausible reduction in revenue and gross margins in each of the three years.	• Macro-economic 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.	• Macro-economic uncertainty • Change management • Environmental, social and governance
The impact of completing future acquisitions which do not deliver desired value creation or which take place as one or more of the above scenarios begins to develop has been modelled by assuming a cash outflow in conjunction with a downside scenario in revenue and gross margin.	• Mergers and acquisitions • Macro-economic uncertainty

Viability statement continued

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 significant headroom during the three-year period. In a situation including a combination of the scenarios, resulting in a 52% reduction in underlying operating profit from base forecasts in 2022 and even greater reductions in 2023 and 2024, the analysis shows that sufficient cash would be available without the need to draw on the RCF and therefore no covenant tests would apply. This is before consideration of various mitigating actions which would be available to the Group in the case of these scenarios arising, including reduction in discretionary spend, further cost reduction programmes and a reduction in non-essential capital expenditure. Reverse stress testing has also been performed to analyse the level of revenue, operating profit and cash reductions over and above the scenario considered on the previous page that could be experienced before the RCF becomes drawn and there is a potential breach in the leverage covenant in the period under review.

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. There is not considered to be a significant risk of climate change causing a significant downturn in cashflows 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 on the previous page.

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 2024.

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.

On 18 November 2021, the Group completed the restructuring of its debt arrangements, comprising the issue of €300m senior secured notes and a new RCF of £50m. The existing private placement notes of £129.8m and a £70m term loan were repaid, together with a £12.9m make-whole payment on early settlement of the private placement notes. The Group now has committed facilities in place to November 2026 (senior secured notes) and May 2026 for the RCF. The senior secured notes are subject to incurrence based covenants only, and the RCF has a leverage maintenance covenant set at 4.75x which is only effective if the facility is over 40% drawn at a quarter end reporting date. The RCF was undrawn at 31 December 2021.

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 2023.

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:

- a decline in market conditions resulting in lower than forecast sales;
- continued implementation of the Return to Growth strategy taking longer than anticipated to deliver forecast increases in revenue and profit;
- potential impact of material shortages on forecast sales; and
- further waves of the Covid-19 pandemic having an impact on trading.

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 Viability statement on pages 65 to 66.

The Directors have considered the impact of climate-related matters on the going concern assessment and it is not expected to have a significant impact on the Group's going concern assessment to 31 March 2023.

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 2023 and the Directors therefore consider it appropriate to adopt the going concern basis in preparing the 2021 financial statements.

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 54 to 59 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 67) was approved by the Board of Directors on 10 March 2022 and signed on the Board's behalf by:

Steve Francis
Chief Executive Officer

Ian Ashton
Chief Financial Officer

10 March 2022

Developing our business

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 Code[1] during the financial year ended 31 December 2021. During 2021 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 is a member of the Remuneration Committee but, as a nominated Director of CD&R, he is not considered to be independent under Provision 10. Notwithstanding this, the Board considers Bruno to be a valuable member of the Committee and further details of why this is the Committee's view are contained on page 113.

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

"As a Board we seek to achieve long-term sustainable success for the Group"

Dear Shareholder

On behalf of the Board, I am pleased to introduce the Group's Corporate Governance report on pages 70 to 128.

With the Group's Return to Growth strategy accelerating, I would firstly like to thank all of the Group's employees for their hard work and achievements during 2021, and for the enthusiasm and energy with which they have embraced the strategy.

To ensure that the Board provides the required support and leadership, this year we undertook an external evaluation exercise with the assistance of Manchester Square Partners. The last three years, since the most recent external evaluation, have been a period of enormous challenge and change for the Board and for the Group, with significant changes at both Board and senior management levels during 2020 in particular. I am pleased that these have re-energised the Board and have contributed to driving the business to recovery. It continues to be a demanding time with a full, complex and challenging agenda. There is now a renewed focus on operational execution and encouraging progress is being made.

Key themes raised during the evaluation process were:

- ensuring the business is well set-up to deliver on its targets;
- increasing emphasis on long term strategy, including M&A, using the current business as a platform, with the Board playing a key role in guiding, shaping, debating and testing the strategic direction and vision alongside the Executive Leadership Team;
- developing our sustainability strategy, and ensuring it is integrated into, and enhances, the business strategy so that it becomes a competitive advantage;
- progression of the digitalisation strategy; and
- increasing focus on people, succession, talent and diversity across all levels of the Group.

Further details of the Board evaluation process can be found on page 90.

As well as the formal evaluation process, the independent Non-Executive Directors ("Non-Executive Directors" or "NEDs") also embarked on a programme with YSC Consulting during 2021. Half of the six independent Non-Executive Directors joined the Board during the Covid-19 affected period which has impacted the amount of time they have been able to spend together. The programme therefore gave opportunity for a number of in-person meetings for the independent group which has greatly helped in developing strong relationships between the independent Directors.

Following the changes made at Executive Leadership Team level during 2020, the Company made further appointments during 2021 to complete the restructure of the team. During 2022, our focus will move to planning the medium-term succession for both senior management and the Board. SIG is aware that gender diversity within the Board is below the recommended levels made by the Hampton Alexander review that were to be in place by the end of 2020 for FTSE350 companies. We currently have a board of ten with two Directors being women, which puts us below the recommendation of one-third. Of the six independent Non-Executive Directors, 33% are women. CD&R has the right to appoint two directors under the Relationship Agreement entered as part of the financing arrangements in July 2020 (see page 86 for details). CD&R's two appointees to the Board are both male. On a statistical level, this makes meeting the threshold of one-third of the Board being women more challenging. However, it remains the Board's aspiration to meet the 33% target over the course of the next few years and this will be addressed in the Board's succession planning during 2022.

The Board strongly believes that diversity and inclusion is central to a stronger, more cohesive and productive workforce and acknowledges that there is still work to be done. The Board is already compliant with the Parker review recommendations for FTSE250 companies as it includes one director of colour. We are also working with an external provider to establish a strategic framework and a plan for 2022 and beyond.

Finally, as well as ensuring the requirements for TCFDs were properly implemented, the Board approved a set of focused sustainability commitments. Our principles are clear; we need to do the right thing for all our stakeholders and focus on the areas where SIG can make a positive difference within our communities and the industry. We fully support the commitment to significantly improve on our current position over the coming year and beyond, focusing on Health & Safety, carbon and waste reduction and becoming an employer of choice within the building materials distribution industry. Further details on our sustainability commitments are contained on pages 30 to 52.

2022 Annual General Meeting

After two years of Covid-19 restrictions we are very much looking forward to meeting our shareholders at the Annual General Meeting ("AGM") on 12 May 2022. The meeting will be held at the offices of Allen & Overy LLP, One Bishops Square, London, E1 6AD. If you are unable to attend and you have any questions, please email them to cosec@sigplc.com in advance of the meeting. We will ensure the answers to your questions are provided at the meeting. Further details for the arrangements of the AGM will be sent to shareholders shortly.

Any changes to the 2022 AGM arrangements will be published on our website.

Andrew Allner
Chairman
10 March 2022

An experienced leadership team

R N

Andrew Allner BA, FCA

Non-Executive Chairman[1]

Appointed as Non-Executive Chairman on 1 November 2017.

External roles

Andrew is Chairman of Shepherd Building Group Limited and Fox Marble Holdings plc, an AIM traded company.

Experience and past roles

Andrew has significant current listed company board experience as chairman and as a non-executive director. He was previously Chairman at The Go-Ahead Group plc and Marshalls plc, and a Non-Executive Director at Northgate plc, AZ Electronic Materials SA and CSR plc. Previous executive roles include 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. Significant experience of change and challenging situations.

Key strengths

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

1. Independent on appointment

Steve Francis MA

Chief Executive Officer

Appointed as an Executive Director and Chief Executive Officer on 25 February 2020.

External roles

Steve is a Non-Executive Director of Structured Software Limited and Fellow of The Institute of Turnaround.

Experience and past roles

Steve has previously been Chief Executive Officer of Patisserie Holdings PLC, Tulip Ltd and Danwood Group Holdings Limited. He was the Chief Financial Officer and subsequently Managing Director of the largest division of Vion (formerly Grampian) Food Group Ltd and Chief Financial Officer and member of the management buy-in team of British Vita plc. He has worked with McKinsey, was a partner at PwC and a banker at Barclays Capital and NatWest Investment/County Bank.

Key strengths

Significant turnaround and leadership experience across a range of multi-site international businesses, considerable executive management experience including strategic consultancy, mergers and acquisitions, corporate finance and banking.

A R N I

Kath Durrant BA

Non-Executive Director

Appointed as an Independent Non-Executive Director and Chair of the Remuneration Committee on 1 January 2021.

External roles

Kath is Non-Executive Director and Remuneration Chair at Vesuvius plc.

Experience and past roles

As well as working in senior roles at GlaxoSmithKline plc and AstraZeneca plc, Kath has previously served as the Group Human Resources Director of Rolls Royce plc, of Ferguson plc, and as Chief Human Resources Officer of CRH plc. She served as a Non-Executive Director and Chair of the Remuneration Committee of Renishaw plc and of Calisen plc.

Key strengths

Human Resources across a range of businesses, transformation and change management, construction industry and international experience.

A R N I

Gillian Kent BA, CIM Diploma in Marketing

Non-Executive Director

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

External roles

Gillian holds Non-Executive Director and Remuneration Chair roles at Mothercare plc, NAHL Group plc and Marlowe plc, Non-Executive Director roles at Ascential plc and two private companies, Theo Topco Ltd and Howsy Limited. (Gillian is also a director of Portswigger Limited, until 31 March 2022).

Experience and past roles

Gillian has had a broad executive career including being Chief Executive of real estate portal Propertyfinder 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 Pendragon PLC and of Dignity plc.

Key strengths

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

Committee key

- A Audit committee
- R Remuneration committee
- N Nominations committee
- Chair of committee
- I Independent

Ian Ashton BA, FCA

Chief Financial Officer

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

External roles

Ian does not have any external roles.

Experience and past roles

Prior to joining SIG, Ian was Group Chief Financial Officer of 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 worked for much of his career at Smith & Nephew plc, undertaking various financial roles in the UK, the US and Asia. Ian is a qualified chartered accountant and began his career at Ernst & Young LLP.

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.

A R N I

Shatish Dasani MA, FCA, MBA

Non-Executive Director

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

External roles

Shatish is currently a Non-Executive Director and Chair of the Audit & Risk Committee of Renew Holdings plc and Speedy Hire Plc, Director of Unicef UK Enterprises, and Trustee and Chair of Unicef UK.

Experience and past roles

Shatish has over 25 years' experience in senior public company finance roles across various sectors. He also has extensive international experience including as a regional CFO based in South America. He was previously the Chief Financial Officer of Forterra plc and TT Electronics plc, and was also an alternate Non-Executive Director of Camelot Group plc and Public Member at Network Rail plc.

Key strengths

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

R

Bruno Deschamps ISG Paris (MBA, marketing, finance)

Non-Executive Director

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

External roles

Bruno holds directorships in the following CD&R portfolio companies: Kalle Gmbh, Westbury Street Holdings Ltd, Socotec Group and Wolseley, of which Bruno is also Chairman.

Experience and past roles

Bruno is an Operating Advisor to CD&R LLP. He is a former Chairman of Diversey (USA), Kloeckner Pentaplast (Germany) and is currently Chairman and CEO of Entrepreneurs Partners LLP. He has been Managing Partner of the 3i Plc Group, an Operating Partner of CD&R and Chairman and CEO of Brakes, President and COO of Ecolab Inc (USA), President and CEO of Henkel Ecolab, Teroson Gmbh, President of Henkel Adhesives, based in Germany, and Chairman and CEO of SAIM based in France. Bruno is a Knight of the Legion d'Honneur (France).

Key strengths

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

A R N I

Simon King AMP, Insead

Non-Executive Director

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

External roles

Simon holds a Non-Executive Director role at Headlam Group plc, Donaldson Timber Engineering Ltd and is Chairman at Smoking Lobster Restaurants (Isle of Wight).

Experience and past roles

Simon most recently served on the Travis Perkins Executive Board and held the position of CEO for Wickes. Prior to that, Simon was at Walmart as COO of Asda, CEO at Savola Group Middle East and held CEO roles for Tesco in Turkey and South Korea, leading the joint venture with Samsung. Before Tesco South Korea, Simon was Chief Commercial Officer for Tesco in central Europe. Simon is also an advisor at Gardenonaroll.com.

Key strengths

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

A R N I

Alan Lovell MA, FCA

Senior Independent Non-Executive Director

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

External roles

Alan is Chairman of Interserve Group Limited and Non-Executive Chairman of Safestyle UK plc and Progressive Energy Limited.

Experience and past roles

Alan has previously been Chief Executive Officer of six companies: Tamar Energy Limited, Infinis plc, Jarvis plc, Dunlop Slazenger Group Ltd, Costain Group plc and Conder Group plc. Alan was also previously Chairman of Sepura plc, Flowgroup plc and Chair of 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.

N

Christian Rochat BA (Law), PhD (Law), MBA

Non-Executive Director

Appointed as Non-Executive Director on 10 July 2020.

External roles

Christian is a Partner of CD&R. Christian holds directorships in the following CD&R portfolio companies: Belron Group SA, Socotec Group, Westbury Street Holdings Ltd and Wolseley.

Experience and past roles

Christian joined CD&R in 2004 and is a Partner based in London. He led the CD&R investments in Belron, Exova, Socotec, SPIE, Westbury Street Holdings and Wolseley. He also led the sale of Brakes Group and served as a Director of the company. Prior to joining CD&R, he was a Managing Director at Morgan Stanley Capital Partners, and a Director at Schroder Ventures (now Permira). He also worked in the London and New York offices of Morgan Stanley's mergers and acquisitions department.

Key strengths

Deep industrial knowledge, transformation, change management, strategy, stakeholder engagement, corporate transactions and extensive experience in driving and overseeing improved company performance.

Board activities

Key

Strategic priorities

- Responsible actions
- Valuable partnerships
- Winning branches
- Highest productivity
- Superior service
- Focused growth
- Specialist expertise

Strategy and financing

- Regular updates and reviews throughout the year to monitor the Group's financing position, medium-term plan and business plan.
- Consideration of M&A opportunities to ensure they enhance Group structure and strategy.
- Continued focus on progress and challenges of the Return to Growth strategy.
- Share capital reduction through cancellation of share premium account, creating distributable reserves and enabling resumption of dividend payments when appropriate, which was approved by shareholders at the AGM in May and confirmed by the High Court in June.
- Approval of the debt refinancing and the successful offering of the Company's debut bond, listed on The International Stock Exchange, which completed in November.
- Held a Board strategy day with all members of the Executive Leadership Team ("ELT") also present, and including presentations from ELT members.
- Consideration of the applications for digitalisation across the Group, including presentations from ELT members.
- Supporting the ELT in executing the Return to Growth strategy and making senior management appointments.

Corporate reporting and performance monitoring

- Regularly reviewed the Group's trading performance against targets and updated forecasts.
- Approved the 2022 budget and the three-year financial projections.
- Periodic review of the Group's ability to trade as a going concern and viability.
- Approved the 2020 full-year and 2021 interim results, and ensured work was on schedule for the production of the 2021 full-year Annual Report and Accounts.
- Approved the release of various trading updates in line with the Disclosure & Transparency Rules, UK Market Abuse Regulation and other requirements.
- Ensured the Group was able to report against the TCFD requirements.
- Reviewed the introduction of a new Group consolidation and reporting system with effect from January 2021.
- Received regular investor relations reports.
- Reviewed regular updates from brokers on market conditions and equity investor sentiment.
- Received specific feedback from advisers during the refinancing process on debt investor sentiment.

Stakeholder engagement

- Second annual Group-wide customer survey undertaken, and preliminary results reported.
- Reviewed and approved amendments to the SIG Wellbeing and Mental Health policy to emphasise general health and wellbeing and to reduce any stigma associated with mental health. Monitored the continuing action being taken to support employees during the pandemic and remote working.
- Consulted with shareholders following the vote on the Directors' Remuneration Report at the Annual General Meeting in May.
- Engagement with suppliers, including a presentation to the Board from a key supplier across Europe.
- Engagement with workforce on Executive remuneration.
- Second annual employee engagement survey undertaken, with feedback reviewed to ensure any material concerns were identified and suitably addressed.
- Reviewed feedback from the Board Workforce Engagement sessions held by Simon King and other Board members at site visits during the year.

Governance

- Approved a revised schedule of Matters Reserved for the Board.
- Approved updated Terms of Reference for Committees.
- External Board evaluation process and setting of objectives for 2022.
- Independent Non-Executive Directors working sessions with YSC Consulting to foster relationships and define roles and priorities as independent directors.
- Further increased the priority of Health & Safety matters at Board level, including receiving reports and presentations from businesses during the year.
- Reviewed and approved the publication of a Provision 4 statement in line with the Code.
- Approval of the appointment of new Managing Directors in Benelux and Germany.
- Received regular updates from the Chairs of the Audit, Nominations and Remuneration Committees.
- Received regular updates on regulatory matters at Board meetings.
- Annual review and approval of certain Group-wide policies.

Risk management and internal control

- New whistleblowing platform launched in January and new policy communicated to all employees.
- Presentations from senior management and external advisers on Health & Safety matters.
- In-depth review of cyber security, with particular attention paid to homeworking by employees, to ensure continued good practice and enhanced security was in place.
- Received regular updates from the Audit Committee Chair on the key risk areas discussed at those meetings.
- Received regular reports on risk management and internal controls from the Chief Financial Officer.
- Approved the year-end risk register, risk appetite and principal risks.
- Approved the five sustainability commitments set out on page 30 for implementation in 2022 and beyond.
- Monitored the effects arising from Brexit and in particular the UK Withdrawal Act to ensure the appropriate measures were in place.

Board attendance at meetings

The following table shows the attendance of Directors at meetings of the Board, Audit, Remuneration and Nominations Committees during the year ended 31 December 2021:

	Scheduled Board (7 meetings)[1]	Additional Board (2 meetings)[1]	Audit (5 meetings)	Remuneration (5 meetings)	Additional Remuneration (1 meeting)[2]	Nominations (3 meetings)
Andrew Allner[3]	7	2	N/A	5	1	3
Ian Ashton[4]	7	2	N/A	N/A	N/A	N/A
Shatish Dasani[5]	6	2	5	4	1	3
Bruno Deschamps	7	2	N/A	5	1	N/A
Kath Durrant	7	2	5	5	1	3
Ian Duncan[6]	1	N/A	N/A	1	N/A	N/A
Steve Francis[7]	7	2	N/A	N/A	N/A	N/A
Gillian Kent	7	2	5	5	1	3
Simon King	7	2	5	5	1	3
Alan Lovell[8]	7	2	5	4	1	2
Christian Rochat	7	2	N/A	N/A	N/A	3

1. This year there were seven scheduled Board meetings and two additional Board meetings. The additional Board meetings were required in connection with the refinancing process which completed in November 2021.
2. There was one additional Remuneration Committee meeting held as part of the tender process for the new Remuneration Committee advisers. This post was filled in June 2021 by Korn Ferry.
3. The Chairman attended all five Audit Committee meetings.
4. Ian Ashton attended all five Audit Committee meetings as well as those sections of the Remuneration Committee meetings to which he was invited by the Chair of the Committee.
5. Shatish Dasani attended all the meetings he was entitled to attend following his appointment on 1 February 2021.
6. Ian Duncan attended all the meetings he was entitled to attend before his resignation on 31 January 2021.
7. Steve Francis attended all five Audit Committee meetings as well as those sections of the Remuneration Committee meetings to which he was invited by the Chair of the Committee.
8. Alan Lovell was unable to attend one Remuneration Committee meeting and one Nominations Committee meeting due to a prior engagement which he was unable to reschedule.

The table shows those meetings that each Director attended as a member rather than as an invitee. Where "N/A" appears in the table the Director listed 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. During 2021, several such meetings were held. The Senior Independent Director also meets with the other independent Non-Executive Directors without the Chairman present, in particular when the performance of the Chairman is being considered. All Directors attended the 2021 AGM. In light of the pandemic, the meeting was a hybrid meeting with the Chairman, CEO, CFO and Company Secretary present in person, with the rest of the Board joining via an online platform. The meeting was open to shareholders to also join via the online platform.

Directors' conflicts

Each Director has a duty under the Companies Act 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. The Board believes that the procedures established to deal with conflicts of interest are operating effectively.

As part of the review of conflicts this year, Directors confirmed they have no connection with the external search firm Ridgeway Partners, whose services were used in connection with the appointment of Shatish Dasani and Kath Durrant. The Savannah Group and Odgers Berndtson were used during the year for other senior appointments.

All Directors were required to complete a gifts and hospitality form confirming receipt of gifts or hospitality provided as a result of their directorship of the Company.

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.

Culture and purpose

The Board ultimately has responsibility for ensuring that workforce policies and practices are in line with the Group's purpose, values, and support the desired culture throughout the Group. This involves reviewing policies and practices that have an impact on the experience of the workforce and drive behaviours e.g. recruitment and retention, promotion and progression, performance management, training and development, reskilling and flexible working. The Board considers that the Group operates a risk-aware culture with an open style of communication, which seeks to identify problems and issues early wherever possible. Where issues are identified, the Board endeavours to take action to remedy any areas of concern.

Each year the Board reviews and amends, if necessary, a suite of policies across the Group which are published to all employees and contractors. These include our Health & Safety procedures; whistleblowing; anti-bribery and corruption; IT acceptable use; alcohol and substance misuse; and gifts and hospitality. All employees, including the Board, and contractors are asked to complete online training on each of these policies. Completion of this training is tracked, and reminders issued when required, to ensure that the training is completed. As new policies are developed, appropriate training is provided to all employees.

Site visits by Board members recommenced in the UK during 2021, when Covid-19 restrictions were eased. Later in the year, when restrictions were reimposed or tightened across Europe, it was no longer possible for certain Board site visits to go ahead. These are being resumed as soon as safe and appropriate in 2022. The Board plans to rotate its meetings during 2022 and has scheduled a number of meetings across the Group's businesses, including outside of the UK.

The Group is committed to investing in, and rewarding, its workforce. Local recognition programmes have been developed to align with Group behaviours and our teams use these programmes to recognise outstanding work, efforts or achievements that are aligned to these behaviours. During 2021 the Group also launched the Kudos programme which allows colleagues to recognise efforts made by fellow team-members which are then shared on the Workplace platform, which is one of SIG's internal communication channels. The Group provides regular training opportunities for its employees and it operates a share incentive plan for its UK employees.

The culture has evolved considerably and for the better under the new ELT. The culture varies between countries but consistent descriptions of our culture from the recent employee engagement survey included: committed, proud, agile, accountable, empowered, hardworking, open and passionate. The goal is to create a winning, vibrant and modern culture which combines discipline, clear expectations and effective processes with entrepreneurial spirit. The Board agrees that the right culture is key to future success and intends to give the topic more attention in the coming year to ensure momentum is maintained.

Board engagement with employees

Workforce engagement with designated Non-Executive Director (Simon King)

- Site visits took place during 2021 to engage with colleagues around the Group. Where site visits were not possible due to Covid-19 travel restrictions the meetings were held via Zoom. During the Zoom meetings with overseas branches in France, Germany and Poland, translators were present to enable a good dialogue flow, which worked well. Further details can be found on page 76.

Workforce engagement on executive remuneration with Chair of the Remuneration Committee (Kath Durrant)

- Engagement with colleagues was undertaken during October/November 2021 to explain to colleagues the governance surrounding the setting of executive remuneration and how target setting decisions are made, with the success of the Group as a whole being the main driver behind those decisions. Each session was followed by a Q&A session. Further details can be found on page 113.

Workforce Engagement during Board visits

- The Board visited colleagues at the Larivière site at Genas, Lyon in November. The Directors were given a tour of the branch following which they joined branch colleagues for a presentation on sales performance. This was followed by a lunch which gave the Board the opportunity to speak with team members in an informal atmosphere.
- Board members visited a number of the Group's operating sites to review progress made locally, carry out site visits and meet colleagues.

Annual employee survey

The second employee engagement survey was launched in October and the results were reported to the Board at its December meeting. Consistent with the first survey, the NPS methodology was used for the 2021 survey. The survey's principal focus concerned the question "how likely is it that you would recommend SIG as an employer?" There were subsets of the survey which focused on key themes such as: vision and leadership, culture, management, job satisfaction, teamwork and collaboration, health and wellbeing, learning and development, communication, and customer focus. Overall, the results of the survey were very encouraging. The response rate was 75%, being above the benchmark average, which is a strong indicator of a workforce's engagement levels.

Focus following the survey

During December 2021 the results of the survey were reported to the ELT and cascaded to local business management teams. During January and February 2022, focus groups were established with groups of employees to discuss in detail the results and to draw up action plans at branch or department level (as appropriate) with action plans for all branches and departments to be in place by the end of March. Progress against these actions will be measured, reported and communicated internally on a monthly basis.

Focus on data

The Board received and reviewed reports on the data sets recommended in the guidelines produced by the Financial Reporting Council to monitor culture and engagement within the business. These regular reports included the following information:

- training data;
- recruitment;
- reward;
- promotion decisions;
- whistleblowing data;
- employee surveys;
- Board interaction with senior management and workforce;
- Health & Safety data, including near misses; and
- attitudes to regulators, internal audit and employees.

The Board receives these reports as a matter of its regular routine business at each meeting. It also received reports on an ad hoc basis from individual Board members, and from operating company Managing Directors, on these matters.

Workforce engagement with Simon King

Designated Non-Executive Director

The Workforce Engagement programme for 2021 was carried out through a mixture of site visits in the UK and Zoom calls for other operating companies because of the travel restrictions in place at that time. During these meetings I met with more than 150 colleagues from across the Group. It was good to see that some of the colleagues who attended this year's meetings had also joined the virtual meetings with me during 2020.

For consistency, I asked the same three questions this year as I had asked the previous year. Each attendee had the opportunity to make their point on each question. Often the points colleagues made encouraged discussion which provided a rich source of insight. As a result of this approach, and with the support of the Company Secretariat team, I collected more than 1,000 comments made over the engagement sessions during the year.

The three questions asked were:

- what has gone well in SIG (locally or corporately) in the last year?;
- what has not gone so well in SIG in the last year?; and
- if you were in charge, and budget was not a constraint, what would be the one thing you would make happen at SIG?

Branch visits

It was a privilege to visit A. Steadman & Son, one of SIG's manufacturing businesses, on a great British sunny day in Carlisle, England. The sun and warmth meant that after our tour of the fabrication sites, we were able to go outside for sessions with several groups of cross functional colleagues who were happy to share their thoughts. A lasting impression was the pride that the team have in their business. They were doing well, in challenging times, and the investments made in the insulating panel section of the plant are delivering returns. The yard and interior production lines projected care, safety and quality.

Since SIG's acquisition of A. Steadman & Son, the company has developed an excellent leadership team. One manager, having started as a 17-year-old apprentice, is now, 20 years later, Factory Manager of the original secondary steelwork production part of the site. The teams are very experienced and skilled in what they do, and customers benefit from the knowledge, expertise and technical acumen within Steadman's steel engineering facility.

I left upbeat and confident that the business is in the safe hands of a great workforce.

What has gone well in SIG?

Looking across the meetings as a whole, there were three clear insights into how our colleagues felt: the teams were extremely supportive of SIG, want the Group to succeed and are confident in the new locally led strategy; colleagues felt supported and well informed during the Covid-19 pandemic, both during lockdown and in returning to the workplace; and everyone was very keen on training and development so that they could further improve services to customers.

A selection of some positive comments:

"I was allowed to work from home from the very start of the pandemic and was well supported through Covid-19 (I was pregnant at the time). I felt safe and valued."

"Teamwork is valued and was strong during the pandemic, in my role being in touch with colleagues all over Germany that feeling was echoed throughout my country."

"There is a vision for the whole Group, the local strategy confirms alignment with SIG and it's very ambitious. SIG France fits in well to the overall strategy, which shows strong support from the Board and is forward looking."

"Last year regular 'Town Hall' style meetings in Poland were organised for employees and 700 staff took part."

"Trusting me in Cork to look after customers has motivated me to get more orders."

“It was incredible to hear the passion in the voices of colleagues when they were asked if they had ideas on how to improve SIG”

What has not gone so well?

Inevitably not all the feedback was positive. Indeed, receiving the feedback which was not necessarily positive was an important purpose of undertaking the engagement activity and colleagues were encouraged to discuss what could be done better and to speak honestly about their constructive feedback. This was especially helpful and several of the issues raised, having been discussed at Board meetings, are now being addressed by management. For example, communication between different teams within the Group has been improved and the corporate website is currently being refreshed. It was very encouraging that many of the issues raised with me concerned issues that, if fixed, would provide a better customer experience, or benefit the Group in some way; none of the issues raised were personal.

A selection of some things that could be better:

“Corporate culture and values programme: the impact of this was lost as the launch was at the start of lockdown, we were excited and would like to see it relaunched.”

“Colleagues should communicate more between departments. We have one goal, and should all work towards it rather than each department doing their own thing.”

“Would like to get more ‘physical’ hands-on training for products to better understand how products work and also go together – I feel online learning alone is not enough for me.”

What would be the change you would make?

It was incredible to hear the passion in the voices of colleagues when they were asked if they had ideas on how to improve SIG. Notwithstanding that they were asked to assume no limitation on budget and with the freedom to do anything, they always chose local matters and to make their part of the business better. This is a great cultural strength from hard-working, dedicated teams. I was especially encouraged that many of the suggestions involved sustainability issues. Many were innovative and most would improve the customer experience. Other insights mentioned included ESG, youth development and in-house talent. I am delighted that they felt confident enough to share these with me.

A selection of ideas to improve SIG:

“SIG’s green credentials – want to improve ‘green’ issues and to help customers do this too.”

“Would like to work on ways to improve waste recycling; stocking greener products; and getting involved in the strategy in green issues locally.”

“We are proud of the digital progress in Poland, I would invest all in digital teams and a new forklift to pick the orders quicker.”

“More hands-on training for Health & Safety to encourage site-wide buy-in.”

I shared these insights with my colleagues during the December Board meeting and we celebrated the significant progress that was being made within the Group and the exceptional teams that we are fortunate to have working with us. We reviewed this feedback in conjunction with the employee engagement survey to explore any common themes.

During a round of engagement visits in the Autumn I was joined by my Board colleague Kath Durrant, the Chair of the Remuneration Committee, as she was meeting with colleagues across the workforce to discuss the governance and rationale involved in setting executive remuneration. Further details of this can be found on page 113.

Section 172 statement

"Companies do not exist in isolation. Successful and sustainable businesses underpin our economy and society by providing employment and creating prosperity. To succeed in the long-term, directors and the companies they lead need to build and maintain successful relationships with a wide range of stakeholders. These relationships will be successful and enduring if they are based on respect, trust and mutual benefit. Accordingly, a company's culture should promote integrity and openness, value diversity and be responsive to the views of shareholders and wider stakeholders."

The Corporate Governance Code 2018

Section 172 and stakeholder engagement

SIG has an open and transparent approach to stakeholder engagement, building respectful and constructive relationships with its key stakeholder groups. SIG recognises that the validity and sustainability of its business strategy is enhanced when it receives and acts on stakeholder views and feedback. Across SIG's businesses, there are many examples of stakeholder engagement influencing both day-to-day and strategic decisions.

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

This Section 172 Statement, contained on pages 78 to 83, illustrates in greater detail some of the significant stakeholder considerations taken into account by the Board in its decision-making during 2021.

How the Directors have applied their Section 172 duties

The Board has considered its key stakeholders and the methods of engagement with each of those stakeholders, both at Board level and across the business. It receives regular reports from management to enable it to monitor the quality and effectiveness of the arrangements for stakeholder engagement. Specific examples of the way in which the Directors have performed their fiduciary duty under Section 172 are provided in relation to the preparations for the debt refinancing and the external Board evaluation.

The Board has approved a training programme to ensure that, in preparing proposals for Board consideration, managers are aware of the Section 172 requirements in Director decision-making, ensuring that Directors will have the assurance that relevant stakeholder interests are being set out for their consideration.

In addition, as part of its decision-making process, the Board also carefully considers the principal risks of the Group as set out on pages 54 and 59.

Shareholders

Why we engage

The Directors' principal duty under Section 172 is to act in good faith to promote the success of the Group for the benefit of its members as a whole. It therefore follows that the Directors consider that shareholders' views are important as part of their decision-making process and welcomes discussions with them, particularly in relation to strategy, performance, remuneration and governance.

Engagement activities

CD&R has the right to appoint two Non-Executive Directors under the terms of the Relationship Agreement between SIG and CD&R (see page 86 for further information regarding the relationship with CD&R). Accordingly, engagement with CD&R is more frequent than with other shareholders, as CD&R is represented at Board meetings and in the regular operational review meetings. SIG works hard to ensure that there is active engagement with other shareholders, which is achieved through the publication of the annual and interim reports, Stock Exchange announcements, the AGM and other general meetings, investor roadshows, analyst presentations, as well as meetings between shareholders and Directors such as the Chairman, the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO"), and Chairs of Board committees.

Issues raised

- Inability to pay a dividend due to negative distributable reserves.
- Requests for greater information regarding SIG's ESG agenda.
- Moderate opposition to certain aspects of the remuneration of the Executive Directors.

Actions taken

- Successful capital reduction by way of cancellation of share premium account to create distributable reserves, enabling the payment of dividends when determined appropriate by the Board.
- Development of SIG's sustainability commitments, set out on pages 30 to 52.
- Slightly in excess of 20% of votes at the AGM in May 2021 were exercised against the Directors' Remuneration Report ("DRR"). In accordance with the Code, the Company consulted with shareholders regarding their reasons for voting against the DRR. The principal result of this consultation was that the Board was confident the reasons for shareholders voting against the DRR were specific to circumstances prevailing in 2020 and were unlikely to be continuing or repeated. The Company's Provision 4 Statement was published in November 2021.

Colleagues

Why we engage

The Directors believe that SIG is, at heart, a people business. Engagement by the Group with its other stakeholders is through its employees. Accordingly, engagement by the Group with its workforce is fundamental to SIG's success. Having the right company culture, underpinned by suitable behaviours and a clear purpose, is imperative for SIG's growth and ongoing sustainability.

Engagement activities

The Board Workforce Engagement programme recommenced in October 2020 following its suspension earlier in that year as a result of Covid-19 restrictions. The pace of the programme was naturally limited during the first months of 2021 as Covid-19 restrictions were reimposed in all countries where the Company operates.

From the early summer onwards, the programme was reignited with a mixture of face-to-face and virtual meetings held across the Group. Typically, face-to-face meetings were conducted with colleagues in the UK and meetings with colleagues based in other territories were conducted online. A cross section of employees across the Group were invited to participate in the programme, representing all levels, regions and functions. The Board-designated Non-Executive Director, Simon King, led the programme and participated in every meeting. The sessions were an opportunity for employees to raise and discuss in an informal manner their experiences, both positive and negative, and to identify key priorities and opportunities for improvement. During the Autumn, the Chair of the Remuneration Committee, Kath Durrant, led the exercise of engagement with the workforce to explain how executive remuneration aligns with wider company pay policy. More detail of this exercise can be found in the Directors' Remuneration Report on page 113.

During the year, we launched Workplace, the internal online business communication tool from Facebook. Workplace enables colleagues across the Group to share information and interact on a less formal communications platform. This has proved highly popular and has quickly become a principal platform for internal employee communications. The Group also continued its established communication cascades via email, Group-wide broadcasts by the CEO, European Leadership Group meetings and internal newsletters. Lastly, in 2021 SIG ran its second all-employee survey, to enable it to build on the results of the debut survey conducted in 2020. The results of the survey were reported to the Board together with an analysis of the results. Further, the Board reviewed management's proposed actions to be taken in response to the findings from the survey.

Issues raised

- The results of the employee survey were that the great majority of employees feel safe at their place of work. However, there was a small minority of respondents who said that they felt additional actions could be taken to make them feel safe.
- A number of employees across the Group reported that they experienced a heavy workload during 2021.
- The Board Workforce Engagement programme in the UK suggested that some employees desired greater training on the products sold by SIG and in particular new and more specialist products.

Actions taken

- The Group continued to improve its resources to ensure Health & Safety remains the business's primary priority. Additional recruitment was undertaken in 2021 so that there is now a dedicated Health & Safety expert on the senior management team of each of the operating companies as well as at Group level.
- The Board is mindful that 2021 saw, at times, unprecedented levels of activity in SIG's businesses. This is a positive development for SIG, but the Board is aware of the potential impact that such work pressures can have on employees. SIG has responded in the short-term by ensuring that employees have knowledge of, and access to, the current support available to them, for example under the Group's Wellbeing and Mental Health services. Looking to the longer-term, it is important to ensure that resourcing levels and operating processes are optimised and that where possible digital tools are utilised to reduce demands on employees
- Within the UK, the in-house training programme was significantly revised and revamped to deliver more focused sessions and across a wider range of subjects.

Customers

Why we engage

Customers are of fundamental, and obvious, importance to any business. For SIG, understanding the needs and requirements of our customers is hugely important and the Group seeks to use this understanding 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 in order to improve our service.

Engagement activities

SIG's ability to conduct engagement activities with customers during 2021 was impacted through the first half of the year, in particular as a result of the various Covid-19 restrictions which were in place. However, branches in the majority of countries of operation remained open throughout most, if not all, of the year, meaning that local and individual engagement with customers continued despite the restrictions. Additionally, as the year progressed and restrictions were eased (at least until the final weeks of the year), so it became practicable to expand the range of engagement with customers. In 2020 the Group conducted a survey of key customers across all of the operating companies. This survey was repeated in 2021. The results of the survey, together with management's proposed responses to the findings of the survey, will be reviewed by the Board in 2022.

Issues raised

- Concerns over stock availability and rising product prices.
- Responding to customer requests regarding the sustainability of the products sold by SIG and SIG's carbon emissions as these related to customers' own supply chains.
- Reduced visibility in recent years, especially in the UK, on industry wide associations and bodies.

Actions taken

- As Covid-19 restrictions were eased in Europe from March onwards, it quickly became apparent that there was significant pent-up demand for building materials. However, the regular supply of those materials could be unreliable as it took manufacturers and producers longer to bring supplies back on-stream. SIG responded by increasing the authority for branch directors to maintain stock levels appropriate to support their customers locally. This did not necessarily address rising prices, which were a result of increased demand and lower supply, but did mean that SIG was able to fulfil its orders from customers against a general background of product shortages.
- Some stakeholders, including customers, contacted SIG during the year to understand more about the Group's ESG agenda and specifically concerning the sustainability of the products sold by the Group and the steps to be taken by the Group to reduce its carbon footprint. Accordingly, SIG has developed its sustainability commitments which are set out at pages 30 to 52.
- SIG UK has actively re-engaged with industry representative bodies and its colleagues now hold roles and posts with organisations such as the National Federation of Roofing Contractors, the Builders Merchants Federation and the Construction Leadership Council.

Suppliers

Why we engage

SIG enjoys a critical place in industry supply chains. We generally sit between manufacturers and producers on the one hand, who tend to be relatively small in number but very large in size, and on the other hand customers who are generally relatively smaller in size but very numerous in number. We connect those two communities in ways in which they would be unlikely to be able 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 to create win-win outcomes.

Engagement activities

As with customers, engagement activities were impacted during 2021 as a result of the Covid-19 restrictions in place at times during the year. However, even during these periods, contact was maintained with suppliers through means such as online meetings and telephone calls. Engagement opportunities increased throughout the year as Covid-19 restrictions were generally eased. Senior members of management from SIG met with suppliers at their manufacturing and production facilities to discuss growth strategies for the future.

Issues raised

- Shortages or difficulties in producing and distributing products led to some products being placed on allocation during the year.
- Seeking greater understanding of the intentions of suppliers regarding the sustainability and carbon footprint of their products.
- Reduced capacity in recent years, notably in SIG UK, to provide ancillary specialist services, such as advice and design.

Actions taken

- The efforts made by SIG since Spring 2020 onwards to reconnect with its suppliers were of great value during 2021 in ensuring that SIG retained a place as a principal supply chain partner for many of its suppliers during a period of supply shortages. SIG was also able to work with its suppliers, for example during the driver shortages in the UK, when SIG arranged to collect some products from its suppliers rather than the supplier delivering its products to SIG's branches, thus ensuring continuity of supply.
- A senior executive from one of SIG's principal suppliers across Europe attended the Board's strategy day in November and made a presentation to the Board and the ELT on a number of areas relevant to SIG, including the supplier's sustainability and carbon reduction plans.
- In the UK, SIG invested to increase its offering in specialist advisory areas, such as thermal, acoustic and sustainable measurement.

Lenders

Why we engage

As with many businesses, SIG operates with a level of debt. Some of this debt is to support the Group's short-term working capital requirements, including seasonal fluctuations, whilst other elements of SIG's debt have a longer-term profile. Working in partnership with our lenders is therefore important to ensure that we have the appropriate financial structure to support the Group's day to day business as well as future growth and expansion.

Engagement activities

During the year SIG refinanced its debt. At the start of 2021, SIG's Group debt comprised term loans provided by a syndicate of banks, together with a series of private placement loan notes held by a number of financial institutions. These facilities were repaid in full, including make-whole payments on the private placement notes, using the proceeds of €300m of 5.25% fixed rate senior secured notes ("Notes") due 2026 that were issued in November 2021. In addition, a new £50m RCF was entered into with a syndicate of banks that included a majority of the providers of the previous term loans. The refinancing exercise involved considerable engagement with existing and new lenders, and credit rating agencies, notably during the pre-marketing and marketing exercises relating to the Notes. Outside of the refinancing exercise, there were regular meetings with lenders involving the CFO and the Group Head of Tax & Treasury, and on occasions the CEO, typically around the publication of preliminary and interim results.

Issues raised

- The appetite for existing lenders to be refinanced, including whether they would wish to participate in SIG's new funding arrangements.
- Seeking buyers for the Notes and setting the pricing of the Notes.
- Ongoing dialogue with lenders following the refinancing.

Actions taken

- Various aspects of the former debt arrangements were amended in a technical manner in order to better facilitate the simultaneous repayment of all of the Group's former facilities. The majority of banks in the syndicate, which provided the Group's previous term loans, also participated in the new RCF made available to the Group as part of the refinancing.
- The CEO, CFO and Group Head of Tax & Treasury had a number of meetings with potential buyers of the Notes during the pre-marketing and marketing phases of the refinancing and separately with credit rating agencies. These meetings were to determine demand and credit ratings for the Notes, to support the offering, and to establish the price (coupon) of the Notes. These meetings were successful as the Group was able to price and issue the Notes in November 2021.
- The Notes are listed on The International Stock Exchange and SIG made arrangements such that the regulatory news announcements it makes via the London Stock Exchange are also made available to holders of the Notes through The International Stock Exchange. Engagement with the banks that provide the RCF will be periodic and will focus on full-year and half-year results announcements together with other occasions when there are material developments to discuss.

Pension scheme members and trustees

Why we engage
For many years SIG had a number of defined benefit pension schemes open to new members. Pension scheme members therefore comprise either former or current employees of SIG and as such are important stakeholders in their own right.

Engagement activities
There is regular dialogue between the Company and the Chair of the UK Pension Trustees (the "Pension Chair"). Furthermore, SIG is in contact with scheme members through the publication of regular newsletters. During 2021 there was specific communication with the Pension Chair concerning the latest triennial scheme valuation and regarding the refinancing of the Group's debt arrangements.

Issues raised
- Triennial valuation of the UK defined benefit pension scheme.
- Impact of debt refinancing on the UK defined benefit pension scheme.

Actions taken
- Dialogue between the Company and the Pension Chair, together with their respective advisers, resulted in the agreement of the triennial valuation in March 2021. Additionally, there were valuable discussions regarding the long-term funding and investment strategy of the pension scheme.
- SIG's previous debt arrangements were guaranteed by key entities within the Group on an unsecured basis. The new debt facilities are also guaranteed by key entities and in addition certain security has been granted to support those guarantees. The Pension Chair required satisfaction that this security would not prejudice the position of the scheme and its members in certain default circumstances. SIG worked with the Pension Chair to provide this satisfaction. As part of those discussions, the Company agreed to slightly increase the value of receivables pledged to the pension scheme under the asset-backed arrangements already in place with the scheme.

Local community

Why we engage
SIG's businesses operate at the local level. This is a reason why the Group's strategy places strong emphasis on colleagues who work in branches, distribution centres and who otherwise engage directly with customers and suppliers on a daily basis. Accordingly, the Directors recognise that close relationships with the communities in which SIG's businesses operate help to foster the long-term success of the business. SIG is part of its local communities and its actions should have a beneficial impact on those communities.

Engagement activities
There were a great number of collaborations across the Group, which are too numerous to list individually. A small number of examples are given below.

Issues raised
- Engagement was impacted during the year as a result of Covid-19 restrictions.
- Collaboration is at the local level, meaning that awareness of initiatives may not be known outside of that locality.
- Notwithstanding the desire for activity to be initiated and driven at the local level, some colleagues raised whether there should be a broad framework for activities set at the operating company level.

Actions taken
- SIG UK established a Charity Committee and the inaugural SIG UK Annual Charity Ball was successfully held, raising funds for Cancer Research UK and The Rainy Day Fund.
- SIG France is sponsoring a wheelchair tennis player who is seeking to compete at the 2024 Paralympic Games and also partnered with the Simon de Cyrene association which supports assisted living for disabled people in local communities.
- SIG Ireland is an official charity partner of Aware (Mental Health) and makes annual donations to Aware.
- SIG Poland provided learning materials to assist home schooling during lockdown and designed workshops to encourage and prepare final year secondary school pupils for further education and careers.
- SIG Germany contributed a significant proportion of the cost of a motorised wheelchair for use by a child with special needs at a school local to one of its branches. The child was having access issues with his school and without the specialised wheelchair would have had to move to a different school.
- SIG Benelux made contributions to a number of local charities during the year.

Environment

Why we engage
SIG has a long-standing environmental heritage. The Directors appreciate that environmental matters are increasingly 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. This resonates with the Group's strategic pillar regarding "Responsible Actions" under which SIG seeks to ensure that its people feel safe, proud and valued and undertakes to operate sustainably to benefit communities and the environment.

Engagement activities
ESG matters have been reported at Board meetings as a specific topic since January 2021, as this marked the start of a review of the environmental impact of the Group's operations as part of a wider ESG initiative. An ESG steering group was established, led by the CEO and comprising the CFO as well as senior representatives from all operating companies along with functional experts from across the Group. The steering group's actions laid the groundwork for governance of ESG throughout the Group. A key output from the steering group has been the formulation of the five sustainability commitments, see pages 30 to 52 in the Strategic report for more details.

Issues raised
- Establishing SIG's carbon and waste targets.
- Reducing vehicle carbon emissions.
- Sourcing greener energy supplies for non-vehicle energy requirements.

Actions taken
- SIG's five sustainability commitments have been published, see page 30 for further details.
- Steps were taken to reduce fossil fuel usage in the fleet. Fleet cars are being replaced with electric vehicles as they are due for renewal and the infrastructure is in place to support them locally. Discussions are taking place with manufacturers regarding replacement options for larger vehicles. In the meantime, initiatives have been introduced to improve driver safety and reduce vehicle emissions.
- SIG Ireland is developing clean energy supply methods with the installation of solar panels across sites to reduce carbon emissions.
- Working with our suppliers in developing a green supply chain methodology.

Examples of how the Directors applied their Section 172 obligations

Debt refinancing

In considering a proposed debt refinancing, the Directors had regard to their obligations under Section 172 of the Act. They considered the interests of several stakeholders, in particular, and assessed relevant risks, maintaining the Group's reputation for high standards whilst delivering the Group's objectives. The principal Group objectives in the opinion of the Directors were to; (a) provide ongoing support to customers and suppliers and to preserve employment in a viable business; (b) have the financial resources required to deliver its Return to Growth strategy, recapture market share and strengthen the Group's position as a market leader across its operating businesses; (c) ensure medium and long term access to capital that will provide the Group with greater certainty, flexibility and balance sheet strength to pursue future growth opportunities; and (d) seek to ensure an unqualified going concern statement in the Group's annual financial statements.

The Directors considered the interests of the following stakeholders in these manners:

Shareholders

The refinancing of the debt facilities established a firm and stable foundation for the delivery of the Group's strategy on a longer-term basis than the existing facilities provided.

Lenders

The Board worked closely with the Group's financial advisors and banks to ensure that the refinancing was carried out in a manner that resulted in the optimal result for the Group. The Board oversaw production of the Offering Memorandum for the Notes and were advised by the Group's legal advisors as to their obligations and the Group's responsibilities in publishing the Offering Memorandum.

Colleagues

The success of the refinancing was communicated to colleagues. Colleagues will benefit from the long-term funding platform that the refinancing provides which will allow the Group to implement its growth strategy to deliver long-term benefits for the success of the Group, including further investment in colleagues.

Customers

The refinancing will allow the Group to continue to implement its strategy which has a focus on strengthening customer relationships. The refinancing should enable the Group to maintain and improve its geographical coverage for customers whilst developing its product ranges and technical expertise that can be leveraged to deliver innovative solutions for customers.

Suppliers

Placing the Group's debt arrangements on a long-term basis should provide greater reassurance for suppliers of the Group's long-term viability. This in turn should provide the time and space for the Group to further strengthen its strategic partnerships with suppliers.

Pension scheme members and trustees

It is in the interests of the members of the pension schemes that the Group's financial covenant remains strong and it is able to continue to contribute to the pension schemes. The refinancing is for the long-term benefit of the Group which will assist the Group to maintain its financial robustness to the benefit of pension scheme members.

Risks and mitigation

There was a risk that there would be insufficient market appetite to purchase the Notes or that the Notes would be priced too high to be acceptable to the Group, such that the refinancing would not go ahead. Market assessments were undertaken by the Group's banks, and a pre-marketing exercise was carried out with potential investors, to ensure that there was a high probability of success of the refinancing before it was publicly launched. The Board was also mindful to undertake the refinancing exercise well in advance of the maturity date of the existing facilities, being May 2023 in the case of the majority of the debt, meaning that the existing facilities would not fall due for repayment during the going concern review period relevant for the audit of the 2021 financial statements.

External Board evaluation

The Board recognises with regard to its obligations under Section 172 of the Act that a regular board evaluation can help it to improve both its own performance as well as the performance of the Group. In compliance with the Code, SIG undertakes an annual Board evaluation exercise. As the Company was not a member of the FTSE350 during 2021, the Company was not obliged under the Code to engage an independent reviewer for its evaluation in 2021. However, the Board considered that an independent review could bring greater objectivity and fresh insights to the process and would help it to identify any issues that required addressing. An independent review would also provide assurance to stakeholders that the Board takes its responsibilities seriously. Therefore, following a selection process, the Board appointed Manchester Square Partners to undertake the Board evaluation exercise which took place in Autumn 2021. Further details of the evaluation process and conclusions can be found at pages 90 to 91.

The Directors considered the interests of the following stakeholders in these manners:

Shareholders

Ensuring that the Board is functioning effectively and has strong leadership provides assurance to shareholders that the business is being properly managed and that their interests are being protected. An external evaluation exercise provided greater rigour and therefore additional assurance for all shareholders, and especially those shareholders not represented on the Board.

Colleagues
The Board strive to lead by example and by undertaking this rigorous process the Directors sought to demonstrate their commitment to the business. The Board were further able to demonstrate their attention to important matters such the continued implementation of the Return to Growth strategy to ensure the long-term success of the business.

Customers
The evaluation process explicitly required the Directors to consider the Group's governance procedures to determine whether they were robust and whether the Group is well managed. The conclusions from the exercise should provide reassurance to customers that SIG's business is reputable and is one they can confidently engage with.

Suppliers
The process highlighted the value that direct engagement between a supplier and the Board can bring to the Board's discussions and deliberations. The Board ensured that a representative from a key supplier attended the Board's strategy day so that the Board could hear directly from a supplier.

Environment
The evaluation clarified the Board's desire to develop SIG's sustainability strategy and to ensure that it is integrated into, and enhances, the broader business strategy so that it becomes a significant benefit to the environment and the Group by encouraging the use of sustainable products in the building industry while enhancing SIG's competitive advantage.

Risks and mitigation
Recent history has been a challenging period for SIG to navigate. This has been both caused by, and reflected in, considerable change in the composition of the Board: the Board now comprises ten Directors of whom only three were appointed prior to 2020. The majority of the Board were therefore appointed during the Covid-19 affected period and opportunities for the Board to meet in person have been limited. In conducting an external Board evaluation in 2021, there was a risk that the evaluation would conclude that the Board was underperforming, for example because of the recent appointment of a majority of the Board and the difficulty for the Board in developing strong relationships through the Covid-19 affected period. However, the Board believed that it was important for there to be a robust, external evaluation exercise to be conducted. The Board concluded that a report which was critical of the Board would at least provide a framework for future improvement, for the benefit of all stakeholders.

Shareholder Communication
The Group recognises the importance of communicating with its shareholders, including its employee shareholders, to ensure that its strategy and performance is understood. The CEO and CFO are primarily responsible for investor relations. The Board is kept informed of investors' views through the regular distribution and discussion of analysts' and brokers' briefings and a summary of investor opinion feedback. In addition, feedback from major shareholders is reported to the Board by the Chairman, CEO and CFO and discussed at its meetings. Formal presentations are made to institutional shareholders following the announcement of the Group's annual and interim results.

The Chairman believes in regular and transparent communication with shareholders and makes himself available as required during the year. The Chairman held discussions with several of SIG's institutional shareholders during the year. His meetings with shareholders relayed the strategy and direction of the business, while enabling him to understand their views on matters such as governance and performance. Contact is also maintained, where appropriate, with shareholders to discuss overall remuneration plans and policies. The Chairman and the Senior Independent Director are available to discuss governance and strategy with major shareholders if requested, and both are available for contact with individual shareholders, should any specific areas of concern or enquiry be raised. The Chair of the Audit Committee and the Chair of the Remuneration Committee are also available for contact with shareholders should there be any matters raised which are relevant to their area of responsibility and both are available to answer questions at our AGM. During the year, the Chair of the Remuneration Committee met with a number of shareholders in connection with their exercise of votes on the Directors' Remuneration Report at the AGM. Some of these meetings took place prior to the AGM to ascertain shareholders' voting intentions and some meetings took place subsequent to the AGM as part of the consultation exercise following the vote against the Directors' Remuneration Report in excess of 20% of votes exercised.

Throughout the year, the Board responded to correspondence received from shareholders on a range of issues and also participated in a number of surveys and questionnaires submitted by a variety of investor research bodies. There was an increase during the year of questionnaires received from shareholders, lenders and customers seeking information on ESG matters relating to SIG. The Board also reviews the presentations of the annual and interim results. The Chairman ensures that the Board as a whole has a clear understanding of the views of shareholders and a regular report is provided by the CFO on investor relations at Board meetings.

The notice of AGM is sent to shareholders at least 21 clear days before the meeting. The Group provides a facility for shareholders to vote electronically, and the form of proxy provides shareholders with the option of withholding their vote on a resolution if they so wish. At the AGM in May 2022, shareholders will be asked to vote on a poll, rather than a show of hands, following best practice. The Company Secretary ensures that votes are properly received and recorded. Details of the proxies lodged on all resolutions and of all abstentions are published on the Group's website immediately after the AGM.

Board Membership 2021

Member	Role
Andrew Allner	Non-Executive Chairman
Steve Francis	Chief Executive Officer
Ian Ashton	Chief Financial Officer
Shatish Dasani	Independent Non-Executive Director (appointed 1 February 2021)
Bruno Deschamps	Non-Executive Director appointed by CD&R
Ian Duncan	Independent Non-Executive Director (resigned 31 January 2021)
Kath Durrant	Independent Non-Executive Director (appointed 1 January 2021)
Gillian Kent	Independent Non-Executive Director
Simon King	Independent Non-Executive Director
Alan Lovell	Senior Independent Non-Executive Director
Christian Rochat	Non-Executive Director appointed by CD&R

The Role of the Board

The primary role of the Board is to promote the long-term sustainable success of the Company and its subsidiaries, generating value for shareholders and contributing to wider society. The Group's purpose is to enable modern, sustainable and safe living and working environments in the communities in which we operate. We aspire to be the sustainable market leader in all our country markets. Consistent with our purpose, the Board sets the Group's strategy which is focused on sustainable value creation for shareholders and considers SIG's wider relationships with its key stakeholders.

Key responsibilities

- Establishing the Group's purpose, strategy and behaviours, and satisfying itself that these and its culture are aligned.
- Ensuring that all Directors act with integrity, lead by example and promote the desired culture.

Assessing and monitoring culture

- Safeguarding that the matters set out in Section 172 of the Act are considered in Board discussions and decision making.
- Ensuring that the necessary resources are in place for the Group to meet its objectives and assessing the basis on which the Group generates and preserves value over the long term.
- Reviewing whistleblowing arrangements and ensuring that arrangements are in place for proportionate and independent investigation and follow up action.

Terms of reference and matters reserved

The Board retains a schedule of matters reserved for its decision. These are areas material to the Group's direction, people and resilience, and include:

- changes relating to the Group's capital structure such as any reduction of capital and share issues;
- approval of any significant changes in accounting policies or practices;
- ensuring maintenance of a sound system of internal control and risk management; and
- annual approval of policies, including Health & Safety, Code of Conduct, Gifts & Hospitality and Whistleblowing.

The Board mandate and the schedule of matters reserved for its decision can both be found on the Group's website at **www.sigplc.com**.

Evaluation

The Board undertakes an annual assessment of its performance, in line with the Code. The most recent external evaluation had been conducted in 2018. The Code requires companies within the FTSE350 to undertake an external evaluation at least every three years. Notwithstanding that SIG is not currently a member of the FTSE350, the Board felt that it was important to undertake a rigorous assessment of its performance and accordingly Manchester Square Partners were engaged to conduct this review. Further details can be found on page 90.

Maintaining high standards of corporate governance was particularly important during 2021. It was another unprecedented year, as the Group continued to navigate its way through the Covid-19 pandemic, and through its own recovery from what had been a very challenging position in early 2020. Notwithstanding these challenges, the Group continued to successfully implement its Return to Growth strategy, which included making further appointments to the ELT. The Group also successfully refinanced its debt through the Company's debut public bond offering. It was very encouraging that the Group returned to underlying profitability during 2021.

Board and Committees

The Board has delegated certain responsibilities to its principal Committees. Each of the Committees operates under written terms of reference, which are consistent with current best practice. The terms of reference of each of the Committees were reviewed and updated by the Board during the year and can be found on the Group's website (**www.sigplc.com**). The Board also appoints Committees to approve specific matters as deemed necessary. For example, during the year, Board Committees were established to approve the preliminary and interim results announcements, the closing of the debt refinancing and the closing of acquisitions.

The Board

- Establishes the Group's purpose and strategy and satisfies itself that these and its culture are aligned.
- Assesses and monitors culture and behaviours.
- Ensures that the matters set out in Section 172 of the Companies Act 2006 are considered in Board discussions and decision making.
- Ensures that all Directors act with integrity, lead by example and promote the desired culture.
- Ensures that the necessary resources are in place for the Group to meet its objectives and assesses the basis on which the Group generates and preserves value over the long term.
- Reviews whistleblowing arrangements, ensuring that arrangements are in place for proportionate and independent investigation and follow-up action (a new policy, associated training and a new platform were launched in January 2021).
- Sets the remuneration of the Non-Executive Directors.

Audit 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.

The Committee comprises solely independent Non-Executive Directors. CD&R has appointed an observer to the Committee as it is entitled to under the terms of its Relationship Agreement with SIG (see page 86 for further details). The Chair of the Committee attends the AGM to respond to any shareholder questions that might be raised on the Committee's activities. The Committee's Report is set out on pages 104 to 111.

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 meeting diversity objectives and strategies for the Group as a whole.

The Committee comprises the Chairman, the independent Non-Executive Directors and one non-independent Non-Executive Director. The meetings of the Committee are chaired by the Chairman. The Chairman attends the AGM and can therefore respond to any shareholder questions that might be raised on the Committee's activities. The Committee's Report is set out on pages 92 to 95.

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.

The Committee comprises the independent Non-Executive Directors, one non-independent Non-Executive Director and the Chairman, who was independent on appointment. The Chair of the Committee attends the AGM to respond to any shareholder questions that might be raised on the Committee's activities. The Committee's Report is set out on pages 112 to 127.

Executive Leadership Team

The ELT addresses operational issues and is responsible for implementing Group strategy and policies, day-to-day management and monitoring performance. The ELT meets weekly and has more in-depth monthly meetings. Members are those individuals listed on page 87.

Board roles

Each of the independent Non-Executive Directors are considered by the Board to be independent of management and free of any relationship that could materially interfere with the exercise of their independent judgement. The two Non-Executive Directors appointed under the Relationship Agreement with CD&R are not considered to be independent under Provision 10 of the Code. However, they are considered as independent of management and are important in ensuring appropriate independent challenge. The Chairman was judged by the Board as being independent on appointment.
The composition of the Board is such that it includes an appropriate combination of Executive Directors, Non-Executive Directors and independent Non-Executive Directors, and no one individual or group of individuals dominates the Board's decision making.
The roles of the Chairman and Chief Executive Officer are separate and clearly defined, and are undertaken by different individuals, ensuring that there is a clear division of responsibilities between the leadership of the Board and the executive leadership. More details of the roles and responsibilities can be found on the Group's website at **www.sigplc.com**.

Chairman

- Leads the Board, responsible for its overall effectiveness in directing the Group.
- Shapes the culture in the Boardroom, ensuring that all Directors contribute effectively, and leads Board succession planning.
- Led the programme with YSC Consulting to foster relationships and priorities with the independent Non-Executive Directors.

Chief Executive Officer

- Responsible for proposing and then delivering the strategy approved by the Board.
- 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.

Senior Independent Director

- Available for approach by (or representations from) shareholders, where communications through the Chairman or Executive Directors may not seem appropriate.
- Leads the evaluation of the Chairman's performance at least once a year, meeting with the Non-Executive Directors, without the Chairman being present.

Non-Executive Directors

- Appointed for their wide-ranging experience and backgrounds.
- They each provide constructive challenge, strategic guidance and specialist advice, holding management and individual Executive Directors to account against agreed performance objectives.

Group General Counsel & Company Secretary

- Independent advisor to the Board.
- Chief Legal officer to the Group.
- Ensures Board procedures and best practice governance arrangements are followed, and decisions are implemented.

Investment by CD&R

Relationship with CD&R

CD&R invested in SIG in July 2020, with CD&R taking a stake of approximately 28%. Since then, CD&R has increased its holding and, as at the date of this report, holds approximately 29% of the shares in SIG.

SIG's relationship with CD&R is governed by the Relationship Agreement entered into between SIG and CD&R in 2020. Under the Relationship Agreement, CD&R has the right to appoint two non-independent NEDs and in July 2020 CD&R appointed Christian Rochat and Bruno Deschamps. Christian serves on the Nominations Committee and Bruno is a member of the Remuneration Committee; please see page 113 for further information regarding Bruno's role as a member of the Remuneration Committee. An observer from CD&R attends Audit Committee meetings.

The Relationship Agreement also provides for the NEDs to have a monthly meeting with the Group CEO and other members of the management team. In practice this is fulfilled by way of regular operating review meetings involving the NEDs, the Audit Committee observer, the Chairman, the CEO and the CFO together with the Company Secretary. A typical operating review meeting is structured as two sections: either as successive sessions with two operating companies or as one session with an operating company and a second session dealing with a separate business matter. All papers produced for the operating review meetings are made available to the full Board. A debrief on the key matters discussed at the operating review meetings is provided by the CEO and representatives of CD&R at the subsequent Board meeting.

During 2021, the operating review meetings focused principally on the UK, Germany and Benelux operating companies. This focus was due to these being the operating companies which were in greatest need of support to ensure their successful turnaround. Bruno and Christian's deep industry experience and knowledge, as communicated through the operating review meetings, was of significant value to all operating companies through the year.

Under the Relationship Agreement, any actual or potential conflict between the interests of CD&R and/or either of the NEDs and SIG must be declared and the relevant NED(s) may be prevented from voting on any such matter. At each Board meeting all Directors are required to declare any new conflicts of interest, and the Board manages such conflicts of interest. CD&R also owns Wolseley and Bruno acts as Chairman of Wolseley. The Board is satisfied that no conflicts of interest have arisen during the year and notes that SIG and Wolseley are engaged in separate markets.

The Board greatly appreciates the contribution made during 2021 by Bruno and Christian, and CD&R more generally, and believe it significantly benefits SIG shareholders and stakeholders.

See page 100 for further information on the Relationship Agreement.

Executive Leadership Team as at 10 March 2022

Steve Francis

Chief Executive Officer

Seasoned CEO in turbulent times.

Key career highlights

- CEO, Patisserie Holdings PLC
- CEO, Tulip Ltd
- CEO, Danwood Group Holdings Ltd

Ian Ashton

Chief Financial Officer

Senior executive with broad global experience in financial leadership roles.

Key career highlights

- CFO, Low & Bonar Plc
- CFO, Labiva LLC
- Various senior roles with Smith and Nephew plc

Alfons Horn

Managing Director Germany

Over 25 years' experience in the distribution and building materials industry.

Key career highlights

- Regional President for BMI
- Managing Director for Contract Company Holding GmbH & Co

Philip Johns

Managing Director UK

Over 30 years' experience in the construction industry specialising in merchanting and distribution.

Key career highlights

- Chief Commercial Officer, IBMG Group
- CEO, MKM Building Supplies
- Managing Director, SIGE (2006–15)
- Joined SIG in 1987

Julien Monteiro

Managing Director France

Over 13 years' global experience in the specialist industrial distribution industry.

Key career highlights

- Managing Director, France, Brammer Group
- Business Director and Sales Director, Nacco Materials Group

Marcin Szczygiel

Managing Director Poland

Over 22 years' experience in the specialist construction distribution industry.

Key career highlights

- Managing Director for SIG Poland since 1999
- Managing Director, Sitaco
- Sales and Marketing Director, Isover Poland

Kevin Windle

Managing Director Ireland

Over 21 years' experience in finance leadership roles in the building merchanting industry.

Key career highlights

- Finance Director, SIG Ireland until 2019
- EMEA Finance Director, Glanbia Performance Nutrition
- Finance Director, Grafton Merchanting ROI

Louis van Wyjck

Managing Director Benelux

Over 30 years' experience and expertise and an extensive network across the finishing and construction industry.

Key career highlights

- Founded Wijcks Afbouwmaterialen in 2002 and sold it to CRH in 2012

Julie Armstrong

Chief People Officer

Over 20 years' experience both in and outside of HR.

Key career highlights

- Chief People Officer for Calisen Group Holdings
- Group HR Director for Thomas Cook
- Customer Services Director at Manchester Airports Group

David Clegg

Group Health, Safety and Environment Director

An accomplished HSE and Operations executive with 40 years' international experience.

Key career highlights

- Director HSSE, Logistics and Risk, MOL Pakistan
- Director HSSE and Risk, Daewoo E&P Myanmar
- Director HSSE and Risk Sub-Saharan Africa, Worley Parsons

Tim Johnson

Group Strategy Director

Over 20 years' experience in strategy, transformation and M&A from a wide range of sectors.

Key career highlights

- Group Strategy Director for Bupa, Countrywide, and Cancer Research

Kate Taylor

Group HR and Communications Director

Over 20 years' of both generalist and specialist HR experience.

Key career highlights

- Move to Group HR function in September 2019 to work on the culture and engagement strategy for the Group
- Head of HR and HR Director roles at Compass Group

Andrew Watkins

Group General Counsel & Company Secretary

Over 20 years' experience as legal counsel across public and private companies.

Key career highlights

- General Counsel, Hyve Group plc
- General Counsel & Company Secretary, Ebiquity plc
- Partner, Towers & Hamlins LLP

Board activities

Time commitments

The Board has satisfied itself that there is no compromise to the independence of those Directors who have other appointments in outside entities. The Board considers that each of the Non-Executive Directors brings their own senior level of experience and expertise, and that the balance between non-executive and executive representation encourages healthy independent challenge. Prior to their appointment, Directors are required to disclose their significant other appointments and the Board is satisfied that each of the Non-Executive Directors can dedicate sufficient time to their role and responsibilities. Directors are aware that they must not take on additional external appointments without the prior approval of the Board. During 2021, approval was given to Simon King prior to him taking up the role of Non-Executive Director of Headlam Group plc on 14 May 2021. Following the year end, approval was given to Gillian Kent to accept a non-executive directorship of AIM-listed Marlowe plc and to Simon King to accept a non-executive appointment to the Board of privately owned Donaldson Timber Engineering Limited.

The Nominations Committee reviews the other commitments of Directors on appointment, on any proposal for reappointment and following any change in roles, to ensure that the Directors have sufficient time to undertake their role and responsibilities towards the Group.

Information and support

To enable the Board to perform its duties efficiently and effectively, all Directors have full access to all relevant information and to the services of the Company Secretary, whose responsibility it is to ensure that Board policies and procedures are followed, including any formal minuting of any unresolved concerns that any Director may have in connection with the operation of the Group. During the year there were no such unresolved issues.

There is an agreed procedure whereby Directors wishing to take independent legal advice in the furtherance of their duties may do so at the Group's expense. Further, on resignation, if a Non-Executive Director had any concerns, the Chairman would invite them to provide a written statement for circulation 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. In 2021 the independent Non-Executive Directors undertook a number of working sessions with YSC Consulting, under the guidance of the Chairman, to further relationships and priorities for the independent group.

The Group operates a paperless meeting system for the Board and its Committees. Using an electronic system for meeting packs supports our online drive across the Group and is consistent with reducing the impact of our operations on the environment. The Board receives papers circulated through the portal in advance of each Board meeting as well as information between Board meetings on matters such as analyst and shareholding reports and flash results. There is also a separate "Reading Room" within the portal where Directors can access information such as corporate policies, daily sales information, the Articles of Association, Group and organisational structures, Board dates and contact details.

The Company Secretary attends all Board meetings and is at hand to answer questions or offer independent advice or expertise to Directors, should that be required.

Composition and succession

During January and February 2021 two new Directors joined the Board:

- Kath Durrant was appointed as an independent Non-Executive Director and Chair of the Remuneration Committee; and
- Shatish Dasani was appointed as an independent Non-Executive Director and Chair of the Audit Committee.

During 2020 and 2021 there were a considerable number of appointments made to the Board and to the ELT which were considered by the Nominations Committee and the Board. Throughout 2021, two new independent Non-Executive Directors took office, as noted above, and there were appointments to the ELT of new Managing Directors of Germany and Benelux together with ELT appointments of a new Chief People Officer and to the new roles of Group Strategy Director and Group HR and Communications Director. Additionally, a highly experienced Interim Group Digitalisation Director joined on a contract basis. During 2022, the Board and the Nominations Committee will give greater focus to structured succession planning and talent development to both the Board and the ELT. For further details see page 94.

Election and re-election of Directors

Under the Articles of Association, all Directors are subject to election at the AGM immediately following their appointment and to re-election every three years. However, in accordance with the Code, all Directors will seek election or re-election at the Company's AGM each year. In accordance with Provision 18, the Board sets out the skills and experience that each Director has, and why their contribution is and continues to be important to the Group's long-term sustainable success. The Board believes the success of the Group going forward will be achieved by the continued success of the strategy of returning to profitable growth by maintaining a leading market position, with a modernised operating model, effective partnerships with customers and suppliers, developing high-performing people and becoming a more sustainably responsible business. The contribution of the whole Board is essential in delivering this strategy.

Andrew Allner brings varied and substantial board and general management experience to the Group. He has an in-depth understanding of corporate governance having served as a director and chairman of several listed companies. Since his appointment in November 2017, he has led the process for the appointment of a number of new Non-Executive Directors and two new Executive Directors. He managed the CEO and CFO succession in 2020, and worked closely with the new CEO in the initial development of the strategy, people and organisational changes and a successful capital raise in 2020 including the CD&R investment.

Steve Francis brings significant turnaround and leadership experience across a range of multi-site international businesses together with considerable executive management experience including strategic consultancy, mergers and acquisitions, corporate finance and banking. He has expertise in driving rapid operational and performance improvements and restoring profitable growth.

Ian Ashton is a highly skilled senior executive with broad global experience in financial leadership roles. He has a strong track record of driving change which is of great value as SIG pursues its strategy for growth.

Alan Lovell brings significant listed company board experience, both as an executive and non-executive director. He has extensive experience in the UK and in Europe in the Group's key sector of construction. He is also a turnaround expert, which is pertinent to the Group as SIG builds on its strategy to improve performance in several of its operating companies.

Gillian Kent is an experienced non-executive director having served on a number of listed boards and as a member of audit, remuneration and nomination committees. She brings a valuable perspective with specialist knowledge in the development of ecommerce and software businesses and expertise in building product markets and brands, which is valuable in driving innovation and digitising our business.

Simon King brings extensive, hands-on experience in building products and distribution businesses from a career spanning over 35 years. He also has change management, retail, distribution, marketing and customer proposition, technology, digital and stakeholder engagement (particularly workforce engagement) experience. Simon's skills and experience are valuable in our efforts to build on SIG's leading market positions.

Bruno Deschamps' skills and experience include deep industrial knowledge, corporate transactions, extensive experience in driving and overseeing improved company performance, which is important as SIG improves performance in a number of markets.

Christian Rochat's skills and experience include deep industrial knowledge, transformation, change management, strategy, stakeholder engagement, corporate transactions and extensive experience in driving and overseeing improved company performance. His experience and knowledge is of value as SIG seeks to improve its trading performance.

Kath Durrant is an experienced Chair of Remuneration. She has significant international and industry knowledge gained from her roles at Ferguson and CRH. Kath also has extensive experience of working in businesses undergoing transformation, which is valuable as we continue to develop our organisational structures.

Shatish Dasani is an experienced public company CFO and Chair of Audit Committee as well as having strong international experience across several sectors relevant to SIG's business. He has a proven track record of driving shareholder value, which will be important as we return the Group to profitable growth and continue to enhance both the financial performance and internal controls within the Group.

Therefore, to enable shareholders to make an informed decision, the 2022 notice of AGM includes biographical details and a detailed statement as to why the Group believes that the Directors should be elected/re-elected.

It is the view of the Board that each of the Non-Executive Directors standing for election or re-election brings considerable management experience and an independent perspective to the Board's discussions and each of the Non-Executive Directors is considered independent of management and each of the independent Non-Executive Directors 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 demonstrated by the 2021 Board evaluation process, the performance of each individual continues to be effective, that 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 125. Full details of Directors' remuneration, interests in the share capital of the Company and of share options held are set out on pages 121 to 124 in the Directors' Remuneration Report.

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 2022 AGM.

Skills and experience

The Board evaluation review process, detailed on pages 90 to 91, identified that the Board encompasses a wide range and combination of different skills, experience and knowledge, ranging from accounting to sales and marketing to digital.

Training and induction

The Chairman reviews with the Board its training and development needs. During the year, a number of Directors attended training courses and seminars on various subjects and the Board as a whole received Health & Safety training from Herbert Smith Freehills LLP. All Directors receive induction training on their Directors' duties, the responsibilities of a premium listed issuer as well as the continuing obligations of a company admitted to the premium listing segment of the Official List of the FCA. As part of the exercise prior to publication of the Company's offering memorandum in connection with its debut bond offering, the Board received a briefing from Allen & Overy LLP on the responsibilities of the Company and the Board in preparing the offering memorandum. The Board also receives regular presentations from advisers and senior management on a range of topical issues, such as from the Group's financial advisors in relation to the macro-economic and industry backdrop and sector dynamics that SIG faces.

On appointment, Directors receive an induction to the Group. This involves meetings with each of the Board members, members of the ELT, external advisers (such as brokers, Auditors and financial advisors), visits to a number of branch locations (lockdown restrictions impacted these during 2021) and receipt of a pack of corporate materials including corporate policies and procedures, details of insurance, financial framework and details of significant shareholders. The programme ensures that they are well briefed on current key Board topic areas, the Group's strategy, purpose and structure, stakeholder engagement activities, Group operations, finance and the industry.

Diversity Policy

The Board recognises that diversity of gender, social and ethnic backgrounds and cognitive and personal strengths are hugely important to the success of the organisation, and acknowledges that there is further work to be done in this area at SIG. These areas will be matters of key focus for the Nominations Committee, together with the HR team, as they develop diversity within the organisation during 2022 and beyond. In relation to Board succession planning, the Board recently reviewed and updated its Board Diversity policy and reviewed the Board succession plan. The Board Diversity policy is available on the Group's website (**www.sigplc.com**). Further details can be found on page 94.

Board evaluation

The effectiveness of the Board and its Committees and the skills, experience and diversity of our Directors, are vital to the long-term sustainable success of the Group.

The Board undertakes a rigorous and transparent process of the annual assessment of its performance, in line with the Code. The most recent external evaluation was conducted in 2018. The Code requires companies within the FTSE350 to undertake an external evaluation at least every three years. Notwithstanding that SIG is not a member of the FTSE350, the Board felt that it was important to undertake a rigorous assessment of its performance together with the performance of its principal Committees (Audit, Nominations and Remuneration).

Process

Following a competitive selection process, Manchester Square Partners were appointed in September 2021 to undertake an external effectiveness review for SIG. They were given access to Board and Committee papers for the previous 12 months and observed the December Board and Committee meetings. Individual interviews were conducted with each Board member and the General Counsel & Company Secretary. The report was sent to the Board prior to its meeting in February 2022 and was discussed by the Board at that meeting.

The period since the Board's most recent external evaluation, in 2018, was very challenging for SIG. The former CEO and CFO resigned in February 2020, following two profit warnings in the previous six months. Seven of the ten Directors on the Board today were appointed since February 2020, including both Executive Directors. The Company was recapitalised in July 2020 following the placing and open offer as part of which CD&R became a c28% shareholder in SIG with two representatives on the Board.

During the review process, the Chairman received praise from other Directors for the strong leadership he showed through this difficult period. He guided the Board very well through the troubles of 2020, initiating many of the Director changes and encouraging new ways of working. He has developed strong, constructive relationships with the new CEO and the new Non-Executive Directors, including the two CD&R representatives. The CEO received praise from the other Board members for his strong and effective leadership, his quick learning of a new sector, and the impact that he has achieved since his arrival. The Board has a high degree of confidence in the CFO and have noted the improvements made to the Finance function under his leadership.

The review found that the Board is energised and focused on putting the business on a clear path to deliver sustainable growth. The Board has emerged stronger from the difficulties of the last two years, although it continues to have a full, complex and challenging agenda. Many of the recent Board appointments took effect during Covid-19 restrictions, which itself created challenges in building a strong dynamic among Board members. However, relationship building was assisted during 2021 when it became possible for face-to-face meetings to resume, including the Board strategy sessions in November 2021 which also included the ELT.

The report from Manchester Square Partners found that the Board is acting in an effective manner and included specific examples of this, such as:

- there being clarity and alignment on the role of the Board over the coming years. The Board will spend time on the future growth strategy, including M&A, digitalisation, succession, diversity and culture;
- there is clarity and alignment around strategic priorities. These include delivery of positive cash flow at Group level, developing evolving strategies for M&A, ESG, digitalisation and differentiated customer service, together with talent development and succession planning at all levels of the Group; and
- there is considerable assurance taken from the interaction between the finance function, the Audit Committee and the operating review meetings with CD&R. Risk management processes have developed further following new hires into key roles in the Finance function. There has been good progress on internal controls and the Board will ensure that this progress continues, and new processes and procedures become embedded.

All Directors are ambitious for the business and keen to realise its full potential. They recognise the challenges and opportunities to be faced by SIG strategically and operationally through the next stage of its evolution. There is alignment in their views on what the Board needs to do to be even more effective going forward.

Board Committees

The majority of Directors are members of all of the principal Committees or, in the case of the Executive Directors, attend the majority of meetings of the Committees by invitation. As there is such significant overlap between attendance at Board and Committee meetings, the evaluation process focused principally on the Board itself. Where appropriate, Manchester Square Partners commented on the Committees as follows.

Audit Committee

The Chair of the Committee has developed good relationships with the external Auditors and works closely and effectively with the CFO and his team. Risk management and mitigation are covered substantially in this Committee, with the Board engaged as appropriate on important risks. The Committee will consider ways in which the risk management process can be further refined, and risk reviews made even more wide-ranging.

Nominations Committee

It was acknowledged that, due to the Board's focus in 2021 being on embedding the Return to Growth strategy and making a number of senior appointments to the ELT to deliver operational success, this Committee had not focused on succession and diversity planning to the extent that it had intended to at the outset of the year. One of the new, recent appointments made to the ELT is the new Chief People Officer. The Chairman, the Chief People Officer and the Company Secretary have developed a plan for the Committee for 2022 which has succession planning for the Board and ELT, and the improvement of diversity throughout the Group, as a central pillar.

Remuneration Committee

The Chair of this Committee was appointed on 1 January 2021. She has developed an effective relationship with the executive management, listens carefully to the views of institutional shareholders, and is mindful of good governance practices. The Committee undertook a competitive selection process for the appointment of new advisors during this year, following which Korn Ferry were engaged. Korn Ferry's appointment has provided a new perspective, and improved the support available, to the Committee. Also, during 2021, the Chair led the engagement with the Group's workforce on executive remuneration. See page 113 for further details. The Committee will continue to engage with the wider workforce and other stakeholders.

Progress with 2021 priorities

The internal Board evaluation process carried out in 2020 established a number of priorities for 2021:

- **Focus on delivering the turnaround plan**
  The Board supported the Executive management in stabilising the business, focusing on the Return to Growth strategy and ensuring that the changes made to senior management were effective. It was very satisfying that the Group returned to underlying profit before tax in 2021.
- **Develop best-in-class leadership and management capability**
  Two new independent Non-Executive Directors were appointed in 2021, and they chair the Audit and Remuneration Committees respectively. The external review conducted by Manchester Square Partners in 2021 concluded that these Committees are operating in an effective manner. There were also a number of new appointments made to the ELT, including new Managing Directors for each of Germany and Benelux and a new Chief People Officer, with appointments also to the newly created roles of Group Strategy Director and Group HR and Communications Director. Additionally, a highly experienced Interim Group Digitalisation Director joined on a contract basis.
- **Improve employee engagement and promote new winning entrepreneurial culture**
  The results of the second employee survey undertaken in Autumn 2021 demonstrate the significant improvements made in employee engagement since the first survey the year before. Participation rates across the Group and the findings of positive emotions from employees both exceeded benchmark averages. Further information on the employee survey is set out at page 44. Additionally, the designated Workforce Engagement Non-Executive Director, Simon King, undertook many meetings with employees across the Group during 2021. He found a workforce which has embraced the new locally-focused strategy (see page 76 for further details).
- **Regularly review strategic challenges and opportunities and build a business for the future**
  The Return to Growth strategy developed by the Group in mid 2020 remains at the core of the Group's strategy. Considerable progress was made during the year as the Group returned to underlying profit before tax in 2021. The Board is now able to look further ahead and consider the strategic topics which are most important for the Group in the medium and longer-term. This work led to the adoption of the Group's five sustainability commitments set out in the Strategic Report on page 30.

2022 priorities

Following the review conducted by Manchester Square Partners, the Board identified the following priorities for 2022:

- succession plans for Non-Executive Directors to be reviewed and revised;
- ensure sufficient meeting time during the year for (1) the full Board; (2) the Non-Executive Directors; and (3) the independent Non-Executive Directors;
- extend the invitation to an independent Non-Executive Director to attend the operating review meetings (by rotation amongst independent Non-Executives);
- Board and Committee papers to be published one week in advance of meetings with guidance/ training to be delivered on best-practice for Board/ Committee reporting;
- organise a deep dive session, with external input, to explore the competitive landscape and potential disruptors;
- the Audit Committee to undertake regular deep-dive risk reviews;
- reinvigorate the Nominations Committee, including succession plans for the Executive Directors and holding sessions on talent development, culture, diversity and inclusion and organisational effectiveness;
- develop a proposal for more formal Board oversight of ESG matters in light of the five sustainability commitments; and
- develop a balanced scorecard of key metrics (financial and non-financial) regarding the performance of operating companies.

Nominations Committee report

"The Nominations Committee is responsible for Board recruitment and will continue to conduct its proactive process of planning and assessment"

Nominations Committee membership

Member	Joined	Number of meetings attended
Andrew Allner[1] Chairman	**1 November 2017**	**3/3**
Shatish Dasani Independent Non-Executive Director	**1 February 2021**	**3/3**
Kath Durrant Independent Non-Executive Director	**1 January 2021**	**3/3**
Gillian Kent Independent Non-Executive Director	**1 July 2019**	**3/3**
Simon King Independent Non-Executive Director	**1 July 2020**	**3/3**
Alan Lovell Senior Independent Non-Executive Director	**1 August 2018**	**2/3**
Christian Rochat Non-Executive Director	**10 July 2020**	**3/3**

1. Independent on appointment.

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 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.

Key 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 Group Chief People Officer, to take an active role in setting and meeting diversity objectives and strategies for the Group as a whole.

Terms of reference

During the year the Board reviewed and amended its terms of reference. These can be found on the Group's website at **www.sigplc.com.**

Evaluation

An external evaluation was conducted for the Committee in line with the Code. More details can be found on page 91.

Dear Shareholder,

I am pleased to present the Nominations Committee Report for the financial year ended 31 December 2021 on behalf of the Board.

The composition of the Nominations Committee meets with the requirements of the Code with the majority of members being independent (five out of seven members were independent and I was independent on appointment) and, in line with good practice, membership is reviewed annually.

2020 was a year of considerable activity for the Committee, with five new appointments to the Board being made. 2021 was also a very busy year for the Committee, with two further Board appointments taking effect. Kath Durrant joined as an independent Non-Executive Director and Chair of Remuneration Committee and Shatish Dasani joined as an independent Non-Executive Director and Chair of Audit Committee. Additionally, a number of appointments were made at an ELT level. Taken together, these strengthened the Group's senior management and have set the Group up well for continued progress in implementing its Return to Growth strategy.

I am pleased that during the year the Committee commenced the exercise to more formally review talent and capability within the Group, as it had stated last year that it would do, and I am encouraged by the progress that has been made. I look forward to the conclusions from this work and to reporting on those conclusions in the Committee's report next year.

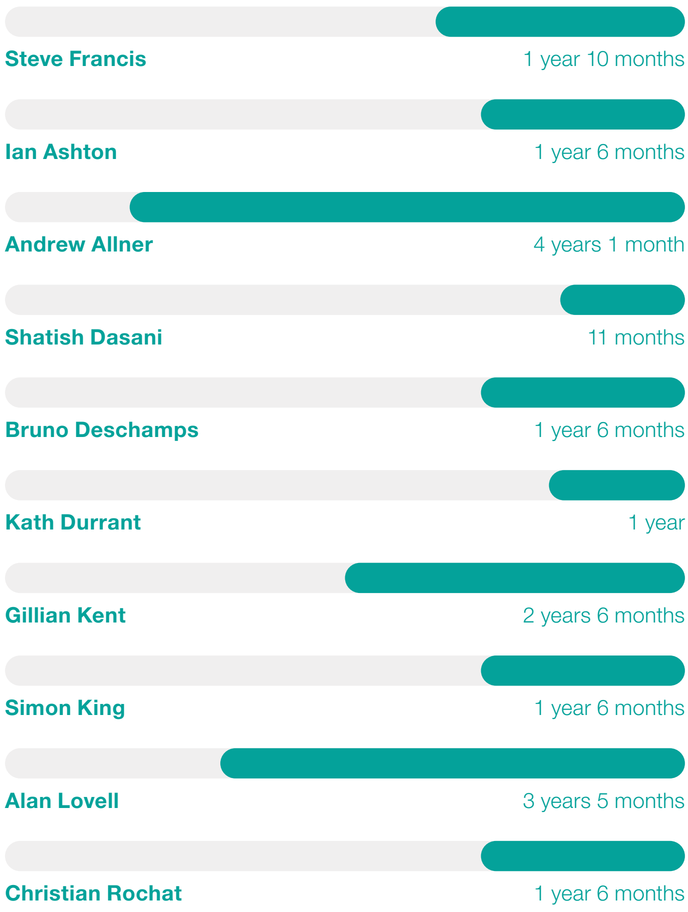
Recent years have, rightly, seen an increased focus by companies and their stakeholders on diversity and inclusion. The Board is aware that the Group remains a work in progress in this area and the Committee will be devoting attention to this important subject during 2022. We are currently conducting a review of the Group's workforce to provide a base from which we can measure progress and to enable us to benchmark ourselves against the Group's peers.

The Committee's work for 2022, over and above its normal duties, will include completing its review of talent management, performance and capability together with taking forward its review of diversity and inclusion, plus the additional matters set out in the Committee's report below.

Andrew Allner
Chair of the Nominations Committee
10 March 2022

Directors' tenure

as at 31 December 2021



Independence of Directors

as at 31 December 2021

Board gender diversity

as at 31 December 2021

Age of Directors

as at 31 December 2021

Meetings and membership

During the year, the Committee met on three occasions. The quorum 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 74.

Board balance, composition and skills

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

During the year, and in accordance with its usual practice, the Committee reviewed the 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 Christian Rochat who are CD&R representatives on the Board, are considered to be independent as at the date of this report. On appointment to the Board, the Chairman was considered to be independent in accordance with the terms of the Code.

For more information on biographical details for each Director see pages 70 to 71.

In making recommendations for the annual re-election of the Chairman and Non-Executive Directors, the Committee considers the skills, knowledge, experience, independence and also the time commitments of each Director to ensure that they have sufficient time to fulfil their responsibilities to the business.

All Directors will accordingly be put forward for election or re-election at the 2022 AGM.

Executive Leadership Team appointments

During the year, new Managing Directors were recruited for two of the Group's operating companies, Germany and Benelux. The new Managing Directors each have significant years of experience within the building materials industry and, in the case of the MD for Germany, is an SIG alumnus. The Group functions were also strengthened with new appointments during 2021. A new Chief People Officer was recruited externally during the year and an internal promotion was made to the new role of Group HR & Communications Director. A further new role of Group Strategy Director was created. Additionally, the Group's digitalisation skills and knowledge were increased through the external hire of an experienced consultant as Interim Group Digitalisation Director. The Committee considers that these appointments strengthen the ELT as a whole and put the Company's executive leadership in a position to make further progress in 2022 in executing the Return to Growth strategy.

Board succession planning

Succession planning for Directors, both Non-Executive and Executive, and for other senior management of the Group, is a central pillar in the Committee's purpose and annual work. The external evaluation of the Committee, undertaken during the year, demonstrated how important Board succession is likely to be for the Group in the next few years. During 2021, the Committee commenced the exercise of a more structured and formal review of talent, management, performance and capability, within the context of succession planning for the Board, Executives and ELT, and against the backdrop of the Group's strategic goals. That work has continued since the year end and the Committee will report on the output of that exercise in its report for 2022.

Diversity

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 policy on Board diversity was reviewed by the Board during the year and is available on the Group's website (**www.sigplc.com**).

Gender diversity is a significant aspect of diversity and the Board acknowledges the Hampton-Alexander Review recommendations, which aim to increase the number of women in leadership positions in FTSE350 companies, including a target of 33% representation of women on FTSE350 company boards by 2020. The Committee is aware that gender diversity on the Board is currently below this level. The Board comprises ten Directors of whom two are women. Of the six independent Non-Executive Directors, 33% 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 the threshold of one-third of the Board being women more challenging. However, it remains the Board's aspiration to meet the 33% target over the course of the next few years. The Board is already compliant with the Parker Review recommendations for FTSE250 companies as it includes one director of colour.

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 Diversity and Inclusion policy, defining the Group's standards and expectations, can be found at **www.sigplc.com.** The Company continues to ensure where possible that recruitment for any new roles has a short list of diverse candidates. Information on the gender balance of senior management is on page 46.

During 2021, reporting protocols were put in place to increase the transparency of the Group's internal reporting of diversity and inclusion. In addition, during the year the ELT attended a workshop led by an external facilitator on diversity and unconscious bias. Since the year-end, an external consultancy has been engaged to analyse diversity and inclusion across the Group to provide an audit review and give a benchmarking against the Group's peers. This will be used to assist management to improve diversity and inclusion representation going forwards.

Committee performance

As part of corporate governance, the Committee reviews its own performance annually and considers what improvements can be made. The Committee's performance and effectiveness were reviewed as part of the external evaluation of the Board and Committee's effectiveness, of which further details can be found on page 91. It was noted as part of the review that during 2020 and 2021 the Committee had devoted considerable time to approving a significant number of appointments at Board and ELT level, and ensuring that those new appointments were successfully inducted into the Group. This was made more complicated due to the restrictions on face-to-face meetings during much of this two year period. The review of the Committee's performance also noted that much of the Board's focus during 2021 had, rightly, been on relatively immediate-term matters, such as implementing the Return to Growth strategy and responding to trading issues such as product shortages and price inflation following the lifting of Covid-19 restrictions. The Committee is confident that 2022 will provide the opportunity to give greater prominence and focus to more medium and longer-term priorities, such as succession planning.

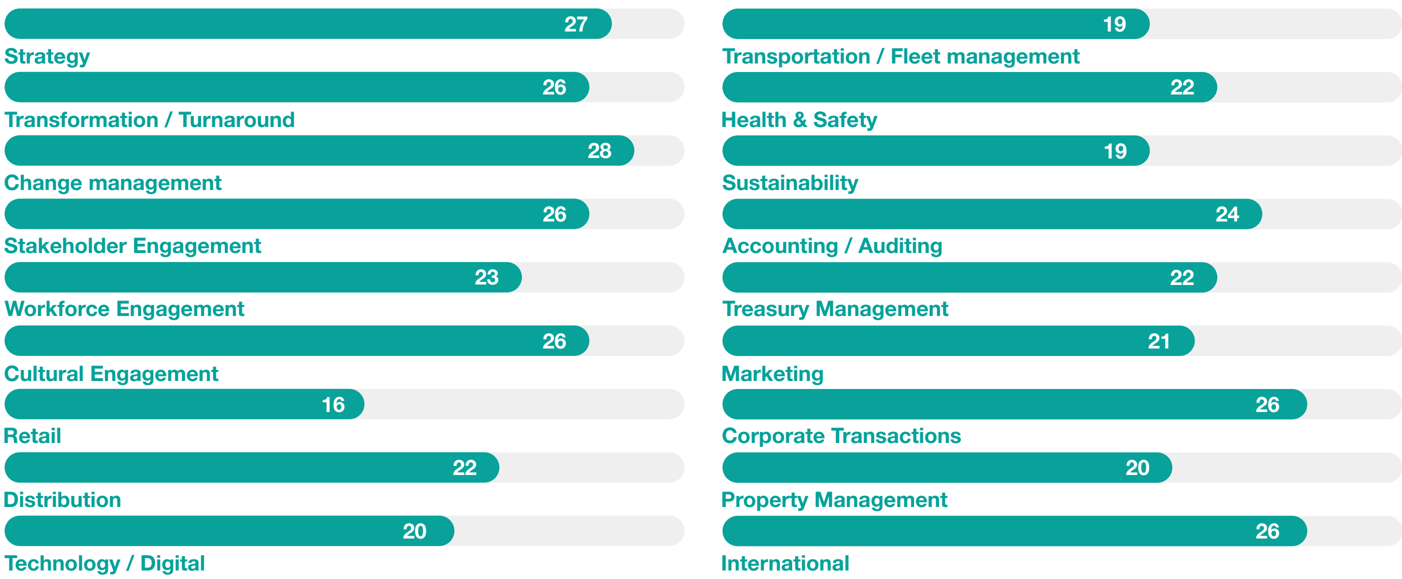
Areas of focus for 2022

In 2022, the Committee has the following as its areas of focus:

- review of talent and capabilities, especially at the ELT level and for those colleagues who report to a member of the ELT;
- succession planning for the Board and ELT;
- ways to improve diversity and inclusion across the Group; and
- consider a recommendation to the Board for the adoption of a policy on external commitments held by Directors. The Code does not recommend any specific limits on external appointments, beyond the requirement that Directors have sufficient time to meet their responsibilities. However, this area has been an increasing focus for proxy advisers and large institutional shareholders who have issued their own voting guidelines regarding this topic.

Summary of Directors' skills

as at 31 December 2021



Board's rating out of 30 for each skill

Risk Management and Internal Control

The Board has ultimate responsibility for the Group's risk management and system of internal control and for reviewing its effectiveness. It establishes the structure for risk management, sets strategic objectives, sets the risk appetite and ensures that risk management and internal control structure and frameworks are robust. The Board delegates responsibility to the Audit Committee to consider the adequacy of the risk management and internal control framework and to agree the risk-based internal audit programme.

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 test their effectiveness. Group internal audit is responsible for providing independent assurance on the quality of the risk management processes, developing a risk-based internal audit programme and providing independent assurance to the Board and the Audit Committee that controls in place are designed appropriately and operating effectively.

The Group internal audit function comprises an in-house team supported by a co-source arrangement with KPMG LLP who provide input on specialist areas. The Board regularly reviews the need for the Group internal audit function and the effectiveness of the co-source arrangement.

Information on audit can be found in the Audit Committee Report on pages 104 to 111.

Key elements of ongoing process for risk management and internal control

In August 2021 a new Group Director of Audit and Risk was appointed. He has reviewed the practices and methodologies employed by the Group internal audit and risk functions. The Group internal audit and risk functions are relatively mature and benefit from an experienced resource base and robust methodology. However, there are a number of respects in which the new Group Director of Audit and Risk will be able to enhance those existing practices.

Group internal audit and risk periodically review local risk management arrangements in order to provide reasonable assurance to the Audit Committee 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 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. Essentially, it is a toolkit to help manage strategic, financial, operational, people and compliance risk. The Group internal audit and risk function supports with practical assistance where required.
- In accordance with the Group risk management framework, operating companies and central function leadership teams maintain their own local risk registers.
- The Board maintains an overall Group risk register, the content of which is determined and assessed through regular input from the Audit Committee. A review of the Group's principal risks and how it manages or mitigates them is presented in the Strategic report on pages 54 to 59.
- 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 Committee and Board for their relevance and significance.

The Board regularly assesses the Group's emerging and principal risks and considers that its assessment is robust.

Internal control

An assurance framework was approved by the Audit Committee in March 2021 and then communicated to Group and operating company stakeholders. It will continue to be communicated as required and will be part of any controls-based training material delivered by the Group controls team. The Framework will continue to be the basis on which the Group controls team annual plan is based.

The Group Controls Team supports 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. The controls plan for 2021 was defined, communicated and agreed with operating companies, and the teams made progress on the delivery of the plan. They have formalised previous control requirements, such as controls reviews, quarterly Key Control Framework ("KCF") submissions and reviews, and policy refreshes. They have also defined new workstreams to further enhance SIG's control framework, including the creation of a controls training programme, and a controls manual and methodology.

Key control activities include:

- operating company controls reviews: in order to build up documentation over controls across core financial processes with the operating companies, the 2021 plan contained a number of controls reviews. The plan was developed with reference to the proposed timing and coverage of internal audit work. The objective of controls reviews is to support the operating companies in enhancing their control environments;
- Group function controls reviews: Control reviews were performed over the Group Tax and Treasury processes. Key controls in these functions were documented and agreed with the functional heads. No significant gaps in expected controls were identified;
- balance sheet reconciliation policy refresh: the Group balance sheet reconciliation policy was most recently reviewed in 2019. A review of the policy was performed in May 2021 with a view to making the document clearer, more concise, and streamlining roles and responsibilities. The policy now outlines the minimum requirements for the completion and review of reconciliations and has been communicated to operating companies and Group functions;
- 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 IT general controls using an agreed red/amber/green criteria. The Group controls team performed a high-level assessment of the operating company ratings provided in Q1 and Q2 2021 and benchmarked these to determine whether submissions were being assessed in a consistent manner across the Group. Any significant issues or control weaknesses identified are reported to the ELT, Audit Committee and the Board;
- UK SOX update: following the release of the Department of Business, Energy and Industrial Strategy ("BEIS") consultation paper this major proposed corporate reform will impact SIG significantly if the legislation is consistent with the consultation paper, requiring the formalisation of our controls environment and the annual testing of its effectiveness. SIG submitted a response to the consultation in July 2021. We await the final details of the legislation and timelines involved. The Group controls team have begun to consider likely impacts, gaps and roadmaps for implementation;
- ensuring the levels of approval governed by the Group Delegation of Authority policy are adhered to. This involves ensuring that all operating companies hold appropriate Delegation of Authority documents in place and that they are up to date. The policy is refreshed annually and requires Board approval;
- continued monitoring of the impact of Covid-19 and any appropriate changes to business practices; and
- monthly provision to the Board of relevant, accurate and timely information including relevant key performance indicators.

A structured and approved programme of audits undertaken by Group internal audit would ordinarily include regular site visits to, and interaction with, the operating companies across the Group. However, due to lockdown restrictions, this has been done by video call when necessary. The implementation of recommended actions is monitored as part of a continuous programme of improvement.

Covid-19 controls

Due to the impact of Covid-19, the Board and ELT took swift action during 2020 to put in place a number of new controls to comply with governmental advice, protect the business and its people and mitigate against the risks arising from remote working. These controls remained in place for some or all of 2021 and were in places further developed during 2021. The measures implemented in consequence of Covid-19 included:

- strengthening of cyber security controls through acceleration of plans to defend against the increased risk of phishing attacks;
- measures in place in branches to protect employees, customers and suppliers from risk of infection. Head office locations were closed for certain periods, with employees working remotely. Reporting of confirmed Covid-19 cases and those employees who were self-isolating;
- introduction of a Homeworking policy to ensure the safety and wellbeing of employees working remotely. All operating companies put in place detailed communication plans and established clear lines of communication with regular Group and individual contact points. Most operating companies put a support hotline in place for employees who had queries or required support; and
- Group-wide Covid-19 response checklist was developed and deployed to address key risks presented by the pandemic in the short, medium and long term, giving the Audit Committee visibility into measures implemented. The areas covered were supply chain failure, people, liquidity and finance, legal and regulatory, Health & Safety, customer service, change management and governance and business continuity risk and IT (including fraud).

In addition to these measures, the Board and ELT continued to monitor government advice on Covid-19 safety during the year across all SIG's countries of operation. The safety of our employees, suppliers and customers remains of the utmost importance and SIG will continue to ensure that all advice and safety measures are implemented.

Financial reporting

- In addition to the general internal controls and risk management processes described on pages 109 to 110, 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.
- The policies and procedures are comprehensively detailed in the Group Finance manual, which is used by all businesses in the preparation of their results.
- Financial reporting control requirements are also set out in the Group Finance manual, which is regularly updated to include changes to accounting and reporting policies.

Annual assessment of the effectiveness of systems of risk management and internal control systems

During 2021, 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 2021 and up to and including the date of this report.

Directors' report

Substantial shareholdings

The Company had received notification of the following shareholdings in its issued share capital pursuant to the Disclosure Guidance and Transparency Rules ("DTRs") of the Financial Conduct Authority as at 31 December 2021 and 10 March 2022. Information provided by the Company pursuant to the DTRs is publicly available via the regulatory information services and on the Company's website.

Shareholder	Interests disclosed to the Company as at 31 December 2021	%	Nature of holding as per disclosure	Interests disclosed to the Company as at 10 March 2022	%	Nature of holding as per disclosure
CD&R Sunshine S. a. r. l.	342,220,120	28.96%	Direct Interest	342,220,120	28.96%	Direct Interest
IKO Enterprises Limited	174,743,803	14.79%	Direct Interest (including an Indirect Interest of 1.0816%)	174,743,803	14.79%	Direct Interest (including an Indirect Interest of 1.0816%)
Aberforth Partners LLP	119,525,533	10.12%	Indirect Interest	118,322,520	10.01%	Indirect Interest
UBS Asset Management	45,818,778	3.88%	Indirect Interest	45,315,011	3.84%	Indirect Interest
Massachusetts Financial Services Company	38,052,800	3.22%	Indirect Interest	38,052,800	3.22%	Indirect Interest

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 2021, 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 2021, Group employees used this system to raise concerns about a number of separate issues, all of which were appropriately responded to. A revised Whistleblowing policy was launched in January 2021 together with migration to a new external whistleblowing platform with enhanced features. A plan was put in place to further increase awareness and effectiveness of the new whistleblowing arrangements. The ELT and finance functions across the Group were given specific awareness training before the new policy and platform were launched. Training for the new Whistleblowing policy has been rolled out Group-wide through SIG's online compliance platform.

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 themself 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 Act.

Going concern

The going concern statement can be found on page 66 of the Strategic report.

Viability statement

The viability statement can be found on pages 65 to 66 of the Strategic report.

Independent Auditor

On the recommendation of the Audit Committee (see page 111), in accordance with Section 489 of the Act, 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 Committee to agree its remuneration. The remuneration of the Auditor for the year ended 31 December 2021 is fully disclosed in note 3 to the Consolidated financial statements on page 156.

Publication of Annual Report and notice of AGM

Shareholders are to note that the SIG plc Annual Report 2021 together with the notice convening the 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.

Principal activity

The principal activity of the Group is the supply of specialist products to construction and related markets in the UK, Ireland and mainland Europe. The main product sectors supplied during the year are insulation and interiors, roofing and exteriors.

The Chairman's statement and Strategic report on pages 5 to 67 contain a review of these activities and comment on the future outlook and developments. The financial risk management objectives, policies and key performance indicators of the Group are also set out in the Strategic report.

Political donations

It is the Group's policy not to make political donations and no political donations were made during the year (2020: £nil). Details of the Group's policies in relation to Corporate Governance are disclosed on page 52.

Group results and dividends

The Consolidated income statement for the year ended 31 December 2021 is shown on page 129. The movement in Group reserves during the year is shown on page 132 in the Consolidated statement of changes in equity. Segmental information is set out in Note 1 to the Consolidated financial statements on pages 149 to 154.

The Board has taken the decision not to declare a final dividend for the year (2020: nil), recognising that the Company is still on a path to positive cash generation and remains focused on sustaining and building on the recovery of the last 12-18 months. No interim dividend was paid in 2021 (2020: nil). Therefore, the total dividend paid in 2021 was nil (2020: nil).

GHG emissions

Details of the Group's GHG emissions, energy and carbon reduction plans are detailed in the Strategic report on page 32 to 39.

Employees

Details of the Group's policies in relation to employees (including disabled employees) are disclosed in the Strategic report on page 52. Further information on employee engagement and consultation can be found in the Strategic report on page 44 and the Corporate Governance report on pages 75 to 77.

Stakeholder engagement

Further information on stakeholder engagement, including on our business relationships with suppliers, customers and others, can be found in the Corporate Governance report on pages 78 to 83.

Post balance sheet events

Details of post balance sheet events are included in Note 35 on page 199 of the Consolidated financial statements.

Related party transactions

Except as disclosed in Note 33 to the Consolidated financial statements on page 199, 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 86.

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 proved 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.

Financial instruments

Information on the Group's financial risk management objectives and policies on the exposure of the Group to relevant risks arising from financial instruments is in Note 20 to the Consolidated financial statements on pages 176 to 183.

Future developments

Possible future developments are disclosed in the Strategic report on pages 18 to 20.

Acquisitions and disposals

Details of acquisitions made, and businesses identified for sale or closure are covered in Note 11 on page 164 and Note 15 on page 171 to 172 of the Consolidated financial statements.

Group companies

A full list of Group companies (and their registered office addresses) is disclosed on pages 227 to 229.

Share capital

The Company has a single class of share capital, which is divided into ordinary shares of 10p each. At 31 December 2021, the Company had a called-up share capital of £118,155,697.70 divided into ordinary shares of 10p each (2020: £118,155,697.70).

During the year ended 31 December 2021, no options were exercised pursuant to the Company's share option schemes. 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 pages 161 to 162, 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 meeting 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 Plan (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 on behalf of employee participants, 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 10 March 2022 was 24,814,955. 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 Companies Act 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.

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 Act, 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 is removed pursuant to the Company's Articles of Association or he/she becomes prohibited by law from being a Director;

ii. they become bankrupt or compounds 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 Companies Act).

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.

2022 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.

For the purposes of LR 9.8.4C R, the information required to be disclosed by LR 9.8.4R can be found in the following locations:

Section	Topic	Location
(1)	Interest capitalised	Not applicable
(2)	Publication of unaudited financial information	Not applicable
(4)	Details of long-term incentive schemes	Remuneration Committee Report, page 114
(5)	Waiver of emoluments by a Director	Not applicable
(6)	Waiver of future emoluments by a Director	Not applicable
(7)	Non pre-emptive issues of equity for cash	Not applicable
(8)	Item (7) in relation to major subsidiary undertakings	Not applicable
(9)	Parent participation in a placing by a listed subsidiary	Not applicable
(10)	Contracts of significance	Not applicable
(11)	Provision of services by a controlling Shareholder	Not applicable
(12)	Shareholder waivers of dividends	Not applicable
(13)	Shareholder waivers of future dividends	Not applicable
(14)	Agreements with controlling Shareholders	Not applicable

Cautionary statement
The cautionary statement can be found on page 67 of the Strategic report.

Content of Directors' report
The Corporate Governance report (including the Board biographies) that can be found on pages 70 to 103, the Audit Committee Report on pages 104 to 111, the Nominations Committee Report on pages 92 to 95, and the Directors' Responsibility Statement on page 128 are incorporated by reference and form part of this Directors' report. The Directors' report, together with the Directors' Remuneration Report on pages 112 to 127, fulfils the requirements of the Corporate Governance report for the purposes of DTR 7.2.6.

The Board has prepared a Strategic report (including the Business review), which provides an overview of the development and performance of the Group's business in the year ended 31 December 2021 and its position at the end of the year and covers likely future developments in the business of the Group. The ESG approach forms part of the Strategic report.

For the purposes of compliance with DTR 4.1.8R, the required content of the management report can be found in the Strategic report and this Directors' report, including the sections of the Annual Report and Accounts incorporated by reference. SIG has been mindful of the best practice guidance published by Defra and other bodies in relation to environmental, community and social KPIs when drafting the Strategic report. The Board has also considered social, environmental and ethical risks, in line with the best practice recommendations of the Association of British Insurers. Management, led by the CEO, has responsibility for identifying and managing such risks, which are discussed extensively in this Annual Report and Accounts.

All the information cross-referenced is hereby incorporated by reference into this Directors' report.

Approval of the Directors' report
The Directors' report set out on pages 99 to 103 was approved by the Board of Directors on 10 March 2022 and signed on its behalf by:

Andrew Watkins
General Counsel & Company Secretary

10 March 2022

Audit Committee report

"The Group has made further good progress on strengthening its internal control environment and developing a robust control framework"

Audit Committee membership

Member	Joined	Number of meetings attended
Shatish Dasani Chair & Independent Non-Executive Director	1 February 2021	5/5
Kath Durrant Independent Non-Executive Director	1 January 2021	5/5
Alan Lovell Senior Independent Non-Executive Director	1 August 2018	5/5
Gillian Kent Independent Non-Executive Director	1 July 2019	5/5
Simon King Independent Non-Executive Director	1 July 2020	5/5
Ian Duncan Chair & Independent Non-Executive Director (resigned 31 January 2021)		0/0

Purpose and aims

To provide effective oversight and governance over the financial integrity of the Group's financial reporting 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 business to an acceptable level.

Key responsibilities

- The accounting principles, practices and policies applied in, and the integrity of, the Group's Consolidated financial statements.
- The adequacy and effectiveness of the internal control environment.
- The effectiveness of the Group's internal audit function.
- The appointment, independence, effectiveness and remuneration of the Group's external Auditor including the policy on non-audit services.
- The conduct of any tender process for the Group's external Auditor.
- External financial reporting and associated announcements, including significant financial reporting judgement contained in them.
- The Group's risk management systems, processes and performance.
- The Group's compliance with the audit related provisions of the Code.

Terms of reference

During the year the Board carried out a review and updated the Committee's terms of reference. These can be found on the Group's website **www.sigplc.com**.

Evaluation

An external evaluation was conducted for the Committee in line with the Code. More details can be found on page 91.

Dear Shareholder,

On behalf of the Board, I am pleased to present the Audit Committee Report for the financial year ended 31 December 2021. This report is intended to provide shareholders with an understanding of the key areas considered by the Committee, together with how the Committee has discharged its responsibilities and provided assurance on the integrity of the 2021 Annual Report and Accounts.

The Group has made further good progress on strengthening its internal control environment and developing a robust internal control framework. Detailed control frameworks are in place for key processes and management is actively working to embed these in all parts of the Group and use them to adopt a risk-based approach to continuous monitoring of control effectiveness.

The Committee considered measures undertaken to transform the culture of the business in 2021. During 2021, the resource in the finance team and UK shared service centre was increased to enable focus on the control environment. The Committee endorsed the strengthening of both teams and the importance of building a strong and sustainable senior leadership team. Since the introduction of the new executive management team during 2020, the quality and expertise of the finance function has improved, and I am confident this progress will continue during 2022.

The Committee held five meetings in 2021, including an additional meeting to finalise the review of the 2020 year-end results. I also had regular meetings with the CFO, Group General Counsel & Company Secretary, Group Director of Audit and Risk and the external Auditor to discuss key financial, control and risk issues and review agenda items and papers for forthcoming Committee meetings. In addition to the ongoing review of key judgements applied to financial statements, assurance reports and risk registers, the Committee's work during the year covered the following key areas:

- Review of the work of the Group controls team as it continues to support development and formalisation of the controls framework across the Group. The activities of the team in 2021 included:
  - the enhancement and documentation of Risk and Controls Matrices ("RACMs") across the operating companies covering nine key financial processes (order to cash; procure to pay; HR & payroll; cash management; inventory management; supplier rebates; customer rebates; fixed assets; and financial close). This activity will continue into 2022;
  - the management of the quarterly KCF self-certification process. This included a refresh of the quarterly KCF process to drive best practice within the Group and subsequent action monitoring;
  - further development and formalisation of the IT general controls framework and entity level controls covering key areas; and
  - the introduction of a training programme for staff involved in control activities to raise controls awareness and knowledge across the Group.
- Consideration of the adequacy and robustness of the risk management framework to ensure that the organisation's principal risks and uncertainties were identified and assessed, and actions implemented to mitigate either the likelihood of risks arising or the potential impact of risks materialising.
- The effectiveness of the internal audit function in ensuring that a risk-based audit plan was delivered and agreed management action plans were satisfactorily completed. The Committee oversaw the recruitment process of a new Group Director of Audit and Risk, culminating in an appointment in August 2021.
- The Taskforce on Climate-Related Financial Disclosures developed in 2015 and launched in 2017, became the standard of reporting for premium listed companies with accounting periods beginning on or after 1 January 2021. The Audit Committee has been presented with papers during the year on the topic and has carefully examined the 11 reporting pillars to determine the Group's ability to report against each of them. I am pleased to report that SIG can comply with the vast majority of these 11 recommendations, and for those that it currently cannot we are able to explain why and the steps we propose to take during 2022 to ensure full compliance going forward. The Committee will continue to review this progress during 2022.
- The Group successfully completed a refinancing in November 2021, well in advance of the maturity date of the previous facilities of May 2023, which involved the issue of a €300m bond (senior secured notes), due in 2026, and a new RCF. The existing private placement notes and term loans were repaid in full. The Committee reviewed the accounting for the extinguishment of the previous facilities, recognition of the new facilities and treatment of fees associated with the transaction.
- The Committee has monitored the increased risk to cyber security as a result of the Covid-19 pandemic and the higher number of staff working remotely and the security risks this would attract. Areas under review included business continuity, cyber and data security and IT general controls. The Committee has monitored the progress made and requested further deep-dive projects on items such as cyber insurance, to ensure that best practices are in place across the Group.

The role of the Audit Committee will remain in sharp focus during the year ahead and we continue to be committed to be active in anticipating challenges and ensuring that they are addressed. In addition to its ongoing programme, the Committee for the year ahead will have focus on:

- development of the future controls operating model for the Group and the role of the operating companies, Group controls team, and Group internal audit in providing integrated and effective assurance across SIG's financial controls framework;
- Branch Auditing: as the Return to Growth strategy continues to emphasise the pivotal nature of branches in delivering the customer proposition, the internal audit function plans to introduce a branch audit methodology during 2022 to provide assurance regarding the completeness and effectiveness of our branch policies, procedures and controls;
- continued development and embedding of risk management processes across the Group and conducting deep-dive reviews into specific risks; and
- ensuring the internal audit function, given the devolved nature of the Group, has sufficient resources (including appropriate language capability) to ensure it can effectively engage with each local operating company. This process has started with the successful recruitment of the Group risk manager from our Polish business.

I hope that you find this report informative and take assurance from the work carried out by the Committee during the year.

Shatish Dasani
Chair of the Audit Committee
10 March 2022

Key Activities

March

Two meetings during March

- Reviewed progress of annual year end audit and considered significant financial judgements
- Update on capital reduction proposal
- Annual assessment of internal controls and risk management systems
- Internal audit effectiveness report
- Report from external Auditor – on full year Audit and Accounts
- Report of Audit Committee in Annual Report approved
- Review of Annual Report and Accounts 2020 – reviewed and recommended to Board for approval
- Full-year results: Draft preliminary announcement of results – reviewed and recommended to Board for approval
- Private meeting with external Auditors for Committee members

August

- Review of half year results
- Annual auditor evaluation
- Group risk register – status update
- Report of Group Tax and Treasury Director
- External Auditor – Half-year status report
- Senior Accounting Officer Review 2020
- Review and update of Audit Committee Terms of Reference

September

- Half-year results announcement
- External Auditor report on half year
- Internal controls update
- TCFD reporting update
- Group internal audit & risk strategy
- Annual review of Directors' expenses
- Review of non-audit services from external Auditors

December

- Cyber security update
- Annual Report and Accounts 2021 progress update
- TCFD report update
- Risk update and Annual Report disclosure
- Risk appetite update
- Update on audit and risk management team and resource allocation

At every main meeting the Audit Committee also considers:

- Report of the CFO
- Report of the external Auditor
- Report of the Group Director of Audit and Risk, updating on risk, internal audit and controls
- Minutes and actions from previous meetings

Audit Committee membership

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 Company operates. Shatish Dasani, as Chair of the Committee, is a chartered accountant and has recent and relevant financial experience for the purposes of the Code.

Attendance by individual members of the Committee is disclosed in the table on page 74. 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 Steve Francis, attended all of the meetings in 2021. The external Auditor, the Group Director of Audit and Risk, and the Group Financial Controller also attended all meetings of the Committee in 2021 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 and the Group Director of Audit and Risk in advance of Committee meetings.

In accordance with the Relationship Agreement with CD&R, an observer nominated by CD&R attended four out of the five Audit Committee meetings held this year. As an observer, the representative is entitled to attend meetings but cannot influence the decision making of the Committee.

Audit Committee structure

The Committee operates under written terms of reference which can be found on the Group's website (**www.sigplc.com**). They are reviewed annually by the Committee and changes are recommended to the Board for approval. The terms of reference are reviewed at least annually and are updated as necessary.

The Committee has in its terms of reference the power to engage outside advisers and to obtain its own independent external advice at the Group's expense, should it be deemed necessary. The Chair of the Committee reports to the subsequent meeting of the Board on the key issues covered by the Committee, identifying any matters on which it considers that action or improvement is needed, and makes recommendations on the steps to be taken.

Audit Committee evaluation

As part of corporate governance, the Committee reviews its own performance annually and considers what improvements can be made. The Committee's performance and effectiveness were reviewed as part of the external evaluation of the Board and Committee effectiveness, of which further details can be found on page 91.

Meetings

The Committee meets regularly throughout the year, with five meetings being held during 2021. Key matters considered at meetings of the Audit Committee during the year are listed on page 106.

Significant financial judgements

The Committee considered a number of significant issues during the year. These related to areas requiring management to exercise particular judgement or a high degree of estimation. The Committee assesses whether the judgements and estimates made by management are reasonable and appropriate. The issues 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	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 based on forecast revenues, operating margins and discount rate risk adjusted where appropriate.	The results of the 2021 impairment review have been reviewed. The Committee noted the increase in headroom due to the strong trading performance and increased forecast profits over the next three years for most CGUs. An impairment was, however, recognised in Benelux given the operational issues faced and losses incurred during the year. The Committee considered the appropriateness of the assumptions and the sensitivity analysis performed.
Capitalisation of costs related to cloud computing arrangements	An IFRS Interpretations Committee Agenda Decision released during the year clarified certain guidance in relation to the accounting for configuration and customisation costs in cloud computing arrangements. This has resulted in the Group reviewing and changing its accounting policy relating to the capitalisation of implementation costs related to cloud computing arrangements.	The Committee noted that software costs incurred in 2021 and costs capitalised in previous years had been assessed to identify costs relating to certain Software as a Service ("SaaS") arrangements which should now be expensed through the income statement rather than being capitalised in light of the updated guidance. The change in policy is applied retrospectively and the prior year comparatives restated.
Recognition and measurement of supplier rebate income	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.	The Committee considered the adequacy of work performed in the year to continue to strengthen the way in which the recoverability of supplier rebates is controlled, including the internal review processes and the technology in place to assist in the calculation of supplier rebate income.
SAP onerous contract provision	At 31 December 2020 an onerous contract provision of £9.6m was recognised in relation to future contracted licence fees relating to the SAP 1Hana implementation following the change in scope of the project in 2020. Following further changes in the use of the software during 2021 the provision has been reassessed and a £2.2m increase to the provision has been recognised at 31 December 2021.	The Committee considered the judgements made in relation to the level of future economic benefit to be derived by the Group from the future licence cost commitment and considered the reassessment of the provision to be appropriate.
Disclosure of Other items	The Group presents income statement items in the middle column of the Consolidated income statement entitled Other items where they are significant in size and nature, and either do not form part of the trading activities of the Group or their separate presentation enhances understanding the financial performance of the Group.	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.
Going concern basis and viability statement	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.	The Committee considered the review of going concern and longer term viability performed by management and reviewed the financial statement disclosures. Following the refinancing completed in November 2021 the Group now has committed facilities in place beyond the three year viability assessment period, with significantly less restrictive financial covenants in place compared to the previous debt. On the basis of the new debt facilities in place, the strong trading performance in 2021 and current forecasts over the relevant future periods, the Committee is satisfied with the conclusions over going concern and longer term viability.

Oversight of risk management and internal controls

The Terms of Reference of the Committee require that 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

On an annual basis the Board, supported by the Committee, carries out a review of the Group's key strategic risks and uncertainties. In performing this review the Board seeks the opinions of, 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 Board will consider 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 strategic risk deep dive 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:

Audit Committee

- Responsible, on behalf of the Board, for reviewing, and examining the effectiveness of the risk management systems, processes and internal controls implemented by management.

Executive Leadership Team

- Reviews and recommends the Group annual strategic risk report 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.
- Each ELT member is also 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 MD 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 Board, ELT and operating company MDs 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

The SIG Assurance Framework ("Framework") was presented to the Committee in March 2021. It provides a structured means to support the on-going process of identification, evaluation and management of significant risk 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 was communicated to Group and operating company stakeholders, including to all operating company FDs. The Framework continues to be the basis on which the Group controls team's annual plan is based.

A new Head of Group Controls joined SIG in March 2021. The team's aim is to support the creation and maintenance of a robust financial control environment and raise awareness across SIG by providing the Group with practical and hands-on support and advice. The controls plan for 2021 was defined, communicated and agreed with the operating companies' FDs and the team continued to progress the delivery of the plan throughout the year. The Group controls team have formalised existing control activities across the Group allowing for requirements and expectations to be set upfront for all involved (e.g. RACM template development and documentation; action tracking and remediation; KCF submission and reviews; and policy refreshes and implementation) as well as defining new workstreams to further enhance SIG's control framework.

Some major activities performed as part of the annual controls plan for 2021 were:

- Controls reviews and RACM enhancement across:
  - all operating companies over 9 key financial processes. This activity will continue into 2022;
  - Group activities such as tax, treasury, external reporting, consolidation;
  - entity level controls such as Group finance, IT, Company Secretarial, Delegation of Authority, HR, and risk and internal audit; and
  - IT General Controls. This activity will continue into 2022.
- Management and analysis of the quarterly KCF self-certification process including the Q1 deep-dive exercise and subsequent KCF refresh that sets the minimum control requirements across key processes.
- Monitoring of actions and supporting owners with remediation activities with regular reporting to the Committee.
- Management of the bi-annual operating companies' management representation letter process.
- Control framework assessment and gap analysis in readiness for UK SOX introduction.

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 with completing the plan and any issues arising.

Covid-19

In response to the Covid-19 pandemic, the Group designed and rolled out a crisis response checklist to each operating company. The checklist comprised a set of short, medium and long-term risks with activities for consideration by management. Each operating company has continued to use the schedule during 2021 to ensure it has coverage of the fuller spectrum of risks and to prompt consideration of additional activity, especially in relation to changes by governments. The focus of the checklist has included key areas such as Health & Safety, cyber risk, supply chain, liquidity and finance. The checklist has been updated regularly in line with local government updates.

The Group internal audit plan has been kept under review and adjusted as required whilst travel restrictions have largely remained in place.

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.

While the function is predominantly resourced with permanent employees, it continues to use external subject matter expertise where necessary and, in 2021, commissioned external support to perform reviews of progress in enhancing the Group's cyber security capabilities, the completion of a review of IT general computer controls, the completion of reviews of specific business critical applications and a review of payroll processes across our French business.

The results of all audit assignments were presented to the Committee during the year. Areas of weakness identified during the year resulted in detailed action plans and follow-up checks to establish that actions had been completed appropriately.

The Committee reviewed the remit, organisation, and resources of the function, together with the internal audit plan. The internal audit plan is regularly reviewed during the year to ensure the function remains aligned to the key risks of the business and is appropriately resourced. The Committee also oversaw the recruitment of a new Group Director of Audit and Risk during the year.

Areas of focus for 2022 have been agreed by the Committee and include:

- the implementation of a more formal approach to audit planning based on a risk universe process; and
- ensuring the internal audit function, given the devolved nature of the Group, has sufficient resources (including appropriate language capability), to ensure it can effectively engage with each local operating company. This process has started with the successful recruitment of the Group Risk Manager role from our Polish business.

Oversight of external Auditor

Ernst & Young LLP were appointed as the Group's Auditor in July 2018 following a tender. Shareholders formally approved their re-appointment at the May 2021 Annual General Meeting. There is no intention to conduct any re-tendering exercise currently, but this will be reviewed annually, taking into account the performance and effectiveness of the Auditor, as assessed by the Committee.

External Auditor performance evaluation

For the year ended 31 December 2020, 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 EY audit quality.

The questionnaire was sent to the Finance Director and Financial Controller of all in-scope operating companies together with all key members of the Group finance team and others who had involvement with the auditors, including Tax and Treasury, Company Secretariat, HR, Risk and Internal Audit. The questionnaire comprised 38 questions covering 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 EY on a scale of 1 to 5 and to provide any additional comments alongside their ratings.

Overall, the external Auditor's performance and effectiveness was rated well, with a higher score than the previous year across all areas, with the most notable increase seen in the area of communication. Audit fees continue to be the lowest rated area. 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, were satisfied with the independence, 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 is aware of the need for the Group's external auditor to have an appropriate degree of independence and objectivity.

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 an agreed policy with regard to the provision of audit and non-audit services by the external Auditor, which operated throughout 2021. The policy is based on the principle that they 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-authorised services. 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 2021 and will be reviewed annually and can be viewed on the Group's website (**www.sigplc.com**). 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 Audit Committee Chair before the external Auditors are 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 2021 were £0.4m, primarily the interim review (2020: £0.2m) and assurance services in connection with the refinancing completed in the year (2020: £nil). The total fees payable to the external Auditor for audit services in respect of the same period were £2.6m (2020: £3.3m). Current year costs include £0.3m in relation to the 2020 audit (2020: £0.7m in relation to the 2019 audit).

The ratio of audit to non-audit fee was 5.75:1 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 156.

A full breakdown of external Auditor fees are disclosed in Note 3 to the Consolidated financial statements on page 156.

Resolution to re-appoint external Auditor

The Committee recommends, and the Board agrees, that a resolution for the re-appointment of Ernst & Young LLP as Auditor of the Company for a further year will be proposed at the 2022 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 Company.

In reaching this conclusion the Committee has considered the following:

- the preparation of the Annual Report is a collaborative process between the Finance, 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 advisers; and
- a final draft is reviewed by the Audit Committee members prior to consideration by the Board.

Shatish Dasani
Chair of the Audit Committee
10 March 2022

Directors' remuneration report

"The Committee's policies and practices are designed to support the strategy and long-term sustainable success of the Group"

Remuneration Committee Membership

Member	Joined	Number of meetings attended
Kath Durrant Chair & Independent Non-Executive Director	1 January 2021	6/6
Andrew Allner Chairman	1 November 2017	6/6
Shatish Dasani Independent Non-Executive Director	1 February 2021	5/5
Bruno Deschamps Non-Executive Director	10 July 2020	6/6
Alan Lovell Senior Independent Non-Executive Director	1 August 2018	5/6
Gillian Kent Independent Non-Executive Director	1 July 2019	6/6
Simon King Independent Non-Executive Director	1 July 2020	6/6
Ian Duncan Independent Non-Executive Director (resigned 31 January 2021)		1/1

Purpose and aims

To provide effective oversight and governance over the integrity of the Group's remuneration arrangements for senior management to ensure that the interests of the Company's shareholders are protected at all times.

The Committee's aim is to ensure that remuneration arrangements support the strategic aims of the Group and enable the recruitment, motivation and retention of senior leaders to deliver sustainable long-term performance in line with the purpose and culture of the business.

Key responsibilities

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.

Terms of reference

Revised terms of reference were adopted in December 2020. During 2021 the Committee has reviewed the appropriateness of these terms and considers them to remain appropriate. The latest version can be found on the Group's website at **www.sigplc.com**.

Evaluation

A review of the Committee's performance was undertaken in the year, using the services of Manchester Square Partners. Feedback on the planning, organisation, information, and decision quality were all viewed positively. More details can be found on page 91.

The Committee is committed to supporting the business return to profitable growth through the effective deployment of the remuneration policy and its incentive structures. It remains mindful of the challenges that Covid-19, inflation and supply chain issues have created for colleagues, customers, suppliers and shareholders.

Contents

In this report we set out:

1. The Annual Statement from the Chair of the Remuneration Committee.
2. The Annual Report on Remuneration which explains how we have paid our Directors under the current policy this year and how our framework aligns with our wider strategy and corporate governance best practice, as well as how we consider remuneration of the wider workforce in relation to executive pay.

As in previous years, the Annual Report on Remuneration and this Annual Statement are subject to an advisory shareholder vote at the 2022 AGM.

Dear Shareholder,

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for 2021.

Background

Following a challenging year in 2020 the traction behind the Return to Growth strategy has accelerated. The new leadership team has been further strengthened and has injected additional energy into a systematic turnaround. The market challenges, particularly regarding supply shortages and escalating price inflation have been managed well. As indicated last year the team have remained focused on executing our strategy of excellence in core operational disciplines, customer proximity and employee engagement, strengthening supplier relationships and commercial excellence in returning key businesses to growth.

Our Covid-19 protocols enabled us to continue to prioritise the Health & Safety of our employees and customers, and our business stayed open wherever this was possible during the various Covid-19 pandemic national lockdowns. We did not receive any furlough or other support from the UK Government in 2021.

Company Performance

Metric	2021	2020
Revenue	£2,291.4m	£1,874.5m
Like-for-like sales	24%	(13%)
Gross margin	26.3%	25.1%
Underlying operating profit/(loss)	£41.4m	(£53.1m)
Av. trade working capital to sales ratio	13.8%	14.3%
Operating margin	1.8%	(2.8%)

Performance in 2021

At the start of the year the Committee set stretching targets for each business. By the end of the year, we were delighted to see that underlying operating profit targets in most countries had been exceeded, with the UK returning to underlying profitability, and with France and Poland delivering best-ever results. The market provided a positive tailwind, but cost inflation and supply constraints have proved challenging. The Committee noted the commercial discipline in each business that has enabled gross margin to be maintained and progression made in most categories in spite of the difficult environment. Satisfied with the disciplined management of the business, the Board supported management in its additional investment in inventory levels to ensure severe supply chain issues could be managed. It is gratifying that as a result, customer satisfaction levels have remained high and opportunities to recoup market share have been realised.

Overall, Group performance for the year has exceeded expectations, and set against the very challenging circumstances the Group faced in 2019 and 2020, the new leadership team has done a great job in the first stages of moving from turnaround to growth.

Turning to the individual performance of the Chief Executive Officer and Chief Financial Officer, 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 122 to 123.

Corporate governance and remuneration

The Committee sets high standards in corporate governance, and during the year the Committee:

- wrote to our largest shareholders to understand the views of those who had voted against the resolution to approve the Directors' Remuneration Report at the 2021 AGM. The responses received confirmed our understanding that the main reason shareholders representing 23% of our share capital were not supportive was the decision to pay a bonus in a year when UK Government support had been received. Shareholders' views are clearly understood on this matter by the Committee, and it is grateful for the responses that were received;
- re-tendered for remuneration advisory services. As a result, Korn Ferry were selected to support the Committee. The Committee is satisfied with the high quality support and advice it receives from Korn Ferry;
- considered the role of Bruno Deschamps, who is a member of the Committee in line with the Relationship Agreement with CD&R. Whilst Bruno is not considered independent under the Corporate Governance Code, the Committee believes Bruno's contributions to the working of the Committee are very positive and non-partisan, and demonstrate his experience in considering remuneration, incentivisation and target-setting issues for all levels of employees in the workforce – not just the Executive team;
- actively engaged with employees on executive remuneration. Working with the Non-Executive Director for Workforce Engagement, Simon King, and the new Chief People Officer, Julie Armstrong, the Committee Chair attended meetings with groups of employees in Manchester, Sheffield, Bristol; and in virtual sessions with employees in Ireland, as with MDs and managers across Europe. Feedback from these meetings was positive, it reinforced in particular the improved levels of engagement and support for the Return to Growth strategy. It also enabled both the Committee and the leadership team to consider issues raised by staff regarding improved incentive structures and workforce terms and conditions. As a result, a number of actions have been taken and further reviews are work in progress for 2022;
- agreed a strategy and policy to fund the Employee Benefit Trust ("EBT") on an on-going basis, and approved funding for the independently managed EBT to buy shares in the market;
- 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. It noted the areas of commitment, focus and improvement being led by each operating company Managing Director and Human Resources Director;

- formally reviewed an analysis of the underpin and windfall tests that apply to the Restricted Share Plan awards; and
- conducted a review of Committee performance, using the services of Manchester Square Partners. Feedback on the planning, organisation, information, and decision quality were all viewed positively.

Remuneration decisions

Other than bonus scheme adjustments for inventory and impact on net debt as described below, there were no matters that the Committee felt warranted the exercise of its discretion during the year.

Salary increases

Throughout our businesses we have implemented an annual salary review and the Committee determined that there would be salary increases for the Executive Directors for 2022 in line with the average for the UK workforce of 3.0%. The Committee also determined that the Chairman's fee would rise by 3.0%.

Annual bonus outcomes for 2021

In determining the bonus pay-out for Executive Directors and the ELT, we assessed the outcome of performance achieved against the targets we set. The Committee noted the outperformance in most businesses and the high levels of pay-out in incentive plans below the ELT. The bonus measures for the Executive Directors cover the profitability of the business, our debt position and key strategic priorities. The bolt-on acquisitions of Penlaw and F30, both specialist distributors, took place in the UK during the year, and to be consistent with the targets set at the beginning of the year, adjustments were made to remove their impact from both underlying operating profit and net debt performance. Also, to be consistent with the basis on which the targets were originally set, adjustment was made for the impact of the increased stock levels specifically acquired to take advantage of the supply chain difficulties in the market. This impacted all employees receiving a bonus based on net debt and working capital targets. However, the Committee took a decision to apply downwards discretion to limit the impact of this adjustment to a maximum of half of the opportunity based on this measure.

During the year there has been significant focus on leading improvement in Health & Safety by the Executive Directors and other leaders in each operating company. Additionally Health & Safety resources have been appointed, and the Board review improvement at each Board meeting.

We then considered whether overall remuneration outcomes 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 87.0 percent and 86.7 percent of maximum respectively.

Annual bonus design for 2022

Financial measures will continue to represent 80% of the opportunity with the remainder reflecting strategic objectives. There will be a change to one of the financial measures for 2022. Whilst the profitability measure will remain unchanged, the net debt measure will change slightly and be in the form of leverage (net debt/ EBITDA) as a more rounded measure to reflect progress of our strategy alongside profitability.

Restricted Share Plan awards

Before Restricted Share Plan ("RSP") awards made in 2020 and 2021 can vest in 2023 and 2024 respectively, the Committee will have to determine whether a windfall gain may have been created and also consider certain underpinning factors. Following a formal review the Committee's view is that to date neither the underpinning factors nor the windfall gain test would give rise to a scaling back of either award.

The Committee intends to make awards in 2022 at the same level as in 2021 of 100% of salary to each Executive Director (which is lower than the level provided for in the policy agreed with shareholders in 2020). However, we will continue to review whether these levels of grant are appropriate in the future.

Focus for the year ahead

Looking ahead, the Committee will:

- monitor the impact of the turnaround plan, execution of the strategy, operational performance, and achievement of bonus targets and the impact of the Covid-19 pandemic on the Group and its impact on the outcomes of executive remuneration;
- continue to ensure consistency of approach and fair pay conditions across the Group, the receipt of high-quality remuneration advice and information to inform decisions, appropriate reflection of Group performance in any performance-related pay element of remuneration, and compliance with the Code;
- operate the annual bonus plans and RSP, assessing performance against the corresponding targets/underpins. A regular formal review of underpin and windfall tests will take place;
- continue to review how measures of sustainability can be incorporated into the annual bonus plans;
- review updates received from the Group Head of Reward and Chief People Officer in relation to developments in employee reward, incentive, and benefit structures; and
- assess the underpin requirements of the future vesting of RSP awards.

Conclusion

In 2022 we expect the leadership team to sustain momentum from successful implementation of our Return to Growth strategy with a continued focus on operational excellence and delivery, while remaining flexible at local level to respond to the after-effects of the pandemic, supply chain disruption and inflation. The Committee will assess whether any acquisition by the Group requires an adjustment to the targets set at the beginning of the year.

Looking forward, the Committee remains focused on supporting the business to achieve a significant improvement in performance and on continuing to operate with rigour 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
10 March 2022

How do our incentive performance measures align to our strategy?

In executing our strategy, we aim to focus on recovering and enhancing value for shareholders and all other stakeholders. As set out in our Remuneration policy, the Restricted Share Plan does not have a primary set of performance targets but operates a general underpin on vesting 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.

Our strategic pillars

To re-ignite growth, through our expertise, service and proximity

Responsible actions
- People feel safe, proud and valued
- A greener fleet and estate
- Positive community impact

Winning branches
- Local teams trusted and empowered to succeed

Superior service
- Agile and entrepreneurial sales teams
- Multi-channel, data-rich customer journey

Specialist expertise
- Known for specialist focus and technical knowledge
- Advice to optimise cost, performance and carbon

Valuable partnerships
- Win-win strategies with suppliers
- Supporting suppliers' and customers' sustainability goals

Highest productivity
- Digitalising operational processes
- Lean and effective governance

Focused growth
- Growing energy efficient and low-carbon solutions
- Expanding branch network
- Acquisitions

Our key performance indicators

Like-for-Like sales	Gross margin	Operating margin	Average trade working capital to sales ratio	LTIFR	eNPS	NPS	GHG Emissions per £m of revenue

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	✓
Average net debt	• Focus on operational efficiency	✓
	• Focus on sustainable investment	✓
	• Linked to shareholder value	✓
Strategic objectives	• Strategic objectives for the bonus are commercially sensitive and will be disclosed retrospectively	✓
Health and safety override	• All employees, 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 & Safety culture including visible leadership, sufficient resources, effective reporting and follow-up, employee feedback, and improvements in metrics	✓

Restricted Share Plan

Measures	Link to strategy	Link to KPIs
General underpin	• Focus on long-term sustainable performance	✓
	• 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	✓

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
Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	• 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. There is a logical flow of similar KPIs in the incentive schemes that apply to different parts of the workforce. • Engagement of Remuneration Committee members with the workforce on a wide range of topics including remuneration takes place.
Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	• The performance conditions for the annual bonus plan are based on the Group's KPIs. This alignment of reward with the delivery of key markers of the success of the implementation of the strategy ensures simplicity. • Restricted shares are a simple mechanism and avoid the setting of long-term performance conditions which tend to inherently make remuneration more complex.
Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	The Remuneration Policy includes: • 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. These elements mitigate against the risk of target-based incentives by: • 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; • the use of an RSP supports a focus on the sustainability of the performance over the longer term; • reducing the awards or cancelling them if the behaviours giving rise to the awards are inappropriate; and • reducing the awards or cancelling them, if it appears that the criteria on which the award was based do not reflect the underlying performance of the Company.
Predictability – the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the Policy.	• The Remuneration Policy sets out clearly the range of values, limits and discretions in respect of the remuneration of management. • The RSP increases the predictability of the rewards received by management.
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.	• 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 sufficient to attract, incentivise and retain. • 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.
Alignment to culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy.	• The annual bonus plan drives behaviours consistent with SIG's strategy and there is a logical flow of similar KPIs through the incentive schemes that apply to the workforce. • The RSP drives behaviours consistent with the Group's purpose and values which are focused on the long-term future of the business.

Remuneration principles

Our remuneration principles remain relevant and 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 and 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; and
- pay arrangements are fair and equitable across the Group.

Rewarding contribution and performance

In action

- bonus plans are designed for the Executives and all other employees 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; and
- Health & 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; and
- incentive and benefits plans are clear, simple and understood by participants to maximise engagement.

Wider workforce considerations

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 are structurally consistent 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.

Wider workforce remuneration

Delivery of our strategy depends on attracting and retaining an engaged workforce that has the right skills and demonstrates the right 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. During 2021, we held various workforce engagement sessions with groups of employees across the organisation to discuss executive remuneration. We have found these sessions useful and intend to hold these sessions going forward. Analysis of workforce terms and conditions took place during the year and was presented to the Committee; where the Committee had suggestions for improvement, further action has been requested of the management team. The Committee will receive a report on progress during 2022.

Engagement with shareholders

We appreciated the support for granting restricted share awards during this period of turnaround and recovery for the business. It enabled us to navigate a period of uncertainty, and provide some surety when recruiting the new leadership team, at Executive Director, ELT and senior management levels.

We have engaged with shareholders on key matters throughout the year, including in response to the 2021 AGM vote on the Directors' Remuneration Report. Prior to the AGM, the Company received feedback from a number of shareholders regarding their voting intentions at the AGM. Those who expressed a likelihood that they would vote against the report referred principally to the executive bonuses paid for 2020, and in particular to the payment to the Group CEO in July 2020, as well as to the wider circumstances surrounding the payment of those bonuses, such as the impact of Covid-19 on SIG's business. SIG's engagement with shareholders has been ongoing since the AGM which has confirmed the Group's initial understanding of shareholders' concerns in this regard. The Group believes that these circumstances have now passed and does not see a likelihood of them being repeated. We will continue to discuss any remuneration matters as they arise with shareholders, and at an appropriate time, review the Remuneration Policy, as the Group continues to pursue its strategic goals.

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. In the UK, the Group operates a broad range of benefits including an all-employee Share Incentive Plan.

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 Company Remuneration Principles (see page 117);
- if there are differences, they are objectively justifiable; and
- if the approach seems fair and equitable in the context of other employees.

A summary of the remuneration structure and how it compares to the Executive Directors is below:

Pay element	Employees	Executive Directors
Salary	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. The general workforce increase in the UK for 2021 was 1.5%.	Salary increases are considered in the context of the wider workforce review and performance of the Group A salary increase was awarded to the Executive Directors in 2021 of 1.5%.
Pensions and benefits	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.	Pension contributions are aligned with those provided to UK employees. Benefits are aligned to the senior leadership team in the country of operation.
Bonus plan	Just over three quarters of our workforce participate in a cash bonus scheme, up from just over half in 2020. The level and performance factors differ depending on the role and country of operation.	CEO annual bonus of up to 150% of base salary, CFO annual bonus of up to 125% of base salary. 2/3rds payable in cash and 1/3rd payable in shares up to 100% of salary; any excess of 100% of salary payable in shares.
Restricted Share Plan	55 senior leaders were invited to participate in the RSP in 2021, with a range of annual awards between 20% to 80%. A holding period does not apply below the level of Executive Directors.	Maximum annual award of 125% of salary; three-year vesting period; two-year holding period with underpin on vesting. Awards of 100% of salary were made in 2021.
Share Incentive Plan	All UK employees are invited to participate in the SIP.	Executive Directors are invited to participate in the SIP.

In summary, the Committee is satisfied that the approach to remuneration across the Group is consistent with the Group's principles of remuneration. Further, in the Committee's opinion the approach to executive remuneration aligns with the wider Group pay policy and that there are no anomalies specific to the Executive Directors.

Summary of the application of the Remuneration Policy

We have set out below how the Remuneration Policy was operated in 2021 and how it is intended to be operated in 2022. You can find the full current Remuneration Policy in the Company's Notice of General Meeting dated 29 October 2020 at **www.sigplc.com/investors/information-for-shareholders/agm-notices-and-results.**

The Company'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, the remuneration of all Executive Directors is set and approved by the Committee; none of the Executive Directors are involved in the determination of their own remuneration arrangements. The Committee also receives support from external advisers and evaluates the support provided by these advisers annually to ensure that advice is independent, appropriate and cost-effective.

Element and link to strategy	How we implemented the policy in 2021	How we will implement the policy in 2022
Base Salary 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.	Executive Director salaries for 2021 were as follows: • CEO – £548,100 • CFO – £380,625 The general employee base salary increase in the UK was 1.5%	Executive Director salaries for 2022 are increased by 3% as follows: • CEO – £564,543 • CFO – £392,044 The general UK employee base salary increase was 3%.
Pension Provides a fair level of pension provision for all employees.	The Executive Directors received a pension allowance of 5% of salary. This is 2.5% of salary below what is permissible under the Policy.	No change.
Benefits Provides a market standard level of benefits.	The benefits received were as follows: • car allowance • private medical insurance • Group income protection • Group life assurance	No change.
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 Company's strategy and the creation of value for shareholders. Bonus operation for 2021 and 2022: • 1/3rd of any bonus earned up to 100% of salary is deferred in shares. • all bonus earned above 100% of salary is deferred in shares. • all shares deferred for 3 years and subject to continued employment; • 2 year holding period following vesting for deferred shares.	Maximum opportunity in 2021 was as follows: • CEO – 150% of base salary • CFO – 125% of base salary Any bonus is subject to a Health & Safety override, where the Committee will review the Health & Safety performance of the business for the year in question. See page 114 for bonus outcomes for 2021.	No change to opportunity levels or deferrals. The Health & Safety override will continue to operate in 2022. The performance measures for 2022 are underlying operating profit (60%), leverage (20%) and strategic objectives (20%). It is the view of the Committee that the targets for the bonus are commercially sensitive as they are primarily related to budgeted future profit and debt levels in the Group and therefore their disclosure in advance is not in the interests of the Group or shareholders. The Committee will, however, provide full retrospective disclosure to enable shareholders to judge the level of award against the targets set.

Element and link to strategy	How we implemented the policy in 2021	How we will implement the policy in 2022
Restricted share plan Awards are designed to incentivise the Executive Directors over the longer-term to successfully implement the Group's strategy. RSP operation: • 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; and – the satisfaction of an underpin (whereby the Committee can adjust vesting for business, individual and wider company performance). • a two-year holding period will apply following the three-year vesting period.	RSP awards granted in 2021 were as follows: • CEO – 100% of base salary • CFO – 100% of base salary	No changes in RSP awards are expected for 2022, reflecting the present share price. We will review increasing award levels to the maximum as the share price increases.
Share ownership requirements The Group has established the 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 approval of the new Policy. Adherence to these guidelines is a condition of continued participation in the equity 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.	Share ownership requirements: • CEO – 300% of base salary • CFO – 300% of base salary This applies for two years post-cessation, or the actual shareholding on cessation if lower.	No change.
Chairman and NED fees 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.	There were no increases in fees in 2021. Fees for 2021 were as follows: • Chairman – £218,225 • NED fee – £60,900 • Senior Independent Director – £10,000 • Remuneration Committee Chair – £12,000 • Audit Committee Chair – £12,000	Fees were reviewed in January 2022 and it was agreed that the fees be increased by 3% to align to the general workforce increase for the UK. • Chairman – £224,772 • NED fee – £62,727 • Senior Independent Director and designated Workforce Engagement Director – £10,000 • Remuneration Committee Chair – £12,000 • Audit Committee Chair – £12,000

Annual report on remuneration

The following section provides details of how SIG's Remuneration Policy was implemented during the financial year ended 31 December 2021.

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 2022 AGM. The information on pages 112 to 127 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 2021 and the prior year.

Executive Director		Base salary[1]	Taxable benefits[2] £'000	Annual bonus[3] £'000	LTIP £'000	Pension[4] £'000	Other[5] £'000	Total remuneration £'000	Total fixed remuneration £'000	Total variable remuneration £'000
Steve Francis[6]	**2021**	**548**	**25**	**715**	**0**	**27**	**0**	**1,315**	**600**	**715**
	2020	436	17	0	0	22	375	850	475	375
Ian Ashton[7]	**2021**	**381**	**22**	**412**	**0**	**19**	**0**	**834**	**422**	**412**
	2020	188	11	94	0	9	0	302	208	94

The figures in the table above have been calculated as follows:

1. Base salary: amount earned for the year as Directors, 2020 figure taking account of any waiver between 1 April 2020 and 30 June 2020.
2. Benefits: include, but are not limited to, car allowance (£15,000), private medical insurance, life assurance, 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. Other: For Steve Francis, for 2020 'Other' includes the one-off cash payment received for his support in developing a new strategy for the Group and leading the Group through the Capital Raising from 25 February 2020 to 23 April 2020 and subsequently as CEO of the Group.
6. Steve Francis became interim CEO on 25 February 2020 with a salary of £568,400 and ongoing CEO on 24 April 2020 with a salary of £540,000 and his remuneration for 2020 reflects payments earned from 25 February 2020.
7. Ian Ashton became CFO on 1 July 2020 and his remuneration in 2020 reflects payments earned from that date.

Payments for loss of office and payments to past directors (Audited)

No payments for loss of office or to past directors have been made in the year.

Single total figure of remuneration for NEDs (Audited)

The table below sets out the single total figure of remuneration received by each NED for services rendered to the Group as a NED for the year ended 31 December 2021 and the prior year.

	Base fee		Committee Chair/Senior Independent Director fees		Additional Advisory Board fees		Total fees	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Andrew Allner (Chairman)[1]	**218**	191	**–**	–	**–**	109	**218**	300
Ian Duncan[2]	**5**	53	**1**	9	**–**	–	**6**	62
Alan Lovell	**61**	53	**10**	8	**–**	–	**71**	61
Gillian Kent	**61**	53	**–**	–	**–**	–	**61**	53
Bruno Deschamps[3]	**61**	29	**–**	–	**–**	–	**61**	29
Simon King[4]	**61**	30	**–**	–	**–**	–	**61**	30
Christian Rochat[3]	**61**	29	**–**	–	**–**	–	**61**	29
Kath Durrant[5]	**61**	–	**12**	–	**–**	–	**73**	–
Shatish Dasani[6]	**56**	–	**11**	–	**–**	–	**67**	–

1. The Chairman took a 50% reduction along with the other Non-Executive Directors from April to June 2020 which partially offset the amount of additional fee awarded due to his exceptional time commitment.
2. Ian Duncan retired as a NED on 31 January 2021.
3. Bruno Deschamps and Christian Rochat were appointed as NEDs on 10 July 2020. The fees paid to Bruno and Christian are not retained by them individually but paid to CD&R.
4. Simon King was appointed as a NED on 1 July 2020.
5. Kath Durrant was appointed as a NED on 1 January 2021.
6. Shatish Dasani was appointed as a NED on 1 February 2021 and his fees reflect remuneration earned from that date.

2021 bonus out-turn

The maximum potential bonus opportunity for Steve Francis (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 2021, which were based on underlying operating profit and net debt.

Performance condition (weighting)	Actual	Threshold	Interim	Maximum	Outcome	CEO Actual £'000	CFO Actual £'000
Underlying operating profit (60%)	£40.3m	25% £6.18m	75% £16.36m	100% £19.30m	100%		
Average net debt (20%)	£35.0m	25% £52.0m	50% £44.0m	100% £36.0m	50%		
Strategic objectives (20%) pay-out level					85% – 83%		
Total[1]						**715**	**412**

1. The Committee reviewed Health & Safety leadership and performance, and determined that there was no requirement to exercise its override discretions.

To be consistent with the basis that the targets were originally set, the estimated impact of the increased stock levels specifically acquired to address the supply chain difficulties in the market was adjusted for. This impacted all employees receiving a bonus based on net debt and working capital targets (net debt pre-adjusted of £51.85m). The Committee took a decision to apply downwards discretion to limit the impact of this adjustment to a maximum of half of the opportunity based on this measure. One third of the bonus earned up to 100% of salary, and all of the bonus above this level is being deferred into shares for three years, with an additional two year holding period applying.

Chief Executive Officer

CEO Bonusable Objectives	Outcome
Organisational leadership	A key part of the Return to Growth strategy has been the visible and energetic leadership of the CEO; creating belief and momentum in what had become a quite demoralised business has been evidenced by significant shifts in employee engagement survey responses where "Vision and leadership" improved by 22% vs 2020. In addition, more employees wanted to participate in the employee engagement survey with a 75% participation rate in 2021. In an increasingly decentralised business, the engagement of the next 120 leaders in the business has been key to creating momentum and effective communication with colleagues at all levels. The recruitment of a high calibre Chief People Officer in Q4 2020 was also welcomed by the Committee.
Structure	Germany and Benelux are operating companies with opportunities for improvement, and new MDs were recruited for each business in H2 2020. The performance of these businesses has however been reflected in the CEO's personal assessment.
Health & Safety	Health & Safety leadership has and remains a significant focus of the CEO, with new expectations set and significant new resources put in place in each operating company. Progress has been made, yet there is further to go, again reflected in the CEO's personal assessment.
Customers	The Group NPS scoring has maintained a rating of 'favourable', which in a year with intense supply challenges is positive. Executive re-connections with suppliers have also progressed well.
Growth	The CEO has worked hand in hand with each operating company MD to develop the next stage strategies, both organic and inorganic, with renewed focus on sustainability and digital opportunities. The Board's discussions on strategic choices have been significantly elevated as a result.
Corporate development and financing	The Committee noted the strong working relationship between CEO and CFO and the successful refinancing of the business, with the cost of debt reduced and greater flexibility enabled – alongside an elevation in credit-rating.

The Committee evaluated the performance of the CEO against the above outcomes and awarded a bonus of 17.0% out of the 20% available for these strategic objectives.

Chief Financial Officer

CFO Bonusable Objectives	Outcome
Leadership and motivation	Significant improvement in employee engagement in the central Finance organisation. Strong relationship development with operating company FDs and MDs.
Refinancing	Successful and complex refinancing achieved with the issue of the Group's first public bond. A very positive outcome, increasing the financial stability and long-term flexibility of the Group. This included the further development, or establishment, of relationships with various institutions, including rating agencies.
Capability and controls	Significant focus on upgrading both the central finance team and working practices with operating companies. Control procedures throughout the business have improved, and the external audit process continues to improve in both effectiveness and efficiency.
Reporting	Both operational and Board financial reporting have improved, and the roll-out of a new Group consolidation and reporting system was a significant step forward.
Cost leadership	Central cost saving programme executed with financial savings met.

The Committee evaluated the performance of the CFO against the above outcomes and awarded a bonus of 16.66% out of the 20% available for these strategic objectives.

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 both individuals was appropriate.

Restricted Share Plan awards vesting during 2021

No RSP awards have vested in the year. The Executive Directors have been granted RSP awards in 2020 and 2021. The first tranche of these awards is not due to vest until 2023 subject to continued employment by the participants and assessment of the underpin by the Committee before vesting can take place. Any shares that vest will subsequently be released following a further two-year holding period.

The Committee has taken an initial assessment of the underpin for awards which are due to vest in future periods. The Committee is currently of the view that there are no reasons known presently to reduce vesting under the 2020 and 2021 awards but will keep the position under review during the remainder of the vesting period. This assessment was made having regard to a number of factors including any movement in share price from the date of grant of the 2020 and 2021 RSP awards, the Committee's views on the reasons for the movement, and wider business and individual performance.

2021 Restricted Share Plan Awards (Audited)

Steve Francis and Ian Ashton were granted RSP awards of 100% of salary on 29 March 2021. 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 pence per share based on the closing share price of the previous trading day.

The normal vesting date of the awards will be 29 March 2024, 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
Steve Francis	29 March 2021	100	1,405,384	548,100
Ian Ashton	29 March 2021	100	975,961	380,625

Directors' interests in SIG shares (Audited)

The interests of the Directors in office during the year ended 31 December 2021, and their families, in the ordinary shares of the Company at the dates below were as follows:

	Shares held		Nil-cost options held					
	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	Shareholding required (% basic salary)[1]	Current shareholding as a % of basic salary[2]	Requirement met[2]
Steve Francis[3]	815,769	–	–	3,295,384	–	300	222	No
Ian Ashton[4]	166,666	–	–	2,306,089	–	300	147	No
Andrew Allner	238,800	–	–	–	–	–	–	–
Kath Durrant[5]	100,774	–	–	–	–	–	–	–
Ian Duncan[6]	Nil	–	–	–	–	–	–	–
Gillian Kent	Nil	–	–	–	–	–	–	–
Alan Lovell	330,000	–	–	–	–	–	–	–
Bruno Deschamps	Nil	–	–	–	–	–	–	–
Simon King	166,666	–	–	–	–	–	–	–
Christian Rochat	Nil	–	–	–	–	–	–	–
Shatish Dasani[7]	100,000	–	–	–	–	–	–	–

1. Executive Directors are expected to achieve target shareholdings within five years of appointment.
2. Based on SIG share price of 47.56p as at 31 December 2021. The post-tax value of the RSP awards granted in December 2020 and March 2021 has been included in the current shareholding figure.
3. Steve Francis was appointed as CEO on 25 February 2020.
4. Ian Ashton was appointed as CFO on 1 July 2020.
5. Kath Durrant was appointed as NED on 1 January 2021.
6. Ian Duncan resigned as a NED on 31 January 2021.
7. Shatish Dasani was appointed as NED on 1 February 2021.

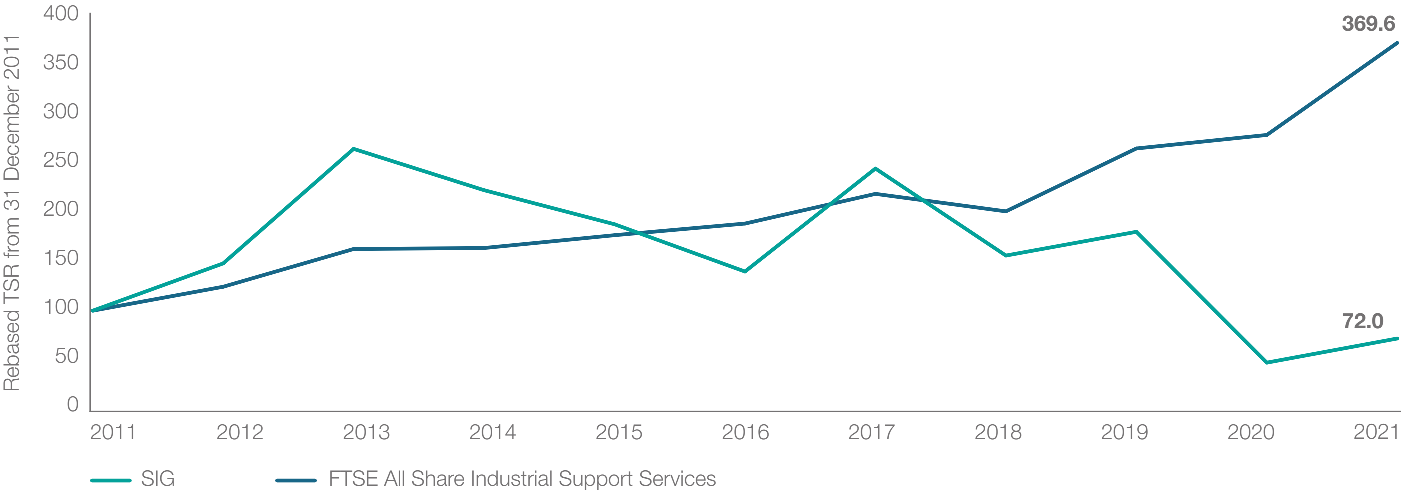
There have been no changes to shareholdings between 1 January 2022 and the date of this report.

No Directors exercised any share options during the year such that the aggregate gain on exercise was nil (2020: nil).

Total Shareholder Return (TSR)

The graph below shows the Company's (TSR) performance (share price plus dividends paid) compared with the performance of the FTSE All Share Support Services Index over the ten-year period to 31 December 2021. This index has been selected because the Company believes that the constituent companies comprising the FTSE All Share Support Services Index are the most appropriate for this comparison as they are affected by similar commercial and economic factors to SIG.

10 Year Company TSR Performance v FTSE All Share Industrial Support Services



CEO pay in the last 10 years

The table below shows how pay for the CEO role has changed in the last 10 years.

Year	2012 £'000	2013 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2016 £'000	2017 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	2020 £'000	2021 £'000
Incumbent	Chris Davies	Chris Davies[1]	Stuart Mitchell[2]	Stuart Mitchell	Stuart Mitchell	Stuart Mitchell[4]	Mel Ewell[5]	Mel Ewell	Meinie Oldersma[6]	Meinie Oldersma	Meinie Oldersma	Meinie Oldersma[7]	Steve Francis[8]	Steve Francis
Single figure of Remuneration	1,024	1,031	987	968	765	581	100	150	794	669	688	258	850	1,315
% of max annual bonus earned	54	50	60.5	57	0[3]	n/a	n/a	n/a	70	0	0	0	57	87
% of max LTIP awards vesting	0	0	n/a	n/a	19.5	n/a	n/a	n/a	n/a	n/a	0	n/a	n/a	n/a

1. The figures shown pertain to the period 1 January 2013 to 31 December 2013 (includes remuneration in lieu of salary, pension and other benefits after 1 March 2013).
2. Stuart Mitchell was appointed to the Board on 10 December 2012 and became the CEO on 1 March 2013. The 2013 figure pertains to the period 1 January 2013 to 31 December 2013.
3. Stuart Mitchell took the decision to waive his entitlement to the 2015 annual bonus.
4. 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.
5. 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.
6. Meinie Oldersma was appointed CEO on 3 April 2017. The 2017 figure pertains to the period 3 April 2017 to 31 December 2017.
7. 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.
8. 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.

Executive Director service contracts

Executive Directors have service agreements with an indefinite term, and which are terminable by either the Group or the Executive Director on six months' notice. The service agreements are available for inspection at the Company's registered office.

Executive Director	Date of service contract
Steve Francis	24 April 2020
Ian Ashton	1 July 2020

Non-Executive Directors

The Non-Executive Directors including the Chairman, do not have service contracts. The Company's policy is that Non-Executive Directors are appointed for specific terms of three years unless otherwise terminated earlier in accordance with the Articles of Association or by, and at the discretion of, either party upon three months' written notice. Non-Executive Director appointments are reviewed at the end of each three-year term. Non-Executive Directors will normally be expected to serve two three-year terms, although the Board may invite them to serve for an additional period. Non-Executive Directors' letters of appointment are available to view at the Company's registered office. Summary details of terms for Non-Executive Directors are included below:

Non-Executive Director	Date of current letter of appointment	Effective date of appointment	Expiry of current term
Andrew Allner	7 April 2020	1 November 2020	31 October 2023
Ian Duncan[1]	7 April 2020	29 June 2020	N/A
Alan Lovell	7 March 2022	13 May 2021	12 May 2024
Gillian Kent	5 June 2019	1 July 2019	30 June 2022
Bruno Deschamps	10 July 2020	10 July 2020	9 July 2023
Simon King	22 May 2020	1 July 2020	30 June 2023
Christian Rochat	10 July 2020	10 July 2020	9 July 2023
Kath Durrant	12 December 2020	1 January 2021	31 December 2023
Shatish Dasani	27 January 2021	1 February 2021	31 January 2024

1. Ian Duncan resigned on 31 January 2021.

Percentage change in Directors' remuneration

The Directors are the only employees of SIG plc. The Committee monitors the year-on-year changes between the remuneration of each Director and the average remuneration of the UK workforce. The year on year analysis for 2021 vs 2020 is not presented as the comparatives are not meaningful: the Executive Directors joined the company during 2020 and did not serve a whole year in office during 2020.

CEO pay ratio

Financial Year	Method Used	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
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
2018	Option B (Gender Pay data)	33:1	27:1	20:1

In determining the quartile figures, the hourly rates were annualised using the same number of contractual hours as the CEO. One UK employee with the relevant annual salary was then chosen for each quartile and the single total remuneration figure was calculated for them to compare to the CEO.

For 2021, 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 2021 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 is published on our website (**www.sigplc.com**).

The Company 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.

	2021				2020			
	CEO	25th	50th	75th	CEO	25th	50th	75th
Basic salary	**548,100**	**22,665**	**27,600**	**35,018**	522,853	20,250	23,063	28,730
Benefits	**24,455**	**126**	**153**	**194**	20,419	111	63	157
Pension	**27,405**	**1,700**	**1,656**	**2,626**	34,801	1,215	619	1,724
Bonus Plan	**715,271**	**200**	**100**	**5,253**	375,000	0	143	1,153
Total Pay	**1,315,231**	**24,691**	**29,509**	**43,091**	953,073	21,576	24,898	30,994

CEO Pay for 2020 has been calculated for the period 1 January to 31 December based on the single total figure of remuneration table.

For the purpose of the calculations the following elements of pay were included in the single total figure of remuneration for the employee at each quartile in the year to 31 December 2021:

- Annual basic salary
- Bonus earned in the year in question
- Employer Pension contribution
- Car/Car Allowance
- Private Medical Insurance value
- Group Life Assurance value
- Group Income Protection value
- 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 Committee continues to be committed to ensuring that CEO pay is commensurate with performance. In 2018 and 2019 the ratios were relatively stable as a result of nil incentive outcomes. For 2020, the CEO was paid a bonus as it was part of the initial interim agreement on which the CEO was appointed. In 2021 the CEO was paid a bonus in line with the scheme and treatment for all participants.

In future years we expect there to be significant volatility in this ratio over time and we believe that this will be caused by the following:

- Our CEO's pay is made up of a higher proportion of incentive pay than that of our employees, in line with the expectations of our shareholders. Success in executing the Return to Growth strategy will result in an increased level of bonus payments. Both the structure of remuneration and the intention to reward success introduces a higher degree of variability in pay each year which affects the ratio.

- We recognise that the ratio is driven by the different structure of the pay of our CEO versus that of our employees, as well as the make-up of our workforce. This ratio varies between businesses even in the same sector. 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.
- Where the structure of remuneration is similar, for example for the ELT and the CEO, the ratio is much more stable over time.

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 2020 to the financial year ended 31 December 2021.

	2021 £m	2020 £m	% change
Distribution to shareholders	**–**	–	**–**
Employee remuneration[1]	**303.2**	267.4	**13.4**

1. Continuing operations employee remuneration.

The Company has declared that no final dividend would be paid for 2021 and no interim dividend was paid in 2021 (2020: nil).

Advisers 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 advisers, Korn Ferry, through a competitive tender process in 2021, replacing PricewaterhouseCoopers LLP ("PwC"). Korn Ferry attends meetings of the Committee by invitation.

During the year, the Committee sought advice from PwC and later, Korn Ferry in relation to emerging market practices, especially in relation to the impact of Covid-19 on executive remuneration, general matters related to remuneration and in relation to peer group remuneration 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 reviews the objectivity and independence of the advice it receives from its adviser at a private meeting each year. It is satisfied that the advice received during 2021 was independent, robust and professional advice.

The fees for the advice provided by PwC in 2021 were £7,850 (2020: £58,250). The fees were fixed on the basis of agreed projects. Other services provided by PwC in the year included unrelated pensions, tax and mobility advice.

The fees for the advice provided by Korn Ferry in 2021 were £52,705 and were based on the time spent during the year. No other services were provided by Korn Ferry during the year.

Internal

During the year the Committee sought internal support from the CEO, CFO, Chief People Officer, Group Head of Reward, and the Company Secretary, whose attendance at meetings was by invitation from the Committee Chair, to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of the senior management team. Such attendances specifically 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 2020 Directors' Remuneration Report at the AGM held on 13 May 2021 and the vote on the Remuneration Policy at the General Meeting on 17 November 2020.

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	726,297,790	76.55	222,519,260	23.45	17,939,750
To approve the New Remuneration Policy (as voted in 2020)	831,756,099	92.63	66,165,425	7.37	23,295,204

Kath Durrant
Chair of the Remuneration Committee

10 March 2022

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 international accounting standards, 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 10 March 2022 and is signed on its behalf by:

Steve Francis
Chief Executive Officer

10 March 2022

Ian Ashton
Chief Financial Officer

10 March 2022

Consolidated income statement

for the year ended 31 December 2021

	Note	Underlying* 2021 £m	Other items** 2021 £m	Total 2021 £m	Underlying* Restated 2020 £m	Other items** Restated 2020 £m	Total Restated 2020 £m
Continuing operations							
Revenue	1	**2,291.4**	**–**	**2,291.4**	1,872.7	1.8	1,874.5
Cost of sales		**(1,689.3)**	**–**	**(1,689.3)**	(1,402.7)	(1.3)	(1,404.0)
Gross profit		**602.1**	**–**	**602.1**	470.0	0.5	470.5
Other operating expenses	2	**(560.7)**	**(27.4)**	**(588.1)**	(523.1)	(107.4)	(630.5)
Operating profit/(loss)	3	**41.4**	**(27.4)**	**14.0**	(53.1)	(106.9)	(160.0)
Finance income	5	**0.7**	**–**	**0.7**	0.7	–	0.7
Finance costs	5	**(22.8)**	**(7.8)**	**(30.6)**	(23.7)	(11.6)	(35.3)
Profit/(loss) before tax from continuing operations		**19.3**	**(35.2)**	**(15.9)**	(76.1)	(118.5)	(194.6)
Income tax (expense)/credit	6	**(15.6)**	**3.2**	**(12.4)**	(10.7)	4.1	(6.6)
Profit/(loss) after tax from continuing operations		**3.7**	**(32.0)**	**(28.3)**	(86.8)	(114.4)	(201.2)
Discontinued operations							
Profit after tax from discontinued operations	12	**–**	**–**	**–**	–	69.7	69.7
Profit/(loss) after tax for the year		**3.7**	**(32.0)**	**(28.3)**	(86.8)	(44.7)	(131.5)
Attributable to:							
Equity holders of the Company		**3.7**	**(32.0)**	**(28.3)**	(86.8)	(44.7)	(131.5)
Loss per share							
From continuing operations:							
Basic	8			**(2.4)p**			(23.1)p
Diluted	8			**(2.4)p**			(23.1)p
Total:							
Basic	8			**(2.4)p**			(15.1)p
Diluted	8			**(2.4)p**			(15.1)p

* Underlying represents the results before Other items. See the Statement of significant accounting policies for further details.

** 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 Statement of significant accounting policies on page 137 and further details are disclosed in Note 2.

The 2020 results have been restated as set out in the Statement of significant accounting policies.

The accompanying Statement of significant 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 2021

	Note	2021 £m	Restated 2020 £m
Loss after tax for the year		**(28.3)**	(131.5)
Items that will not subsequently be reclassified to the Consolidated income statement:			
Remeasurement of defined benefit pension liability	31	**9.1**	(1.7)
Deferred tax movement associated with remeasurement of defined benefit pension liability	24	**0.1**	0.3
Current tax movement associated with remeasurement of defined benefit pension liability	6	**–**	0.4
		9.2	(1.0)
Items that may subsequently be reclassified to the Consolidated income statement:			
Exchange difference on retranslation of foreign currency goodwill and intangibles		**(3.7)**	5.1
Exchange difference on retranslation of foreign currency net investments (excluding goodwill and intangibles)		**(10.7)**	13.2
Exchange and fair value movements associated with borrowings and derivative financial instruments		**8.6**	(11.0)
Tax credit on fair value movements arising on borrowings and derivative financial instruments		**–**	–
Exchange differences reclassified to the Consolidated income statement in respect of the disposal of foreign operations		**–**	(5.9)
Gains and losses on cash flow hedges		**0.7**	(0.5)
Transfer to profit and loss on cash flow hedges		**(3.1)**	(0.7)
		(8.2)	0.2
Other comprehensive income/(expense)		**1.0**	(0.8)
Total comprehensive expense		**(27.3)**	(132.3)
Attributable to:			
Equity holders of the Company		**(27.3)**	(132.3)
		(27.3)	(132.3)

The 2020 results have been restated as set out in the Statement of significant accounting policies.

The accompanying Statement of significant 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 2021

	Note	2021 £m	Restated 2020 £m	Restated 1 January 2020 £m
Non-current assets				
Property, plant and equipment	10	**66.9**	63.2	58.6
Right-of-use assets	25	**230.9**	229.6	255.2
Goodwill	13	**120.1**	128.8	159.0
Intangible assets	14	**16.7**	18.5	30.2
Lease receivables	25	**2.9**	3.6	4.4
Deferred tax assets	24	**4.8**	5.7	4.4
Derivative financial instruments	20	**–**	0.1	1.7
		442.3	449.5	513.5
Current assets				
Inventories	16	**242.0**	170.3	156.5
Lease receivables	25	**0.8**	0.7	0.8
Trade and other receivables	17	**371.3**	294.4	294.7
Current tax assets	17	**–**	–	0.9
Derivative financial instruments	20	**0.2**	–	0.9
Cash at bank and on hand	20	**145.1**	235.3	110.0
Assets classified as held for sale		**–**	–	258.4
		759.4	700.7	822.2
Total assets		**1,201.7**	1,150.2	1,335.7
Current liabilities				
Trade and other payables	18	**369.7**	301.4	327.4
Lease liabilities	18	**50.7**	50.6	51.5
Interest-bearing loans and borrowings		**–**	–	275.1
Deferred consideration	18	**1.1**	0.5	–
Other financial liabilities	18	**0.4**	0.5	1.5
Derivative financial instruments	18	**0.5**	0.5	0.2
Current tax liabilities	18	**4.6**	4.2	3.7
Provisions	23	**12.9**	10.5	6.7
Liabilities directly associated with assets classified as held for sale		**–**	–	115.7
		439.9	368.2	781.8
Non-current liabilities				
Lease liabilities	25	**210.4**	211.6	224.1
Interest-bearing loans and borrowings	19	**249.6**	212.2	–
Deferred consideration	20	**0.7**	0.4	–
Derivative financial instruments	20	**–**	0.4	1.9
Other financial liabilities	20	**0.6**	1.2	1.4
Other payables		**3.8**	3.5	1.0
Retirement benefit obligations	31	**10.7**	25.1	24.8
Provisions	23	**21.3**	25.7	18.6
		497.1	480.1	271.8
Total liabilities		**937.0**	848.3	1,053.6
Net assets		**264.7**	301.9	282.1
Capital and reserves				
Called up share capital	27	**118.2**	118.2	59.2
Share premium account	27	**–**	447.7	447.3
Treasury shares reserve		**(12.5)**	(0.2)	–
Capital redemption reserve		**0.3**	0.3	0.3
Share option reserve		**4.4**	2.0	1.8
Hedging and translation reserves		**2.4**	10.5	10.2
Cost of hedging reserve		**0.1**	0.2	0.3
Merger reserve		**92.5**	92.5	–
Retained profits/(losses)		**59.3**	(369.3)	(237.0)
Attributable to equity holders of the Company		**264.7**	301.9	282.1
Total equity		**264.7**	301.9	282.1

The Consolidated balance sheets at 31 December 2020 and 1 January 2020 have been restated as set out in the Statement of significant accounting policies.

The accompanying Statement of significant accounting policies and Notes to the consolidated financial statements are an integral part of this Consolidated balance sheet.

The Financial Statements were approved by the Board of Directors on 10 March 2022 and signed on its behalf by:

Steve Francis
Director

Ian Ashton
Director

Registered in England: 00998314

Consolidated statement of changes in equity

for the year ended 31 December 2021

	Called up share capital £m	Share premium account £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 2020 (restated)	59.2	447.3	–	0.3	1.8	10.2	0.3	–	(237.0)	282.1
Loss after tax (restated)	–	–	–	–	–	–	–	–	(131.5)	(131.5)
Other comprehensive income/ (expense)	–	–	–	–	–	0.3	(0.1)	–	(1.0)	(0.8)
Total comprehensive income/ (expense)	–	–	–	–	–	0.3	(0.1)	–	(132.5)	(132.3)
Issue of share capital	59.0	0.4	–	–	–	–	–	92.5	–	151.9
Transfer of unallocated treasury shares	–	–	(0.2)	–	–	–	–	–	0.2	–
Credit to share option reserve	–	–	–	–	0.2	–	–	–	–	0.2
At 31 December 2020 (restated)	118.2	447.7	(0.2)	0.3	2.0	10.5	0.2	92.5	(369.3)	301.9
Loss after tax	–	–	–	–	–	–	–	–	(28.3)	(28.3)
Other comprehensive (expense)/ income	–	–	–	–	–	(8.1)	(0.1)	–	9.2	1.0
Total comprehensive expense	–	–	–	–	–	(8.1)	(0.1)	–	(19.1)	(27.3)
Purchase of treasury shares	–	–	(12.3)	–	–	–	–	–	–	(12.3)
Credit to share option reserve	–	–	–	–	2.6	–	–	–	–	2.6
Settlement of share options	–	–	–	–	(0.2)	–	–	–	–	(0.2)
Capital reduction	–	(447.7)	–	–	–	–	–	–	447.7	–
At 31 December 2021	**118.2**	**–**	**(12.5)**	**0.3**	**4.4**	**2.4**	**0.1**	**92.5**	**59.3**	**264.7**

Total equity at 1 January 2020 and 31 December 2020 has been restated as set out in the Statement of significant accounting policies.

The share option reserve represents the cumulative equity-settled share option charge under IFRS 2 “Share-based payments” 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 taken directly to reserves as detailed in the Statement of significant accounting policies.

Treasury shares relate to shares purchased by the Employee Benefit Trust (“the EBT”) to satisfy awards made under the Group’s share plans which are not vested and beneficially owned by employees. Shares became unallocated during the prior year and were transferred to the treasury shares reserve.

The share premium account was cancelled during the year through a capital reduction. See Note 27 for further details.

The merger reserve represents the premium on ordinary shares issued during the prior year through the use of a cash box structure. See Note 27 for further details.

The accompanying Statement of significant 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 2021

	Note	2021 £m	Restated 2020 £m
Net cash flow from operating activities			
Cash generated from/(used in) operating activities	28	**7.4**	(50.5)
Income tax paid		**(10.4)**	(9.7)
Net cash used in operating activities		**(3.0)**	(60.2)
Cash flows from investing activities			
Finance income received		**0.7**	0.7
Purchase of property, plant and equipment and computer software		**(18.6)**	(13.3)
Proceeds from sale of property, plant and equipment		**2.7**	5.6
Net cash flow on the purchase of businesses	15	**(10.1)**	(0.8)
Settlement of amounts payable for previous purchases of businesses	15	**(0.5)**	–
Net cash flow arising on the sale of businesses	11	**–**	147.8
Net cash flow from investing activities		**(25.8)**	140.0
Cash flows from financing activities			
Finance costs paid[1]		**(36.3)**	(23.3)
Repayment of lease liabilities		**(57.3)**	(54.8)
Repayment of borrowings		**(200.3)**	(55.1)
Proceeds from borrowings		**251.5**	–
Repayment of revolving credit facility ("RCF")[2]		**–**	(30.0)
Settlement of derivative financial instruments		**0.8**	(0.1)
Acquisition of treasury shares		**(12.3)**	–
Net proceeds from equity raise	27	**–**	151.9
Net cash flow from financing activities		**(53.9)**	(11.4)
(Decrease)/increase in cash and cash equivalents in the year	29	**(82.7)**	68.4
Cash and cash equivalents at beginning of the year[3]	30	**235.3**	145.1
Effect of foreign exchange rate changes	30	**(7.5)**	21.8
Cash and cash equivalents at end of the year[3]	30	**145.1**	235.3

1. Finance costs paid in the current year include a £12.9m make-whole payment in connection with the refinancing during the year (see Note 5).
2. As part of the changes to the debt facility agreements on 18 June 2020 (see Note 19), £70.0m drawn under the existing RCF was converted into a £70.0m term facility, with no additional repayment or drawdown made.
3. Cash and cash equivalents comprise cash at bank and on hand of £145.1m (2020: £235.3m) less bank overdrafts of £nil (2020: £nil). Cash and cash equivalents at 1 January 2020 include £110.0m from continuing operations and £35.1m from businesses held for sale.

The 2020 results have been restated as set out in the Statement of significant accounting policies.

The accompanying Statement of significant accounting policies and Notes to the consolidated financial statements are an integral part of this Consolidated cash flow statement.

Statement of significant accounting policies

for the year ended 31 December 2021

The significant accounting policies adopted in this Annual Report and Accounts for the year ended 31 December 2021 are set out below.

Basis of preparation

The Consolidated Financial Statements are prepared in accordance with UK adopted international accounting standards.

The Financial statements have been prepared under the historical cost convention except for derivative financial instruments 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 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.

The subsidiary of the Company, SIG Building Systems Limited (registered number 07976470), is entitled to exemption from audit under s479A of the Companies Act 2006 relating to subsidiary companies.

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 2023 nor the viability of the Group over the next three years.

The Financial statements have been prepared on a going concern basis as set out below.

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.

On 18 November 2021 the Group completed the restructuring of its debt arrangements, comprising the issue of €300m senior secured notes and a new RCF of £50m. The existing private placement notes of £129.8m and £70m term loan were repaid, together with a £12.9m make-whole payment on early settlement of the private placement notes. The Group now has committed facilities in place to November 2026 (senior secured notes) and May 2026 for the RCF. The senior secured notes are subject to incurrence based covenants only, and 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 RCF was undrawn at 31 December 2021.

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 2023.

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:

- a decline in market conditions resulting in lower than forecast sales;
- continued implementation of the Return to Growth strategy taking longer than anticipated to deliver forecast increases in revenue and profit;
- potential impact of material shortages on forecast sales; and
- further waves of the Covid-19 pandemic having an impact on trading.

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 Viability statement review on page 65.

The Directors have considered the impact of climate-related matters on the going concern assessment and it is not expected to have a significant impact on the Group's going concern assessment to 31 March 2023.

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 2023 and the Directors therefore consider it appropriate to adopt the going concern basis in preparing the 2021 financial statements.

New standards, interpretations and amendments adopted

The following amendments and interpretations apply for the first time in 2021, but have not had a material impact on the Financial Statements of the Group:

- Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 Interest Rate Benchmark Reform – Phase 2
- Amendments to IFRS 16 Covid-19 Related Rent Concessions beyond 30 June 2021

New standards, amendments and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 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.

Change in accounting policy – Software as a Service ("SaaS") arrangements

Following the IFRS Interpretations Committee (IFRIC) agenda decision published in April 2021, the Group has reviewed its accounting policy regarding the configuration and customisation costs incurred in implementing SaaS arrangements.

SaaS arrangements are arrangements in which the Group does not currently control the underlying software used in the arrangement.

The Group's revised policy 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 and are considered to meet the Group's definition of Other items.

Previously some configuration and customisation costs relating to SaaS arrangements which did not result in a separately identifiable software intangible assets had been capitalised.

The change in accounting policy has been retrospectively applied, resulting in a restatement to previously reported numbers. The impact on the Consolidated balance sheet and equity is a reduction in intangible assets and retained profits/(losses) of £12.1m at 1 January 2020 and £4.4m at 31 December 2020. The impact on the Consolidated income statement is as follows:

Increase/(decrease) in profit/(loss)	31 December 2020 £m
Other underlying operating expenses	(0.4)
Amortisation of computer software	0.6
Underlying operating loss	**0.2**
Impairment charges	14.6
Cloud computing configuration and customisation costs	(7.1)
Other items	**7.5**
Operating loss	**7.7**
Loss before and after tax from continuing operations	**7.7**

A £14.6m impairment was previously recognised in 2020 and included within Other items in relation to the SAP 1HANA and related project implementation costs. The impact of the restatement is that £9.7m of this is now included in costs expensed in the previous year (so is reflected within the £12.1m reduction in intangibles at 1 January 2020) and £4.9m is included within cloud computing configuration and customisation costs within Other items in 2020. A further £2.2m other costs relating to significant strategic projects are also now included within Other items in 2020, amounting to the total £7.1m shown above.

The impact on basic and diluted loss per share is an increase in basic and diluted loss per share from continuing operations of 0.9p per share and an increase in basic and diluted total loss per share of 0.9p per share.

The impact on the Consolidated cash flow statement is an increase in the net cash inflow from investing activities of £7.5m (due to a reduction in the purchase of property, plant and equipment and computer software) and a decrease in the net cash used in operating activities of £7.5m, with no change in the overall increase in cash and cash equivalents in the year.

Disclosure restatements

Disaggregation of revenue:

Heating, ventilation and air conditioning is no longer considered to be a distinct product type requiring separate disclosure in Note 1(a) to the prior year Consolidated Financial Statements. The prior year comparatives have been restated to present revenue by product type on a consistent basis with the current year, with £6.9m of revenue previously shown as heating, ventilation and air conditioning combined within the Interiors product type. This does not impact any of the primary statements or other notes to the financial statements.

Cost of inventories recognised as an expense:

During the preparation of the 2021 Annual Report and Accounts, an error was identified in the comparative amount disclosed for the cost of inventories recognised as an expense in Note 3 to the consolidated financial statements as supplier rebates, discounts received and intercompany amounts were not correctly reflected in the calculation. This is corrected as a restatement of the previously reported disclosure, with cost of inventories recognised as an expense reduced from £1,888.2m in 2020 to £1,395.2m. This does not impact any of the primary statements or other notes to the financial statements.

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 unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. 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 on goodwill is not 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.

Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of carrying amount and fair values less costs to sell. Assets and liabilities classified as held for sale are presented separately as current items in the Consolidated balance sheet.

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

A disposal group qualifies as a discontinued operation if it is a component of an entity that has either been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount of profit or loss after tax from discontinued operations in the income statement. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise. The Air Handling business, which was sold in January 2020, met the criteria above as it was a separate major line of business of the Group and was therefore classified as a discontinued operation in the prior year. Additional disclosures are provided in Note 12.

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, all of 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 are as follows:

- **Costs related to acquisitions**
  The Group has made a number of acquisitions in the current and 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.

Consolidated income statement disclosure continued

- **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 a fundamental restructuring project, other fundamental project or if significant in size. Other impairments are included in underlying results.
- **Profits and losses on agreed sale or closure of non-core businesses and associated impairment charges**
  The gain or loss on the sale or closure of businesses tends to be significant in size and irregular in nature and is related to businesses that will not be part of the continuing Group. The gain or loss on the sale or closure of these businesses is therefore included within Other items.
- **Net operating losses attributable to businesses identified as non-core**
  Operating results from businesses identified as non-core do not form part of the ongoing trading activities of the Group and they are therefore recorded separately in Other items in order to enhance the understanding of the ongoing financial performance of the Group and its businesses. Non-core businesses are those businesses that have been closed or disposed of or where the Board has resolved to close or dispose of the business by 31 December 2021 and which don't meet the criteria to be classified as a discontinued operation. The presentation is applied retrospectively, so businesses classified as non-core after the period end but before the Consolidated financial statements are signed are included in the Other items column in the reporting period, and prior year comparatives are restated for businesses identified as non-core after signing of the prior year Annual Report and Accounts. There are currently no businesses classified as non-core.
- **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.
- **Investment in omnichannel retailing**
  Costs incurred in the prior year in relation to the Group's investment in developing an omnichannel retailing platform were included within Other items as they were significant in size and do not relate to the ongoing trading activities of the Group.
- **Costs associated with refinancing**
  Costs associated with the refinancing and changes to debt facility agreements during the current and prior year 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. This includes the make-whole payment in 2021, the loss on modification of the private placement notes in 2020 and subsequent release in 2021 and the write-off of arrangement fees in relation to the previous arrangements which have been extinguished, which are included within non-underlying finance costs.
- **Cloud computing customisation and configuration costs**
  Costs incurred in relation to the implementation of SaaS arrangements which are recognised as expenses in the Consolidated income statement are included within Other items if they relate to significant strategic projects 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 and tax adjustments in respect of previous years' Other items are 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 the following revenue streams which fall under the category of "construction contracts":

i) Contracts for provision of industrial services

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 2021 and £nil in 2020). 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.

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; or
- 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 or Monte Carlo option pricing model as appropriate.

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 computed in the Company's issued share capital 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 years
Non-compete contracts	Life of the contract	3 years
Computer software	Useful life of the software	3-10 years

Assets in the course of construction are carried at cost, with amortisation commencing once the assets are ready for their intended use.

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)	3-8 years or length of lease

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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such a time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the Consolidated income statement in the period in which they are incurred.

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

Leases and hire purchase agreements

Leases and hire purchase agreements are recognised in accordance with IFRS 16 "Leases".

a) The Group's leasing activities

The Group leases various offices, warehouses, branches, equipment and cars. 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 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.

b) 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 recognised and depreciated over the lease term. The lease payments are discounted using the lessee's incremental borrowing rate.

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. The lease liability is also remeasured upon the occurrence of certain events, which is generally also recognised as an adjustment to the right-of-use asset. Provisions for short-term onerous lease contracts continue to be recognised.

i) 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.

ii) 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.

iii) 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.

iv) Asset restoration costs

Where there is an obligation under a lease contract to dismantle and/or restore the asset to its original condition, provision is made for this in accordance with IAS 37, and the initial carrying amount of this provision is added to the right-of-use asset 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).

v) 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.

The Group has considered the amendments within the Covid-19-Related Rent Concessions (Amendment to IFRS 16) Standard allowing companies with rent concessions meeting the criteria in the amendment to choose to take advantage of the practical expedient not to assess whether a rent concession is a lease modification as all of the following conditions were met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

The only changes as a result of Covid-19 have been changes in the timing of payments (for example from quarterly to monthly) and there are therefore no significant amounts recognised in the income statement from Covid-19 related rent concessions during the year.

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 particular 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.

Cash held but not available for use by the Group is disclosed as restricted cash within Note 29.

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; and
- 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.

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 Group's consolidated statement of financial position) 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.

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; and
- 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.

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.

Provisions continued

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.

Onerous contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. An onerous contract is a contract under which the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received under it.

Pension schemes

SIG 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 in 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 in 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 Financial statements until they have been approved by the Shareholders at the Annual General Meeting.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. The Group considered that the Coronavirus Job Retention Scheme in the UK and similar schemes in Ireland, France and Benelux in relation to Covid-19 during 2020 met the definition of government grants in accordance with IAS 20 "Accounting for government grants and disclosure of government assistance". Income received is netted off the related staff costs in the relevant period.

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.

There are no changes to the reported operating segments from those reported in the 2020 Annual Report and Accounts, but the Germany and Benelux segments are no longer grouped together, reflecting the current leadership structure and the way in which information is reported and reviewed by the CODM. The "Distribution" business area is now also referred to as "Interiors", hence UK Distribution and France Distribution are now referred to as UK Interiors and France Interiors.

In the application of the Group's accounting policies, which are described on pages 134 to 146, 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 Financial statements. The judgements involving estimations are dealt with separately below.

Classification of Other items in the Consolidated income statement

As described in the Statement of significant 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. Operating results from businesses identified as non-core (see Note 11 of the Financial Statements) do not form part of the ongoing trading activities of the Group and are therefore also recorded separately in Other items in order to enhance the understanding of the ongoing 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 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 losses can be utilised after consideration of available taxable temporary differences. The Group has £77.9m (2020: £57.0m) of potential deferred tax assets relating mainly to cumulative UK tax losses and other deductible temporary differences which are currently unrecognised as there is not considered to be sufficient convincing evidence at 31 December 2021 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 2021 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 £77.9m. Further details are disclosed in Note 24.

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.

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 £261.4m from continuing operations for the year ended 31 December 2021 (2020: £198.5m). At 31 December 2021 trade payables is presented net of £29.8m (2020: £29.9m) 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 £58.2m (2020: £36.7m) 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 £1.0m (2020: £1.0m)

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" ("IAS 19"). As detailed within the Statement of significant 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 £2.6m as disclosed in Note 31. At 31 December 2021 the Group's retirement benefit obligations were £10.7m (2020: £25.1m).

Key sources of estimation uncertainty continued

Impairment of goodwill

The Group tests goodwill annually for impairment, or more frequently if there are indications that an impairment may be required. Impairments of goodwill and other non-current assets were recognised in the UK business in 2020 and in Benelux in 2021.

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. 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 (for example the turnaround risk associated with achievement of the return to growth strategy in certain CGUs).

The Group performs goodwill impairment reviews 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 (1.5%-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 13.

Impairments are allocated initially against the value of any goodwill and intangible assets held within a CGU, with any remaining impairment applied to property, plant and equipment on a pro rata basis.

The carrying amount of relevant non-current assets at 31 December 2021 is £434.6m (2020 restated: £440.1m) including right-of-use assets recognised in accordance with IFRS 16. The most recent results of the impairment review process are disclosed in Note 13. An impairment charge of £9.9m has been recognised in relation to the Benelux CGU. The carrying value of non-current assets associated with all the other Group's CGU's is considered supportable at 31 December 2021. 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 £120.1m. Sensitivities are disclosed in Note 13. These indicate reasonably possible scenarios which could lead to further impairment.

Provisions against receivables

At 31 December 2021 the Group has recognised trade receivables with a carrying value of £287.7m (2020: £232.7m). 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 2021. The total allowance for ECLs recorded at 31 December 2021 is £16.1m (2020: £15.3m). The bad debt to sales ratio of the Group has varied by up to 0.1% over recent periods, therefore this gives an indication that the bad debt experience could vary by c£2m. Further detail on trade receivables and the allowance for expected credit losses recognised is disclosed in Note 17.

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 £22.0m at 31 December 2021 (2020: £22.1m) in relation to this obligation (see Note 23). 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 c.10% based on past experience.

Leases – estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, 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 2021

1. Revenue and segmental information

Revenue

2021	UK Interiors £m	UK Exteriors £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	**507.4**	**–**	**507.4**	**195.3**	**–**	**195.3**	**393.2**	**92.4**	**51.1**	**186.7**	**–**	**1,426.1**
Exteriors	**–**	**422.2**	**422.2**	**–**	**406.0**	**406.0**	**–**	**–**	**37.1**	**–**	**–**	**865.3**
Inter-segment revenue^	**3.4**	**0.6**	**4.0**	**0.1**	**11.6**	**11.7**	**–**	**–**	**0.1**	**–**	**(15.8)**	**–**
Total underlying revenue	**510.8**	**422.8**	**933.6**	**195.4**	**417.6**	**613.0**	**393.2**	**92.4**	**88.3**	**186.7**	**(15.8)**	**2,291.4**
Revenue attributable to businesses identified as non-core	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**510.8**	**422.8**	**933.6**	**195.4**	**417.6**	**613.0**	**393.2**	**92.4**	**88.3**	**186.7**	**(15.8)**	**2,291.4**
Nature of revenue												
Goods for resale (recognised at point in time)	**510.8**	**422.8**	**933.6**	**195.4**	**417.6**	**613.0**	**393.2**	**92.4**	**83.7**	**186.7**	**(15.8)**	**2,286.8**
Construction contracts (recognised over time)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4.6**	**–**	**–**	**4.6**
Total	**510.8**	**422.8**	**933.6**	**195.4**	**417.6**	**613.0**	**393.2**	**92.4**	**88.3**	**186.7**	**(15.8)**	**2,291.4**

^ Inter-segment revenue is charged at the prevailing market rates.

2020 (Restated)	UK Interiors £m	UK Exteriors £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	357.4	–	357.4	168.1	–	168.1	370.7	91.6	46.3	149.5	–	1,183.6
Exteriors	–	310.1	310.1	–	344.8	344.8	–	–	34.2	–	–	689.1
Inter-segment revenue^	1.5	0.5	2.0	0.9	7.6	8.5	0.1	0.1	0.1	–	(10.8)	–
Total underlying revenue	358.9	310.6	669.5	169.0	352.4	521.4	370.8	91.7	80.6	149.5	(10.8)	1,872.7
Revenue attributable to businesses identified as non-core	–	–	–	–	1.8	1.8	–	–	–	–	–	1.8
Total	358.9	310.6	669.5	169.0	354.2	523.2	370.8	91.7	80.6	149.5	(10.8)	1,874.5
Nature and timing of revenue												
Goods for resale (recognised at point in time)	358.9	310.6	669.5	169.0	354.2	523.2	370.8	91.7	75.2	149.5	(10.8)	1,869.1
Construction contracts (recognised over time)	–	–	–	–	–	–	–	–	5.4	–	–	5.4
Total	358.9	310.6	669.5	169.0	354.2	523.2	370.8	91.7	80.6	149.5	(10.8)	1,874.5

^ Inter-segment revenue is charged at the prevailing market rates.

The 2020 results have been restated to the include heating, ventilation and air conditioning product type within Interiors. See the Statement of significant accounting policies.

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 Statement of significant accounting policies.

a) Segmental analysis

2021	UK Interiors £m	UK Exteriors £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
Revenue												
Underlying revenue	507.4	422.2	929.6	195.3	406.0	601.3	393.2	92.4	88.2	186.7	–	2,291.4
Revenue attributable to businesses identified as non-core	–	–	–	–	–	–	–	–	–	–	–	–
Inter-segment revenue^	3.4	0.6	4.0	0.1	11.6	11.7	–	–	0.1	–	(15.8)	–
Total revenue	510.8	422.8	933.6	195.4	417.6	613.0	393.2	92.4	88.3	186.7	(15.8)	2,291.4
Segment result before Other items	(2.5)	25.0	22.5	11.2	17.4	28.6	3.6	(4.9)	2.8	6.3	–	58.9
Amortisation of acquired intangibles	(0.3)	(4.0)	(4.3)	–	(0.4)	(0.4)	–	–	–	–	–	(4.7)
Impairment charges	(0.3)	–	(0.3)	–	–	–	–	(9.9)	–	–	–	(10.2)
Acquisition costs	(1.5)	–	(1.5)	–	–	–	–	–	–	–	–	(1.5)
Cloud computing customisation and configuration costs	(0.6)	(0.5)	(1.1)	–	(0.8)	(0.8)	(0.8)	(0.6)	–	–	–	(3.3)
Net restructuring costs	0.1	(0.6)	(0.5)	–	–	–	(1.4)	(0.4)	–	–	–	(2.3)
Segment operating (loss)/ profit	(5.1)	19.9	14.8	11.2	16.2	27.4	1.4	(15.8)	2.8	6.3	–	36.9
Parent Company costs												(17.5)
Parent Company Other items*												(5.4)
Operating profit												14.0
Net finance costs before Other items												(22.1)
Non-underlying finance costs												(7.8)
Loss before tax												(15.9)
Income tax expense												(12.4)
Loss for the year												(28.3)

^ Inter-segment revenue is charged at the prevailing market rates.

* Parent company Other items include costs associated with refinancing £2.4m, onerous contract costs £2.0m, restructuring costs £1.4m offset by other specific items £0.4m credit. See Note 2 for further details.

2020 (Restated)	UK Interiors £m	UK Exteriors £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
Revenue												
Underlying revenue	357.4	310.1	667.5	168.1	344.8	512.9	370.7	91.6	80.5	149.5	–	1,872.7
Revenue attributable to businesses identified as non-core	–	–	–	–	1.8	1.8	–	–	–	–	–	1.8
Inter-segment revenue^	1.5	0.5	2.0	0.9	7.6	8.5	0.1	0.1	0.1	–	(10.8)	–
Total revenue	358.9	310.6	669.5	169.0	354.2	523.2	370.8	91.7	80.6	149.5	(10.8)	1,874.5
Segment result before Other items	(45.3)	(7.3)	(52.6)	7.1	8.3	15.4	0.4	2.5	0.8	2.0	–	(31.5)
Amortisation of acquired intangibles	(0.9)	(4.3)	(5.2)	–	(0.4)	(0.4)	–	–	–	–	–	(5.6)
Impairment charges	(49.7)	(11.8)	(61.5)	–	–	–	–	–	–	–	–	(61.5)
Acquisition costs	–	(0.2)	(0.2)	–	–	–	–	–	–	–	–	(0.2)
Profits and losses on agreed sale or closure of non-core businesses (Note 11)	(0.3)	–	(0.3)	–	(0.9)	(0.9)	–	–	–	–	–	(1.2)
Net operating losses attributable to businesses identified as non-core (Note 11)	–	–	–	–	(0.3)	(0.3)	–	–	–	–	–	(0.3)
Onerous contract costs	(1.0)		(1.0)	–	–	–	–	–	–	–	–	(1.0)
Net restructuring costs	(4.0)	(1.7)	(5.7)	–	(0.1)	(0.1)	(0.5)	(0.4)	–	–	–	(6.7)
Cloud computing customisation and configuration costs	(1.5)	(0.9)	(2.4)	–	–	–	–	–	–	–	–	(2.4)
Other specific items	(0.1)	–	(0.1)	–	0.1	0.1	0.2	–	–	–	–	0.2
Segment operating (loss)/profit	(102.8)	(26.2)	(129.0)	7.1	6.7	13.8	0.1	2.1	0.8	2.0	–	(110.2)
Parent Company costs												(21.6)
Parent Company Other items*												(28.2)
Operating loss												(160.0)
Net finance costs before Other items												(23.0)
Non-underlying finance costs												(11.6)
Loss before tax and discontinued operations												(194.6)
Income tax expense												(6.6)
Profit from discontinued operations												69.7
Loss for the year												(131.5)

^ Inter-segment revenue is charged at the prevailing market rates.

* Parent company Other items include investment in omnichannel retailing £4.2m, costs associated with refinancing £7.4m, onerous contract costs £12.2m, cloud computing customisation and configuration costs £4.7m and other specific items £1.6m, offset by profit on agreed sale or closure of non-core businesses of £1.9m. See Note 2 for further details.

The 2020 results have been restated as a result of the change in accounting policy relating to configuration and customisation costs in cloud computing arrangements. See the Statement of significant accounting policies.

1. Revenue and segmental information continued

2021	UK Interiors £m	UK Exteriors £m	Total UK £m	France Interiors £m	France Exteriors £m	Total France £m	Germany £m	Benelux £m	Ireland £m	Poland £m	Total Group £m
Balance sheet											
Assets											
Segment assets	**222.3**	**262.6**	**484.9**	**69.5**	**208.0**	**277.5**	**136.1**	**53.9**	**54.2**	**66.2**	**1,072.8**
Unallocated assets:											
Property, plant and equipment											**0.3**
Derivative financial instruments											**0.2**
Cash and cash equivalents											**126.9**
Other assets											**1.5**
Consolidated total assets											**1,201.7**
Liabilities											
Segment liabilities	**204.6**	**124.1**	**328.7**	**54.6**	**117.8**	**172.4**	**74.7**	**21.7**	**30.9**	**33.5**	**661.9**
Unallocated liabilities:											
Interest-bearing loans and borrowings											**249.6**
Derivative financial instruments											**0.5**
Other liabilities											**25.0**
Consolidated total liabilities											**937.0**

2020 (restated)	UK Interiors £m	UK Exteriors £m	Total UK £m	France Interiors £m	France Exteriors £m	Total France £m	Germany £m	Benelux £m	Ireland £m	Poland £m	Total Group £m
Balance sheet											
Assets											
Segment assets	150.6	241.0	391.6	67.6	210.6	278.2	138.1	48.7	52.6	59.5	968.7
Unallocated assets:											
Right-of-use assets											1.4
Property, plant and equipment											0.3
Derivative financial instruments											0.1
Cash and cash equivalents											174.9
Other assets											4.8
Consolidated total assets											1,150.2
Liabilities											
Segment liabilities	188.3	112.1	300.4	48.8	104.9	153.7	79.5	9.6	31.9	28.3	603.4
Unallocated liabilities:											
Interest-bearing loans and borrowings											212.2
Derivative financial instruments											0.9
Other liabilities											31.8
Consolidated total liabilities											848.3

The 2020 balance sheet has been restated as set out in the Statement of significant accounting policies.

2021	UK Interiors £m	UK Exteriors £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
Other segment information												
Capital expenditure on:												
Property, plant and equipment	5.3	3.1	8.4	1.4	2.6	4.0	0.7	2.9	0.9	0.2	0.1	17.2
Computer software	–	0.4	0.4	0.1	0.5	0.6	0.1	–	0.2	0.1	–	1.4
Goodwill and intangible assets acquired	9.8	–	9.8	–	–	–	–	–	–	–	–	9.8
Non-cash expenditure:												
Depreciation of fixed assets	3.1	3.3	6.4	0.6	1.6	2.2	1.1	0.7	0.6	0.3	0.1	11.4
Depreciation of right-of-use assets	13.5	8.6	22.1	5.9	9.1	15.0	12.8	2.1	1.6	3.2	0.1	56.9
Impairment of property, plant and equipment and computer software	0.3	–	0.3	–	–	–	–	–	–	–	–	0.3
Impairment of right-of-use assets	–	–	–	–	–	–	–	0.1	–	–	0.4	0.5
Amortisation of acquired intangibles and computer software	2.5	4.5	7.0	–	0.4	0.4	0.1	–	0.2	0.1	0.3	8.1
Impairment of goodwill and intangibles (excluding computer software)	–	–	–	–	–	–	–	9.9	–	–	–	9.9

2020 (restated)	UK Interiors £m	UK Exteriors £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
Other segment information												
Capital expenditure on:												
Property, plant and equipment	4.4	3.9	8.3	0.3	2.4	2.7	0.9	0.7	0.4	0.2	0.1	13.3
Computer software	0.2	0.1	0.3	–	–	–	0.2	–	0.3	–	0.4	1.2
Goodwill and intangible assets acquired	–	1.8	1.8	–	–	–	–	–	–	–	–	1.8
Non-cash expenditure:												
Depreciation of fixed assets	3.3	2.5	5.8	0.6	1.5	2.1	1.7	0.6	0.5	0.4	0.1	11.2
Depreciation of right-of-use assets	15.2	8.0	23.2	5.1	8.6	13.7	12.9	1.6	1.7	3.2	0.3	56.6
Impairment of right-of-use assets	10.2	–	10.2	–	–	–	–	–	–	–	–	10.2
Impairment of property, plant and equipment and computer software^	4.0	–	4.0	–	–	–	–	–	–	–	–	4.0
Amortisation of acquired intangibles and computer software^	4.1	4.7	8.8	–	0.4	0.4	–	–	0.2	0.1	0.9	10.4
Impairment of goodwill and intangibles (excluding computer software)	35.5	11.8	47.3	–	–	–	–	–	–	–	–	47.3

^ Restated due to the change in accounting policy in relation to customisation and configuration costs in cloud computing arrangements. See the Statement of significant accounting policies for further details.

1. Revenue and segmental information continued

b) 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 derivative financial instruments) by geographical location are as follows:

Country	2021 £m	Restated 2020 £m
United Kingdom	**228.7**	217.6
Ireland	**13.1**	14.6
France	**108.3**	113.4
Germany	**49.8**	59.5
Poland	**12.0**	13.4
Benelux	**22.7**	21.6
Total	**434.6**	440.1

2. Other operating expenses

a) Analysis of other operating expenses

	2021			2020 (restated)		
	Before Other items £m	Other items £m	Total £m	Before Other items £m	Other items £m	Total £m
Other operating expenses:						
Distribution costs	**282.2**	**3.7**	**285.9**	261.2	8.0	269.2
Selling and marketing costs	**158.0**	**1.0**	**159.0**	138.8	1.4	140.2
Management, administrative and central costs	**120.5**	**22.7**	**143.2**	123.3	98.2	221.5
Property profits	**–**	**–**	**–**	(0.2)	(0.2)	(0.4)
Total	**560.7**	**27.4**	**588.1**	523.1	107.4	630.5

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 Statement of significant accounting policies):

	2021			2020 (restated)		
	Other items £m	Tax impact £m	Tax impact %	Other items £m	Tax impact £m	Tax impact %
Amortisation of acquired intangibles (Note 14)	**(4.7)**	**0.2**	**4.3%**	(5.6)	1.1	19.6%
Impairment charges[1]	**(10.2)**	**–**	**–**	(61.5)	–	–
Profits and losses on agreed sale or closure of non-core businesses (Note 11)	**–**	**–**	**–**	0.6	–	–
Net operating losses attributable to businesses identified as non-core (Note 11)	**–**	**–**	**–**	(0.3)	–	–
Net restructuring costs[2]	**(3.7)**	**0.5**	**13.5%**	(6.7)	1.0	14.9%
Costs related to acquisitions (Note 15)	**(1.5)**	**–**	**–**	(0.2)	–	–
Investment in omnichannel retailing	**–**	**–**	**–**	(4.2)	–	–
Costs associated with refinancing[3]	**(2.4)**	**0.5**	**20.8%**	(7.4)	1.4	18.9%
Onerous contract costs[4]	**(2.0)**	**–**	**–**	(13.2)	0.3	2.3%
Cloud computing configuration and customisation costs[5]	**(3.3)**	**0.5**	**15.2%**	(7.1)	–	–
Other specific items[6]	**0.4**	**–**	**–**	(1.3)	0.2	15.4%
Impact on operating profit/(loss)	**(27.4)**	**1.7**	**6.2%**	(106.9)	4.0	3.7%
Non-underlying finance costs[7]	**(7.8)**	**1.5**	**19.2%**	(11.6)	0.1	0.9%
Impact on profit/(loss) before tax	**(35.2)**	**3.2**	**9.1%**	(118.5)	4.1	3.5%

1. Impairment charges comprises £9.9m relating to goodwill (see Note 13) and £0.3m relating to additional impairment of an investment property (Note 10). Impairment charges in the prior year comprised £45.4m related to goodwill (Note 13), £1.9m customer relationships in intangibles (Note 14), £0.5m other software costs (Note 14), £3.5m tangible fixed assets (Note 10) and £10.2m right-of-use assets (Note 25). The prior year numbers have been restated to remove £14.6m impairment of software due to the change in accounting policy relating to configuration and customisation costs in cloud computing arrangements. See the Statement of significant accounting policies for further details.
2. Net restructuring costs include property closure costs of £1.2m (2020: £0.8m), redundancy and related staff costs of £2.4m (2020: £2.8m), restructuring consultancy costs of £0.1m (2020: £2.9m) and other costs of £nil (2020: £0.2m). These costs have been incurred principally in connection with the restructuring of corporate functions as part of the implementation of the Return to Growth strategy, and restructuring in Germany and Benelux.
3. Costs associated with refinancing includes legal and professional fees of £4.9m (2020: £8.3m) offset by a £2.5m (2020: £0.9m) gain in relation to the termination of the cash flow hedging arrangements as a result of the refinancing.
4. Onerous contract costs includes £2.0m (2020: £11.4m) relating to provisions recognised for licence fee commitments where no future economic benefit is expected to be obtained, principally in relation to the SAP 1HANA implementation (see Note 23) together with £nil (2020: £1.8m) licence fees recognised in the Consolidated income statement during the year whilst the project was on hold.
5. Cloud computing configuration and customisation costs relate to costs incurred on strategic projects involving SaaS arrangements which are expensed as incurred rather than being capitalised as intangible assets. Prior year amounts have been restated to include these costs as a result of the change in accounting policy during the year. See the Statement of significant accounting policies for further details.
6. Other specific items of £0.4m credit in 2021 relates principally to the transfer from cash flow hedging reserve to profit and loss in relation to the cash flow hedging arrangements on the private placement notes following partial repayment in 2020. The prior year amount included PwC investigation costs £1.8m and GMP equalisation costs £0.4m (see Note 31), offset by £0.6m gain on fair value of a forward currency option not hedged, £0.1m costs in relation to the cyber attack in France and £0.2m Other specific items.
7. Non-underlying finance costs comprise a £12.9m make-whole payment on settlement of the private placement notes, £2.8m write-off of arrangement fees in relation to the previous debt arrangements, offset by £8.0m release of the loss on modification recognised on amendment of the private placement notes in 2020, together with £0.1m unwinding of the discount on the onerous contract provision. Costs in 2020 comprised £11.3m loss on modification recognised in relation to the private placement notes and £0.3m write-off of arrangement fees in relation to the previous RCF which was extinguished during 2020.

The total impact of the above amounts on the Consolidated cash flow statement is a cash outflow of £27.8m, including £12.9m within finance costs paid.

3. Operating profit/(loss)

	2021 £m	Restated 2020 £m
Operating profit/(loss) is stated after charging/(crediting):		
Cost of inventories recognised as an expense	**1,680.0**	1,395.2
Net decrease in provision for inventories	**0.5**	2.7
Depreciation of property, plant and equipment	**11.4**	11.2
Depreciation of right-of-use assets	**56.9**	56.6
Amortisation of acquired intangibles	**4.7**	5.6
Amortisation of computer software	**3.4**	4.8
(Gain)/loss on disposal of property, plant and equipment	**(0.9)**	0.9
Impairment charges (Note 2 and Note 25)	**10.7**	62.4
Expense relating to short term leases (Note 25)	**0.8**	0.8
Net increase in provision for receivables (Note 17)	**4.8**	8.2
Foreign exchange rate losses	**0.3**	0.2

The prior year comparative for cost of inventories recognised as an expense has been restated to correct an error identified in the calculation. Amortisation of computer software and impairment charges have been restated as a result of the change in accounting policy in relation to customisation and configuration costs in cloud computing arrangements. Further details are provided in the Statement of significant accounting policies.

Auditor's remuneration:

During the year the Group incurred the following costs for services provided by the Company's auditor:

	2021 £m	2020 £m
Audit of the Company and Group financial statements	**0.9**	1.3
Audit of the Company's subsidiaries	**1.7**	2.0
Total audit fees*	**2.6**	3.3
Audit-related assurance services^	**0.4**	0.2
Total non-audit fees	**0.4**	0.2
Total fees	**3.0**	3.5

* The current year costs include £0.3m costs in relation to the 2020 audit (2020: £0.7m in relation to 2019).

^ The audit-related assurance services comprise £0.2m relating to the interim review and £0.2m relating to assurance services in connection with the refinancing completed during the year. It is usual practice for a company's Auditor to perform this work.

The Audit Committee Report on page 111 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:

	2021 £m	2020 £m
Employee costs during the year amounted to:		
Wages and salaries	**247.6**	218.3
Social security costs	**44.8**	41.5
IFRS 2 share option charge	**2.6**	0.2
Pension costs (Note 31)	**6.7**	6.2
Redundancy costs	**1.5**	1.2
Total staff costs	**303.2**	267.4

Amounts received from furlough schemes in relation to Covid-19 of £nil (2020: £8.1m) have been deducted from staff costs reported above (see Note 26). In addition to the above, redundancy and related staff costs of £2.4m (2020: £2.8m) have been included within Other items (Note 2).

Of the pension costs noted above, a charge of £0.4m (2020: £nil) relates to defined benefit schemes and a charge of £6.3m (2020: £6.2m) relates to defined contribution schemes. See Note 31 for more details.

The average monthly number of persons employed by the Group during the year was as follows:

	2021 Number	2020 Number
Production	**229**	242
Distribution	**2,408**	2,314
Sales	**2,828**	2,791
Administration	**1,155**	1,101
Total	**6,620**	6,448

The average numbers above include no staff that were employed in businesses classified as non-core (2020: 18).

Directors' emoluments

Details of the individual Directors' emoluments are given in the Directors' Remuneration Report on page 121.

The employee costs shown above include the following emoluments in respect of Directors of the Company:

	2021 £m	2020 £m
Directors' remuneration (excluding IFRS 2 share option charge but including social security costs)	**3.1**	2.2
Total	**3.1**	2.2

5. Finance income and finance costs

	2021			2020		
	Underlying £m	Other items £m	Total £m	Underlying £m	Other items £m	Total £m
Finance income						
Interest on bank deposits	**0.7**	**–**	**0.7**	0.7	–	0.7
Total finance income	**0.7**	**–**	**0.7**	0.7	–	0.7
Finance costs						
On bank loans, overdrafts and other associated items[1]	**4.6**	**–**	**4.6**	4.3	–	4.3
On private placement notes[2]	**4.7**	**–**	**4.7**	6.8	–	6.8
On senior secured notes[3]	**1.7**	**–**	**1.7**	–	–	–
On obligations under lease contracts	**11.6**	**–**	**11.6**	12.3	–	12.3
Total interest expense	**22.6**	**–**	**22.6**	23.4	–	23.4
Make-whole payment on settlement of private placement notes	**–**	**12.9**	**12.9**	–	–	–
Write off of arrangement fees on extinguished debt[4]	**–**	**2.8**	**2.8**	–	0.3	0.3
Loss on modification of private placement notes[5]	**–**	**(8.0)**	**(8.0)**	–	11.3	11.3
Unwinding of provision discounting[6]	**–**	**0.1**	**0.1**	–	–	–
Net finance charge on defined benefit pension schemes	**0.2**	**–**	**0.2**	0.3	–	0.3
Total finance costs	**22.8**	**7.8**	**30.6**	23.7	11.6	35.3
Net finance costs	**22.1**	**7.8**	**29.9**	23.0	11.6	34.6

1. Other associated items includes the amortisation of arrangement fees of £0.9m (2020: £0.7m).
2. Included within finance costs on private placement notes is the amortisation of arrangement fees of £0.6m (2020: £0.4m) and the amortisation of the loss on modification of £2.1m (2020: £1.2m).
3. Included within finance costs on the senior secured notes is the amortisation of arrangement fees of £0.1m (2020: £nil).
4. As part of the restructuring of the debt agreements in November 2021 the previous debt (private placement notes and term loan) has been extinguished and arrangement fees which were being amortised over the term of the previous facilities have been written off. As part of the changes to debt facility agreements on 18 June 2020, £70.0m drawn under the previous RCF was converted into a £70.0m term facility, which was accounted for as an extinguishment of the previous facility and new arrangement, and therefore arrangement fees which were being amortised over the term of the previous facility were written off.
5. The amendments to the private placement loan notes on 18 June 2020 met the criteria for a modification of the existing arrangements rather than an extinguishment and refinancing, resulting in the recognition of a loss on modification of £11.3m in 2020, reflecting the difference in the present value of the future cashflows discounted at the loans' original effective interest rates. The amortisation of this loss on modification is included within underlying finance costs on private placement notes over the remaining term of the notes, resulting in a reduction in finance costs compared to the amount paid. On 18 November 2021 the private placement notes were fully repaid and the remaining balance of the loss on modification has been released.
6. Relates to the onerous contract provision included within Other items. See Note 2 for further details.

6. Income tax

The income tax expense comprises:

		2021 £m	2020 £m
Current tax			
UK & Ireland corporation tax:	– charge for the year	**0.3**	0.5
	– adjustments in respect of previous years	**–**	–
		0.3	0.5
Mainland Europe corporation tax:	– charge for the year	**10.6**	5.6
	– adjustments in respect of previous years	**2.0**	(0.1)
		12.6	5.5
Total current tax		**12.9**	6.0
Deferred tax			
Current year credit		**(1.1)**	(2.2)
Adjustments in respect of previous years		**0.6**	2.6
Deferred tax credit in respect of pension schemes		**(0.1)**	–
Effect of change in rate		**0.1**	0.2
Total deferred tax		**(0.5)**	0.6
Total income tax expense		**12.4**	6.6

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:

	2021		Restated 2020	
	£m	%	£m	%
Loss before tax from continuing operations	**(15.9)**		(194.6)	
Profit before tax from discontinued operations (Note 12)	**–**		72.0	
Loss before tax	**(15.9)**		(122.6)	
Expected tax credit	**(1.5)**	**9.4%**	(13.4)	10.9%
Factors affecting the income tax expense for the year:				
Expenses not deductible for tax purposes^	**4.5**	**(28.3)%**	19.6	(16.0)%
Non–taxable income*	**(0.1)**	**0.6%**	(33.2)	27.1%
Impairment and disposal charges not deductible for tax purposes**	**1.4**	**(8.8)%**	15.1	(12.3)%
Deductible temporary differences not recognised for deferred tax purposes	**5.4**	**(34.0)%**	18.1	(14.8)%
Other adjustments in respect of previous years	**2.6**	**(16.4)%**	2.5	(2.0)%
Effect of change in rate on deferred tax	**0.1**	**(0.6)%**	0.2	(0.2)%
Total income tax expense	**12.4**	**(78.0)%**	8.9	(7.3)%
Income tax expense reported in the consolidated income statement	**12.4**		6.6	
Income tax attributable to a discontinued operation (Note 12)	**–**		2.3	
	12.4		8.9	

^ The majority of the Group's expenses that are not deductible for tax purposes are in relation to internal restructuring and impairments of property in 2021 and 2020, and the divestments of businesses in 2020.

* The majority of the Group's non-taxable income in 2020 related to the divestments of businesses.

** During the year the Group incurred impairment charges of £9.9m (2020: £45.4m) in relation to goodwill (as set out in Note 13) which are not deductible for tax purposes.

The effective tax rate for the Group on the total loss before tax of £15.9m (2020 (restated): £122.6m) is negative 78.0% (2020 (restated): negative 7.3%). As the Group operates in several different countries tax losses cannot be surrendered or utilised cross border. Tax losses are not currently recognised in respect of the UK business (Note 24) which has the effect of reducing the overall effective tax rate.

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 24).

The Group has previously disclosed the EU's investigation into the UK controlled foreign company (CFC) rules which gave rise to potential additional tax payable of up to £5m (before interest and penalties), which was not provided for. HMRC has now completed its review of the Group's tax arrangements for the periods in question and confirmed that they complied with the requirements of the UK CFC legislation and that it considers that the Group's arrangements did not result in unlawful State Aid. Accordingly, HMRC has accepted the Group's tax returns as submitted and there is no longer a potential exposure or payment to be made.

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, with the exception of deferred tax on share options which has been recognised in the Consolidated statement of changes in equity:

	2021 £m	2020 £m
Deferred tax movement associated with re-measurement of defined benefit pension liabilities*	**(0.1)**	0.3
Tax credit associated with re-measurement of defined benefit pension liabilities*	**–**	0.4
Total	**(0.1)**	0.7

* These items will not subsequently be reclassified to the Consolidated income statement.

7. Dividends

No interim dividend was paid for the year ended 31 December 2021 and no final dividend is proposed. No interim or final dividend was proposed or paid for the year ended 31 December 2020. No dividends have been paid between 31 December 2020 and the date of signing the financial statements.

At 31 December 2021 the Company has distributable reserves of £190.2m (2020: negative £217.1m) as set out in Note 14 of the Company financial statements. On 24 June 2021 the Group completed the cancellation of its share premium account, resulting in the transfer of £447.7m from share premium to retained profits/(losses) and the creation of distributable reserves. See Note 27 for further details.

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	
	2021 £m	Restated 2020 £m
Loss attributable to ordinary equity holders of the parent for basic and diluted earnings per share from continuing operations	**(28.3)**	(201.2)
Profit attributable to ordinary equity holders of the parent from discontinued operations	**–**	69.7
Loss attributable to ordinary equity holders of the parent for basic and diluted earnings per share	**(28.3)**	(131.5)

	Basic and diluted before Other items	
	2021 £m	Restated 2020 £m
Loss attributable to ordinary equity holders of the parent for basic and diluted earnings per share from continuing operations	**(28.3)**	(201.2)
Add back:		
Other items (Note 2)	**32.0**	114.4
Profit/(loss) attributable to ordinary equity holders of the parent for basic and diluted earnings per share from continuing operations before other items	**3.7**	(86.8)

Weighted average number of shares	2021 Number	Restated 2020 Number
For basic and diluted (loss)/earnings per share	**1,177,972,694**	871,941,603
Effect of dilution from share options	**–**	–
Adjusted for the effect of dilution	**1,177,972,694**	871,941,603

Due to incurring a loss per share, share options are considered antidilutive in the current and prior year as their conversion into ordinary shares would decrease the loss per share. The calculation of diluted earnings/(loss) per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings/(loss) per share. The weighted average number of shares at 31 December 2020 has been restated to reflect the antidilutive nature of the share options.

The weighted average number of shares excludes those held by the EBT which are not vested and beneficially owned by employees. The weighted number of shares has increased due to the equity raise which completed on 10 July 2020 with 589,999,995 new ordinary shares issued for gross proceeds of £165m.

	2021	Restated 2020
Loss per share		
From continuing operations:		
Basic loss per share	**(2.4)p**	(23.1)p
Diluted loss per share	**(2.4)p**	(23.1)p
Total:		
Basic loss per share	**(2.4)p**	(15.1)p
Diluted loss per share	**(2.4)p**	(15.1)p
Earnings/(loss) per share before Other items^		
Basic earnings/(loss) per share from continuing operations before Other items	**0.3p**	(10.0)p

^ Earnings/(loss) per share before Other items (also referred to as underlying earnings/(loss) per share) has been disclosed in order to present the underlying performance of the Group.

Loss per share for the year ended 31 December 2020 has been restated to reflect the restatement of the 2020 results as explained in the Statement of significant accounting policies. The diluted loss per share for the year ended 31 December 2020 has also been restated to reflect the antidilutive nature of the share options.

9. Share-based payments

The Group had four share-based payment schemes in existence during the year ended 31 December 2021 (2020: five). The Group recognised a total charge of £2.6m (2020: £0.2m) 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 42p (2020: 34p). Details of each of the schemes are provided below.

a) Management Incentive Plan ("MIP")

On 16 May 2018 the Management Incentive Plan ("MIP") was approved. Under this Plan, senior leadership and wider leadership team members can be awarded an annual grant of restricted and deferred share options up to a certain percentage of base salary. Restricted share options have no performance conditions other than the employee remaining in employment for the three year vesting period. The deferred share options are formally granted 12 months after the granting of the restricted share options, with the number of options granted based on the achievement of certain performance criteria for the relevant financial year. The deferred share options vest after a further two years provided the employee remains in employment. The vesting period for both options is considered to be the three years from the granting of the restricted share options as this is the date on which both parties have a shared understanding of the terms and conditions of the arrangement. There were no new awards of restricted and deferred shares in 2021 or 2020, except for an uplift to previously issued awards in 2020 to reflect the increased number of shares following the equity raise, resulting in a further 30,020 awards being issued.

MIP options	2021 Options	2020 Options
At 1 January	**924,506**	1,800,019
Granted during the year	**–**	30,020
Exercised during the year	**(346,684)**	–
Lapsed during the year	**(234,777)**	(905,533)
At 31 December	**343,045**	924,506

Of the above share options outstanding at the end of the year, 8,838 (2020: nil) were exercisable at 31 December 2021. The options outstanding at 31 December 2021 and 2020 had no exercise price, and therefore a weighted average exercise price of nil p (2020: nil p), and a weighted average remaining contractual life of 0.3 years (2020: 0.8 years). In the year 346,684 options were exercised, of which 328,096 were settled in cash.

b) 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	2021 Options	2020 Options
At 1 January	**16,548,665**	–
Granted during the year	**11,168,431**	16,548,665
Lapsed	**(3,042,174)**	–
At 31 December	**24,674,922**	16,548,665

Of the above share options outstanding at the end of the year, nil were exercisable at 31 December 2021. All options granted during the current and prior year have no exercise price. The options outstanding at 31 December 2021 therefore have a weighted average exercise price of nil p (2020: nil p) and the options outstanding have a weighted average remaining contractual life of 2.1 years (2020: 2.9 years). In the year, no options were exercised.

9. Share-based payments continued

b) Restricted Share Plan ("RSP") (continued)

The assumptions used in the Black-Scholes model in relation to the restricted share awards are as follows:

	2020 RSP Awards		
	31 October 2021	26 March 2021	1 December 2020
Share price (on date of official grant)	**52p**	**39p**	33p
Exercise price	**0.0p**	**0.0p**	0.0p
Expected volatility	**53.1%**	**53.9%**	54.1%
Actual life	**3 years**	**3 years**	3 years
Risk free rate	**0.74%**	**0.15%**	(0.01)%
Dividend	**3.2%**	**3.2%**	3.3%
Expected percentage options to be exercised at date of grant	**90%**	**92%**	92%
Revised expectation of percentage of options to be exercised as at 31 December 2021	**90%**	**81%**	90%

The weighted average fair value of RSP awards granted during 2021 was 41p (2020: 34p). 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.

c) Directors' deferred shares

80,128 awards were also issued during the year in relation to the directors' 2020 annual bonus plan which was 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 40p per share. Assumptions used in the Black-Scholes model in relation to these awards are the same as the March 2021 RSP awards above.

1,236,494 deferred shares have also been accrued in relation to the directors' 2021 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 48p per share. Assumptions used in the Black-Scholes model in relation to these awards include share price at date of award 47p, risk free rate 0.16%, dividend yield 3.2% and expected volatility 53.7%.

Of the above awards outstanding at the end of the year, nil were exercisable at 31 December 2021. The awards have a weighted average exercise price of nil p and the options outstanding have a weighted average remaining contractual life of 3.1 years.

d) 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 two years. In 2021, 232,081 (2020: 296,162) matching shares were granted during the year. Given the nature of the scheme, the fair value of the matching shares equates to the cost of the Company acquiring these shares.

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 2020	41.8	57.3	148.6	247.7
Exchange differences	1.8	1.1	4.2	7.1
Additions	0.2	6.3	6.8	13.3
Transferred from held for sale	0.2	0.6	15.1	15.9
Reclassifications	(3.3)	6.1	(1.4)	1.4
Disposals	(0.9)	(5.7)	(8.7)	(15.3)
At 31 December 2020	39.8	65.7	164.6	270.1
Exchange differences	**(2.2)**	**(1.3)**	**(4.4)**	**(7.9)**
Additions	**0.5**	**6.6**	**10.1**	**17.2**
Added on acquisition	**–**	**–**	**1.5**	**1.5**
Reclassifications	**3.1**	**(1.6)**	**2.8**	**4.3**
Disposals	**(0.5)**	**(5.7)**	**(32.6)**	**(38.8)**
At 31 December 2021	**40.7**	**63.7**	**142.0**	**246.4**
Accumulated depreciation and impairment				
At 1 January 2020	21.8	40.4	126.9	189.1
Charge for the year	0.4	2.4	8.4	11.2
Impairment charges	–	2.8	0.7	3.5
Exchange differences	0.9	1.0	2.8	4.7
Reclassifications	(1.1)	2.1	(1.2)	(0.2)
Transferred from held for sale	–	0.4	9.2	9.6
Disposals	(1.0)	(2.5)	(7.5)	(11.0)
At 31 December 2020	21.0	46.6	139.3	206.9
Charge for the year	**0.7**	**3.0**	**7.7**	**11.4**
Impairment charges	**–**	**0.3**	**–**	**0.3**
Exchange differences	**(1.3)**	**(1.0)**	**(4.3)**	**(6.6)**
Reclassifications	**0.2**	**1.2**	**2.9**	**4.3**
Disposals	**(0.1)**	**(4.9)**	**(31.8)**	**(36.8)**
At 31 December 2021	**20.5**	**45.2**	**113.8**	**179.5**
Net book value				
At 31 December 2021	**20.2**	**18.5**	**28.2**	**66.9**
At 31 December 2020	18.8	19.1	25.3	63.2

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 (2020: £nil) has been recognised in rental income and £0.3m (2020: £0.6m) incurred in Other items during the year due to impairment of the asset following an increase in future rent. 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 2021 is estimated to be £0.5m (2020: £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 £2.3m (2020: £nil).

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.

£2.4m of the impairment charge in 2020 was attributable to the impairment in relation to the UK Distribution CGU (see Note 13). Indicators of a reversal of impairment are not considered sufficiently satisfied at 31 December 2021 and therefore no reversal of impairment is recognised in the current year. £1.1m was related to the impairment of the investment property referred to above and other assets.

10. Property, plant and equipment continued

Amounts included in software costs at 31 December 2019 with cost and net book value of £1.4m were reclassified to tangible fixed assets during the prior year (see Note 14).

11. Divestments and exit of non-core businesses

There have been no business divestments or closures during the current year and no amounts recognised in respect of profits and losses on agreed sale or closure of non-core businesses (2020: net gain of £0.6m). The prior year gain consisted of a £2.0m gain in relation to the disposal of the Middle East business, offset by costs of £0.2m in relation to the proposed disposal of Building Solutions which was due to complete in the first half of 2020 but was terminated in May 2020, a loss on the sale of the Maury business of £0.9m and other costs in relation to previous disposals of £0.3m. These are explained further below.

The sale of the Air Handling business also completed in the prior year and the gain on sale was included with the results from discontinued operations (Note 12).

Prior year divestments

The Middle East business, which was in the process of being closed, was sold on 22 January 2020 for AED1. A gain on sale of £2.0m was recognised in 2020, in relation to the reclassification to the Consolidated income statement of the cumulative exchange differences on the retranslation of the net assets of the business previously recognised in other comprehensive income in accordance with IAS 21 "The effects of foreign exchange rates" ("IAS 21").

On 10 September 2020 the Group completed the sale of Maury NZ SAS ("Maury"), the Group's high-end fabrication business in France and part of the France Exteriors (Larivière) segment, for proceeds of €25,000. An overall loss on sale of £0.9m was recognised within Other items, including the reclassification of the cumulative exchange differences on the retranslation of the net assets from equity to the Consolidated income statement, in accordance with IAS 21. Net assets at the date of disposal were £0.9m and costs of less than £0.1m were incurred, resulting in the overall loss on sale of £0.9m.

Costs of £0.2m were recognised during 2020 in relation to the proposed disposal of the Building Solutions business, which was previously classified as held for sale at 31 December 2019 as a sale had been agreed and was due to complete in the first half of 2020, which was subsequently terminated in May 2020 (and the business is now included within underlying operations). £0.3m costs were also incurred and recognised within Other items in relation to the Commercial Drainage business which was closed in 2019.

Contribution to revenue and operating loss

The only business classified as non-core in the prior year was Maury, which contributed £1.8m to revenue for the year ended 31 December 2020 and £0.3m operating loss for the year.

Cash flows associated with divestments and exit of non-core businesses

There is no net cash inflow in the year ended 31 December 2021 in respect of divestments and the exit of non-core businesses. Amounts for the prior year were as follows:

	2020		
	Air Handling £m	Other non-core businesses £m	Total £m
Cash consideration received for divestments	189.7	0.7	190.4
Cash at date of disposal	(29.2)	(0.2)	(29.4)
Disposal costs paid	(12.9)	(0.3)	(13.2)
Net cash inflow	**147.6**	**0.2**	**147.8**

Included within "Other non-core businesses" was £0.7m received during the year in relation to contingent consideration on the sale of the Building Plastics division in 2017.

The losses arising on the agreed sale or closure of non-core businesses and associated impairment charges, along with their results for the prior year, were disclosed within Other items in the Consolidated income statement in order to present the underlying earnings of the Group.

12. Discontinued operations

On 7 October 2019, the Group announced that it had agreed a sale of the Air Handling business for consideration of €222.7m on a cash free, debt free basis. The sale was approved by shareholders at a general meeting on 23 December 2019 and completed on 31 January 2020. At 31 December 2019, Air Handling was classified as a disposal group held for sale and as a discontinued operation as it represented a major line of business of the Group.

The results of the Air Handling business for the prior year are presented below. There are no amounts relating to discontinued operations in the current year.

	2020 £m
Revenue	25.4
Cost of sales	(15.0)
Gross profit	10.4
Other operating expenses	(9.3)
Operating profit	1.1
Finance costs	(0.1)
Profit before tax from discontinued operations before group other items	1.0
Income tax expense	(0.3)
Profit/(loss) after tax from discontinued operations	0.7
Gain on sale of subsidiary after income tax (see next page)	69.0
Profit/(loss) from discontinued operations	69.7

There were no amounts included in the Statement of other comprehensive income.

The net cash flows incurred by Air Handling are as follows:

	2020 £m
Operating	1.1
Investing	147.6
Financing	–
Net cash inflow	148.7

Earnings per share

	2020
Basic earnings per share from discontinued operations	8.0p
Diluted earnings per share from discontinued operations	8.0p

12. Discontinued operations continued

Gain on sale

	2020 £m
Consideration received[1]:	
Cash	191.9
Adjustment to consideration	(2.2)
Final consideration	189.7
Carrying amount of net assets sold[2]	(118.1)
Gain on sale before costs, income tax and reclassification of foreign currency translation reserve	71.6
Costs incurred in connection with the agreed disposal of the Air Handling business[3]	(4.3)
Reclassification of foreign currency translation reserve	3.7
Income tax expense on gain	(2.0)
Gain on sale after income tax	**69.0**

1. Consideration received was based on an enterprise value of €222.7m on a cash free, debt free basis, adjusted for actual levels of cash, debt and working capital in the Air Handling division at completion to give proceeds received of €228.6m (£191.9m). Net proceeds received exclusive of amounts repaid in relation to debt owed to the Group by the Air Handling division were €187.4m (£157.3m). As part of the completion process, further adjustments to the consideration were agreed and repaid by the Group, together with settlement of tax payments, reducing total consideration by £2.2m.
2. The carrying amount of net assets sold was the net assets held for sale at 31 December 2019 plus £0.4m relating to the net profit for the month of January 2020 less tax payments and working capital movements.
3. £12.2m of costs were also incurred and recognised in 2019 in connection with the sale. Including these in the overall calculation of the gain on sale above would give a gain on sale after income tax of £57.0m.

13. Goodwill

	£m
Cost	
At 1 January 2020	413.6
Business disposed	(0.7)
Acquisitions (Note 15)	1.0
Reclassified from held for sale	11.0
Exchange differences	10.7
At 31 December 2020	435.6
Acquisitions (Note 15)	**4.8**
Exchange differences	**(12.0)**
At 31 December 2021	**428.4**
Accumulated impairment losses	
At 1 January 2020	254.6
Impairment charges	45.4
Business disposed	(0.7)
Exchange differences	7.5
At 31 December 2020	306.8
Impairment charges	**9.9**
Exchange differences	**(8.4)**
At 31 December 2021	**308.3**
Net book value	
At 31 December 2021	**120.1**
At 31 December 2020	128.8

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 (2020: 9) following the acquisition of the Penlaw Group of companies and F30 Building Products Limited during the year. The addition of goodwill in the year of £4.8m relates to the acquisition of these two businesses (see Note 15), which are considered as separate CGUs for the current year. Ireland is a CGU of the Group but does not have any associated goodwill, and UK Interiors has no remaining goodwill balance following the impairment recognised during the prior year.

Summary analysis

The carrying value of goodwill in respect of all CGUs is set below. These are fully supported by value in use calculations as explained below.

	2021 £m	2020 £m
UK Exteriors	**57.4**	57.4
Penlaw Group	**2.7**	–
F30 Building Products	**2.1**	–
Building Solutions	**11.0**	11.0
France Exteriors (Larivière)	**34.8**	37.1
France Interiors (LiTT)	**5.2**	5.5
Germany	**2.4**	2.5
Poland	**1.2**	1.2
Benelux	**3.3**	14.1
Total goodwill	**120.1**	128.8

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 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 IFRS16, 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 (1.2%-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.

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, but there are no overriding changes to key assumptions relating to climate change 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.

2021 impairment review results

In the prior year, an impairment review was carried out at 30 June 2020, taking into account the impact of Covid-19 on the Group's forecasts, and an impairment charge of £42.8m was recognised, comprising £31.0m in relation to the UK Interiors CGU and £11.8m in relation to the UK Exteriors CGU. At 31 December 2020 the impairment review was updated to reflect management's latest forecasts and economic conditions and the results of this review indicated that the UK Interiors CGU was further impaired by £17.5m. This impairment was allocated against goodwill (£2.6m), customer relationships intangible assets (£1.9m), taking both of these to a carrying value of £nil, right-of-use assets (£10.1m), tangible fixed assets (£2.4m) and software (£0.5m).

13. Goodwill continued

An impairment review has been carried out at 31 December 2021 to reflect management's latest forecasts and current economic conditions. The results of this review indicated that the carrying value of goodwill and other assets associated with the Benelux CGU was no longer supportable. A challenging year and a temporary increase in the cost base necessary to improve operational effectiveness has led to a reduction in forecast future cashflows over the next three years for this CGU, and as a result an impairment charge of £9.9m has been recognised at 31 December 2021. The Benelux CGU is a reportable segment as disclosed in Note 1, and the charge has been included within Other items in the Consolidated income statement. The recoverable amount of the CGU is £37.3m, 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 Benelux 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. UK Interiors and Ireland do not have any goodwill at 31 December 2021 and are therefore not included in the analysis below.

		Average revenue growth (%)		Pre-tax discount rate (%)		Gross margin (%)		Long-term operating profit growth rate (average % per annum)	
2021	Headroom*	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	Assumption used in value in use calculation	Change required for carrying value to equal recoverable amount
Penlaw	£22.6m	5.0%	(16.3)%	9.3%	10.7%	21.1%	(3.4)%	2.0%	(27.7)%
F30	£11.5m	5.9%	(39.6)%	9.3%	33.4%	29.0%	(11.4)%	2.0%	n/a^
UK Exteriors	£82.3m	5.1%	(8.9)%	9.3%	4.7%	29.6%	(2.1)%	2.0%	(6.6)%
Building Solutions	£42.0m	1.7%	(24.7)%	9.3%	12.8%	26.7%	(5.4)%	2.0%	(20.8)%
France Interiors (LiTT)	£100.9m	3.8%	(20.0)%	8.9%	36.6%	29.3%	(5.0)%	1.2%	n/a^
France Exteriors (Larivière)	£88.3m	3.6%	(10.1)%	8.9%	7.0%	25.3%	(2.1)%	1.2%	(11.2)%
Germany (WeGo/VTi)	£21.5m	6.8%	(2.1)%	8.5%	2.1%	27.9%	(0.5)%	1.9%	(3.0)%
Poland	£61.2m	2.2%	(21.6)%	10.4%	18.7%	21.2%	(3.3)%	2.5%	(51.6)%

* compared to carrying value of goodwill, intangible assets, property, plant and equipment and right-of-use assets

** average growth over the three years

^ not applicable as there is still headroom if no growth rate applied.

The changes required represent the absolute change required to the assumption % used in the value in use calculation.

Of the above sensitivities for 2021, management considers the % changes in revenue growth and gross margin to be reasonably possible scenarios for Germany CGU, although this is not expected based on current trading performance and outlook. 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 IAS36 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 Benelux CGU, recoverable amount is based on average revenue growth over the three years of 7.8%, consistent gross margin with the current year, discount rate of 9.5% and long term growth rate of 1.9%. A 2% reduction in revenue would lead to further impairment of £4.0m.

2020	Headroom*	Average revenue growth (%) Assumption used in value in use calculation**	Average revenue growth (%) Change required for carrying value to equal recoverable amount	Pre tax discount rate (%) Assumption used in value in use calculation	Pre tax discount rate (%) Change required for carrying value to equal recoverable amount	Gross margin (%) Assumption used in value in use calculation	Gross margin (%) Change required for carrying value to equal recoverable amount	Long-term operating profit growth rate (average % per annum) Assumption used in value in use calculation	Long-term operating profit growth rate (average % per annum) Change required for carrying value to equal recoverable amount
UK Exteriors	£6.6m	4.1%	(1.0)%	12.5%	0.5%	29.4%	(0.3)%	2.0%	(1.3)%
Building Solutions	£26.1m	9.0%	(20.2)%	12.5%	9.5%	24.8%	(4.1)%	2.0%	(16.7)%
Ireland	£49.8m	7.9%	(21.7)%	10.4%	17.5%	24.5%	(4.3)%	2.0%	(70.3)%
France Interiors (LiTT)	£80.2m	0.8%	(20.0)%	11.9%	37.8%	28.1%	(4.7)%	1.6%	(115.1)%
France Exteriors (Larivière)	£6.7m	1.0%	(1.1)%	11.9%	0.5%	23.5%	(0.2)%	1.6%	(2.6)%
Germany (WeGo/VTi)	£64.4m	5.7%	(7.3)%	11.7%	6.0%	28.1%	(1.7)%	1.9%	(16.0)%
Poland	£8.2m	3.2%	(4.0)%	12.7%	3.1%	19.9%	(0.6)%	2.3%	(12.4)%
Benelux	£27.5m	10.7%	(12.2)%	12.3%	9.4%	24.3%	(2.4)%	1.6%	(33.5)%

* compared to carrying value of goodwill, intangible assets, property, plant and equipment and right-of-use assets.

** average growth in years 2 and 3 of the 3 year plan. Growth from 2020 to 2021 was not considered meaningful given the impact of Covid-19 on 2020.

The changes required represent the absolute change required to the assumption % used in the value in use calculation.

Of the above sensitivities for 2020, management considered the % changes in revenue growth and gross margin to be reasonably possible for the UK Exteriors and France Exteriors (Lariviere) CGUs, which would have led to an impairment of goodwill of £6.6m for UK Exteriors and £6.7m for France Exteriors (Lariviere). The other % changes in assumptions were not considered to be reasonably possible scenarios, but were included as additional voluntary information over and above that required by IAS36 in order to provide a full picture of the level of headroom and sensitivity to changes in assumptions for each CGU.

The UK Interiors CGU was impaired to recoverable amount in 2020 and was therefore not included in the 2020 table above. The table below sets out the key assumptions used in the value in use calculation for UK Interiors in the prior year and the additional impairment that would have arisen from a reasonably possible change in each of the key assumptions:

2020	UK Interiors Assumption used in value in use calculation (%)	UK Interiors Reasonably possible change in assumption (%)	UK Interiors Additional impairment caused by reasonably possible change
Revenue growth (average of year 2 and 3 growth)	11.5%	(1.0)%	£15.1m
Pre tax discount rate	12.6%	(0.5)%	£4.3m
Gross margin	23.3%	(0.3)%	£11.3m
Long-term operating profit growth rate (average % per annum)	2.0%	(0.2)%	£1.2m

The forecasts used in the 2021 impairment review take into account management's best estimate of future cash flows, reflecting the trading levels experienced during the year and the positive impact of the strategic actions undertaken to improve performance under the Return to Growth strategy. The Group continues to monitor the situation regarding Covid-19 and the potential impact of further waves which could adversely impact the Group's markets and trading performance and lead to further impairment of non-current assets in future periods if the severe lockdowns experienced in some countries in 2020 were to take place again.

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 2021.

14. 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 2020 (restated)	189.1	11.7	54.3	255.1
Additions	0.8	–	1.2	2.0
Disposals	–	–	(3.1)	(3.1)
Reclassifications	–	–	(1.4)	(1.4)
Exchange differences	–	–	0.8	0.8
Assets transferred from held for sale (Note 11)	16.6	–	0.6	17.2
At 31 December 2020 (restated)	206.5	11.7	52.4	270.6
Additions (Note 15)	**5.0**	**–**	**1.4**	**6.4**
Disposals	**–**	**–**	**(2.0)**	**(2.0)**
Exchange differences	**–**	**–**	**(1.0)**	**(1.0)**
At 31 December 2021	**211.5**	**11.7**	**50.8**	**274.0**
Amortisation				
At 1 January 2020 (restated)	175.2	11.7	38.0	224.9
Charge for the year	5.6	–	4.8	10.4
Impairment charges	1.9	–	0.5	2.4
Disposals	–	–	(2.0)	(2.0)
Exchange differences	–	–	0.7	0.7
Assets transferred from held for sale (Note 11)	15.3	–	0.4	15.7
At 31 December 2020 (restated)	198.0	11.7	42.4	252.1
Charge for the year	**4.7**	**–**	**3.4**	**8.1**
Disposals	**–**	**–**	**(2.0)**	**(2.0)**
Exchange differences	**–**	**–**	**(0.9)**	**(0.9)**
At 31 December 2021	**202.7**	**11.7**	**42.9**	**257.3**
Net book value				
At 31 December 2021	**8.8**	**–**	**7.9**	**16.7**
At 31 December 2020 (restated)	8.5	–	10.0	18.5

The 2020 software balances have been restated as a result of the IFRS Interpretations Committee (IFRIC) agenda decision on configuration and customisation costs in cloud computing arrangements. See the Statement of significant accounting policies for further details.

Amortisation of acquired intangibles is included in the Consolidated income statement as part of operating expenses and is classified within Other items.

The weighted average amortisation period for each category of intangible asset is disclosed in the Statement of significant accounting policies.

Included within computer software additions are assets in the course of construction of 0.4m (2020: £0.4m). £1.4m was reclassified to tangible fixed assets during the prior year (see Note 10).

The impairment charge in relation to customer relationships in 2020 related to the impairment recognised in relation to the overall impairment review of non-current assets of UK Interiors CGU (see Note 13). The impairment charge in relation to software related to the overall impairment of UK Interiors non-current assets (see Note 13). These charges were included within "Impairment charges" within Other items in the Consolidated income statement (see Note 2).

15. Acquisitions

The Group acquired the following businesses during the year:

	% ordinary share capital acquired	Acquisition date	Country of incorporation	Principal activity
F30 Building Products Limited	100%	10 March 2021	United Kingdom	Distributor of construction accessories
Penlaw and Company Limited	100%	26 October 2021	United Kingdom	Distributor of interiors and insulation products
Penlaw Northwest Limited	100%	26 October 2021	United Kingdom	Distributor of interiors and insulation products
Penlaw Norfolk Limited	100%	26 October 2021	United Kingdom	Distributor of interiors and insulation products
Penlaw Fixings Limited	100%	26 October 2021	United Kingdom	Distributor of interiors and insulation products

The Group acquired the above businesses to enlarge the UK Interiors business in terms of product range and geographic location, and the acquisitions are allocated to the UK Interiors segment. The four Penlaw companies were acquired as one transaction and are therefore considered as one business combination below and referred to as the Penlaw Group.

The provisional fair values of the identifiable assets and liabilities of the Penlaw acquisition and the final fair values of the F30 acquisition at the date of acquisition are as follows:

	2021			2020
	Penlaw Group £m	F30 Building Products £m	Total £m	Total £m
Assets				
Intangible assets (customer relationships)	**3.2**	**1.8**	**5.0**	0.8
Property, plant and equipment	**1.4**	**0.1**	**1.5**	0.1
Right-of-use asset	**7.2**	**0.3**	**7.5**	0.2
Cash and cash equivalents	**2.0**	**0.2**	**2.2**	3.2
Trade and other receivables	**20.6**	**1.1**	**21.7**	0.7
Inventories	**3.1**	**0.2**	**3.3**	0.4
	37.5	**3.7**	**41.2**	5.4
Liabilities				
Trade and other payables	**(20.8)**	**(1.3)**	**(22.1)**	(0.8)
Provisions	**(0.6)**	**(0.1)**	**(0.7)**	(0.2)
Current tax liability	**(0.1)**	**(0.1)**	**(0.2)**	(0.2)
Deferred tax liability	**(0.9)**	**(0.4)**	**(1.3)**	(0.1)
Lease liability	**(7.2)**	**(0.3)**	**(7.5)**	(0.2)
	(29.6)	**(2.2)**	**(31.8)**	(1.5)
Total identifiable net assets at fair value	**7.9**	**1.5**	**9.4**	3.9
Goodwill arising on acquisition (Note 13)	**2.7**	**2.1**	**4.8**	1.0
Purchase consideration transferred	**10.6**	**3.6**	**14.2**	4.9

The fair value of trade receivables amounts to £13.8m for the Penlaw Group and £1.2m for F30 Building Products. The gross amount of trade receivables is £15.1m for the Penlaw Group and £1.2m for F30 Building Products.

The Group measures the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use asset was measured at an amount equal to the lease liability.

The goodwill of £2.1m relating to F30 Building Products comprises 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 £2.7m relating to the Penlaw Group comprises the value of expected synergies arising from the acquisition, strategic fit with the UK Interiors business.

From the date of acquisition, the Penlaw Group contributed £9.9m of revenue and £0.4m loss to underlying profit before tax of the Group, and F30 Building Products contributed £6.5m of revenue and £0.8m to underlying profit before tax. If the acquisitions had taken place at the beginning of the year, revenue for the Group would have been £2,349.6m and loss before tax for the Group would have been £13.9m.

15. Acquisitions continued

Purchase consideration

	2021			2020
	Penlaw Group £m	F30 Building Products £m	Total £m	Total £m
Cash paid on completion	**9.8**	**2.5**	**12.3**	4.0
Deferred consideration due within one year	**0.2**	**0.5**	**0.7**	0.5
Deferred consideration due after more than one year	**0.1**	**0.6**	**0.7**	0.4
Contingent consideration due within one year	**0.1**	**–**	**0.1**	–
Contingent consideration due after more than one year	**0.4**	**–**	**0.4**	–
Total consideration	**10.6**	**3.6**	**14.2**	4.9

The contingent consideration in relation to the Penlaw Group is payable dependent on future performance of the business based on adjusted EBITDA exceeding an EBITDA threshold, as defined in the sale and purchase agreement, with up to a maximum of £0.6m payable for the first twelve months from completion and up to a maximum of £1.2m for the second twelve months from completion, subject to a maximum of £1.2m in total. The range of contingent consideration payable is therefore £nil to £1.2m. £0.5m has been recognised at the date of acquisition on the basis of current forecasts. This is included within other payables on the Consolidated balance sheet. The provision is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss. The fair value is measured using level 3 inputs and is sensitive to changes in one or more observable inputs.

In relation to F30 Building Products, a further amount of up to £0.8m is also payable over the twelve months from completion dependent on the future performance of the business and dependent on the vendor remaining within the business. This is therefore treated as remuneration and is being charged to the Consolidated income statement as earned. £0.6m has been recognised and included within accruals in relation to this at 31 December 2021.

Analysis of cash flows on acquisition

	2021			2020
	Penlaw Group £m	F30 Building Products £m	Total £m	Total £m
Consideration paid (included in cash flows from investing activities)	**(9.8)**	**(2.5)**	**(12.3)**	(4.0)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	**2.0**	**0.2**	**2.2**	3.2
Total net cash flow included in cash flows from investing activities	**(7.8)**	**(2.3)**	**(10.1)**	(0.8)
Transaction costs (included in cash flows from operating activities)	**(0.3)**	**(0.1)**	**(0.4)**	(0.2)
Net cash flow on acquisition	**(8.1)**	**(2.4)**	**(10.5)**	(1.0)

2020

The 2020 amounts above relate to the acquisition of S M Roofing Supplies Limited. On 17 October 2020 the Group acquired 100% of the share capital of S M Roofing Supplies Limited, a non-listed company based in the UK, for an enterprise value of £1.9m on a debt free cash free basis. Total consideration was £4.9m, including £3.2m for cash within the business on completion. £4.0m was paid in cash on completion and two further amounts totalling £0.9m are payable in one and two years' time (not subject to performance criteria and not conditional upon vendors remaining within the business).

The goodwill of £1.0m comprises the value of expected synergies arising from the acquisition (e.g. overhead costs in relation to finance, administration and management), strategic fit with the UK Exteriors business and geographic location. The 2020 provisional fair values of the identifiable assets and liabilities have been finalised during the current year with no further adjustments recognised.

From the date of acquisition, S M Roofing Supplies Limited contributed £1.0m of revenue and £nil to underlying profit before tax from continuing operations of the Group for the year ended 31 December 2020. If the combination had taken place at the beginning of the year, revenue from continuing operations for the Group would have been £1,877.8m and loss before tax from continuing operations for the Group would have been £70.1m (restated).

16. Inventories

	2021 £m	2020 £m
Raw materials and consumables	**7.0**	3.1
Work in progress	**2.0**	1.2
Finished goods and goods for resale	**233.0**	166.0
Total	**242.0**	170.3

The estimated replacement cost of inventories is not materially different from the balance sheet value stated above.

17. Trade and other receivables

	2021 £m	2020 £m
Trade receivables	**287.7**	232.7
VAT	**6.2**	3.8
Other receivables	**5.3**	7.5
Prepayments and accrued income	**72.1**	50.4
Trade and other receivables	**371.3**	294.4
Lease receivables (Note 25)	**0.8**	0.7
Current tax assets	**–**	–
Total receivables	**372.1**	295.1

Included within prepayments and accrued income is £58.2m (2020: £36.7m) 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. The average credit period on sale of goods and services for underlying operations on a constant currency basis is 46 days (2020: 45 days).

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 £16.1m at 31 December 2021 (2020: £15.3m).

Movement in the allowance for expected credit losses	2021 £m	2020 £m
At 1 January	**(15.3)**	(19.5)
Utilised	**3.3**	8.8
Unused amounts released to the Consolidated income statement	**2.3**	1.3
Transferred from held for sale	**–**	(0.2)
Disposal of non-core businesses	**–**	4.5
Charged to the Consolidated income statement	**(7.1)**	(9.5)
Exchange differences	**0.7**	(0.7)
At 31 December	**(16.1)**	(15.3)

The group applies the IFRS 9 simplified approach to measuring ECLs 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 2021, 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 ECLs, 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. ECL provisions have been adjusted where relevant to take account of experience during the year and forward looking information, considering the impact of Covid-19 in particular.

The concentration of credit risk is limited due to the customer base being large and unrelated.

17. Trade and other receivables continued

31 December 2021	Days past due < 30 days £m	30-60 days £m	61-90 days £m	> 91 days £m	Total £m
Expected credit loss rate	**0.2%**	**1.3%**	**8.9%**	**78.2%**	
Total gross carrying amount	**269.7**	**30.5**	**8.9**	**18.2**	**327.3**
Expected credit loss	**0.6**	**0.4**	**0.8**	**14.3**	**16.1**

The 2020 expected credit loss was as follows:

31 December 2020	Days past due < 30 days £m	30-60 days £m	61-90 days £m	> 91 days £m	Total £m
Expected credit loss rate	0.8%	4.0%	17.0%	61.1%	
Total gross carrying amount	219.7	22.7	4.7	19.3	266.4
Expected credit loss	1.8	0.9	0.8	11.8	15.3

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 £41.1m (2020: £41.1m) pledged as security in relation to the asset backed funding arrangement implemented in relation to the UK defined benefit pension plan. See Note 31 for further details.

Transfer of trade receivables

Consistent with previous years, the Group sold without recourse certain trade receivables, almost all in France, to banks and other financial institutions for cash proceeds. These trade receivables of £32.8m (2020: £25.2m) 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. There has been no significant change to credit risk management as a result of Covid-19.

The Group does not have any significant credit risk exposure to any single customer.

18. Current liabilities

	2021 £m	2020 £m
Trade payables	**229.4**	187.1
VAT	**15.8**	13.6
Social security and payroll taxes	**12.9**	12.2
Accruals and other payables	**111.6**	88.5
Trade and other payables	**369.7**	301.4
Lease liabilities (Note 25)	**50.7**	50.6
Deferred consideration	**1.1**	0.5
Other financial liabilities	**0.4**	0.5
Derivative financial instruments	**0.5**	0.5
Current tax liabilities	**4.6**	4.2
Provisions (Note 23)	**12.9**	10.5
Current liabilities	**439.9**	368.2

Trade payables is presented net of £29.8m (2020: £29.9m) due from suppliers in respect of supplier rebates where the Group has the right to net settlement.

Of the above balances, the lease liability contracts are secured on the underlying assets and the remaining balances are unsecured.

Trade payables, accruals and deferred income principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases for underlying operations on a constant currency basis is 45 days (2020: 48 days).

The Directors consider that the carrying amount of current liabilities approximates to their fair value.

19. Interest-bearing loans and borrowings

	2021 £m	2020 £m
Current interest-bearing loans and borrowings		
Lease liabilities (Note 25)	**50.7**	50.6
Other financial liabilities	**0.4**	0.5
Total current interest-bearing loans and borrowings	**51.1**	51.1
Non-current interest-bearing loans and borrowings		
Lease liabilities (Note 25)	**210.4**	211.6
Senior secured notes	**249.6**	–
Bank loan	**–**	67.7
Private placement notes	**–**	144.5
Other financial liabilities	**0.6**	1.2
Total non-current interest-bearing loans and borrowings	**460.6**	425.0
Total interest-bearing loans and borrowings	**511.7**	476.1

On 18 November 2021 the Group completed a restructuring of its debt arrangements. This comprised the issuance of €300m senior secured notes at a coupon of 5.25% and a new RCF of £50m. The proceeds from the senior secured notes were used to repay the existing private placement notes and £70m term loan, and the previous RCF of £25m was cancelled. This has been accounted for as an extinguishment of the previous arrangements, and arrangement fees and the loss on modification which were being amortised over the term of the previous facilities have been written off (see Note 5).

Senior secured notes

The €300m senior 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 £2.5m is unamortised at 31 December 2021.

The contractual repayment profile of the current senior secured notes and the previous private placement notes is shown below:

	2021		2020	
	£m	Fixed interest rate %	£m	Fixed interest rate %
Repayable in 2023	**–**	**–**	66.2	6.0%
Repayable in 2026*	**252.1**	**5.25%**	70.0	5.3%
Total gross amount payable	**252.1**	**–**	136.2	–
Unamortised fees	**(2.5)**	**–**	(1.8)	–
Loss on modification	**–**	**–**	10.1	–
Total	**249.6**	**5.25%**	144.5	5.6%

* The previous private placement notes were subject to a put option which if exercised by the lenders would have meant that the notes due in 2026 would have become due and payable in 2023

Committed facilities

The Group also has undrawn committed borrowing facilities at 31 December 2021 as follows:

	2021 £m	2020 £m
RCF expiring May 2023	**–**	25.0
RCF expiring May 2026	**50.0**	–
Total	**50.0**	25.0

No amounts were drawn on the previous or new RCF during the year to 31 December 2021, and no amounts have been drawn subsequent to 31 December 2021.

19. Interest-bearing loans and borrowings continued

Previous arrangements

Bank loan

As part of the amendments to the financing arrangements on 18 June 2020, the amount drawn on the RCF at that date of £70.0m was converted into a term facility due for repayment on 31 May 2023 and a RCF of £25.0m. The £70.0m term facility was included within non-current borrowings per the above, net of arrangement fees paid (of which £2.3m remained unamortised at 31 December 2020). This was accounted for as an extinguishment of the previous facility and new arrangement, therefore arrangement fees which were being amortised over the term of the previous facility were written off (see Note 5).

Private Placement Notes

On 18 June 2020 the Group concluded changes to its agreements with existing private placement notes holders with the following key changes:

- repayment of €30m of notes previously due on 31 October 2020 and €20m of notes previously due on 31 October 2021 deferred to 31 May 2023;
- £48.9m repaid on completion of the Group's equity raise in July 2020, split across each of the individual notes on a pro-rata basis;
- holders of the existing 2023 notes (due 31 October 2023) and 2026 notes (due 12 August 2026) granted a put option for those notes to be redeemed on 31 May 2023 at a price equal to 100% of the aggregate outstanding principal together with a make-whole amount calculated as specified in the agreement;
- additional fee of 2% per annum to be paid on the outstanding principal; and
- financial covenants were reset.

The loan notes were considered separately to determine whether the changes should be accounted for as a modification of the existing arrangement or as an extinguishment and refinancing. The Group concluded that each loan note met the criteria to be accounted for as a modification. Previous arrangement fees therefore continued to be amortised over the remaining term (£0.3m at the date of modification) together with arrangement fees incurred in relation to the new agreement (£1.9m). A loss on modification of £11.3m was also recognised, reflecting the difference in the present value of the future cash flows discounted at each loan note's original effective interest rate. This was recognised within finance costs within Other items (see Note 5). This was unwinding over the remaining term of the loan notes, resulting in the finance cost recognised being lower than the actual amounts paid.

£16.3m of private placement debt repayable in 2026 at 31 December 2020 that was denominated in US Dollar was swapped into Sterling through the use of cross-currency swaps. The remainder of the private placement debt at 31 December 2020 was denominated in Euros. The private placement debt in the table above was valued before application of the cross-currency swaps associated with the US Dollar denominated debt.

The fair value of borrowings is disclosed in Note 20.

20. Financial assets, liabilities, financial risk management and derivatives

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings 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	2021 £m	2020 £m
Financial assets at amortised cost			
Trade receivables	17	**287.7**	232.7
Cash at bank and on hand		**145.1**	235.3
Derivative financial instruments designated as hedging instruments	20d	**0.2**	0.1
Total		**433.0**	468.1

The interest received on cash deposits is at variable rates of interest of up to 0.17% (2020: 0.2%).

The Directors consider that the fair values of cash at bank and on hand, 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 17.

Of the above cash at bank on hand, £56.3m (2020: £137.6m) is denominated in Sterling, £79.4m (2020: £83.1m) in Euros, £8.7m (2020: £12.7m) in Polish Zloty, and £0.7m (2020: £1.9m) in other currencies.

b) Financial liabilities

The Group holds the following financial liabilities:

	Note	2021 £m	2020 £m
Financial liabilities at amortised cost			
Trade and other payables*	18	**341.0**	275.6
Borrowings	19	**249.6**	212.2
Deferred consideration		**1.8**	0.5
Lease liabilities	25	**261.1**	262.2
Derivative financial instruments designated as hedging instruments	20d	**0.4**	0.9
Derivative financial instruments not designated as hedging instruments		**0.1**	–
Other financial liabilities		**1.0**	1.7
Total		**855.0**	753.1

* 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.

2021 interest rate and currency profile

The interest rate and currency profile of the Group's financial liabilities at 31 December 2021, excluding prepayment of arrangement fees of £1.9m 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
Other borrowings	**Sterling**	**0.3**	**–**	**0.3**	**–**	**0.6**	**–**	**0.3**
Lease contracts	**Sterling**	**134.4**	**–**	**136.7**	**1.7%–5.3%**	**9.8**	**134.4**	**–**
Senior secured notes	**Euro**	**252.1**	**–**	**252.1**	**5.25%**	**4.9**	**252.1**	**–**
Other borrowings	**Euro**	**1.0**	**–**	**1.0**	**2.8%**	**1.0**	**1.0**	**–**
Lease contracts	**Euro**	**117.6**	**–**	**117.6**	**0.6%–5.7%**	**6.2**	**117.6**	**–**
Lease contracts	**Polish Zloty**	**9.1**	**2.4**	**6.7**	**2.1%-8.3%**	**6.5**	**9.1**	**–**
Total		**514.5**	**2.4**	**514.4**			**514.2**	**0.3**

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 materially approximate to the book value shown in the table above. The fair value of the Group's senior secured notes at 31 December 2021 is estimated to be £256.1m (2020: £164.7m) and is classified as a Level 2 fair value measurement for disclosure purposes. The remaining fixed rate debt amounts to £524.1m (2020: £260.3m) and relates to 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.

20. Financial assets, liabilities, financial risk management and derivatives continued

2020 interest rate and currency profile

The interest rate and currency profile of the Group's financial liabilities at 31 December 2020, after taking account of interest rate and currency derivative financial instruments (including derivative assets of £0.1m as noted above) but excluding prepayment of arrangement fees 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
Private placement notes	Sterling	16.6	–	16.6	6.2%	5.6	–	16.6
Other borrowings	Sterling	69.6	70.0	(0.4)	0.0%	0.6	–	69.6
Lease contracts	Sterling	131.9	–	131.9	0.0%–7.7%	8.7–22.3	131.9	–
Private placement notes	Euro	120.0	–	120.0	5.5%	4.0	–	120.0
Other borrowings	Euro	1.5	–	1.5	2.8%	2.0	1.5	–
Lease contracts	Euro	120.5	–	120.5	0.1%–5.7%	1.1–120.1	120.5	–
Other borrowings	Polish Zloty	0.1	0.1	–	n/a	n/a	0.1	–
Lease contracts	Polish Zloty	9.8	3.0	6.8	1.9%–8.3%	1.0–7.2	9.8	–
Lease contracts	Other	–	–	–	n/a	n/a	–	–
Total		**470.0**	**73.1**	**396.9**			**263.8**	**206.2**

In addition to the currency exposures above, the Group held two cross-currency derivative financial instruments for 2020 which altered the currency profile of the Group's financial liabilities. These amounted to an asset of £16.6m and a liability of €18.3m. These derivatives also further reduced the fixed interest payable of the Sterling private placement notes from 6.2% to 5.5 – 5.7%. The fair value of these derivatives was a net liability of £0.4m which is included in the Sterling value of other borrowings in the table above. The Group's net debt at 31 December 2020 was £238.2m and, after taking account of these cross-currency derivatives, the Group had net Euro financial liabilities of £54.6m.

In both 2021 and 2020, 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 an RCF with a principal bank. 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 2021 held cash of £145.1m (2020: £235.3m), and had £50.0m (2020: £25.0m) additional headroom from the new £50.0m RCF that matures in May 2026 (2020: £25.0m).

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. 59% of the Group's 2021 continuing revenues (2020: 65%) 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 20d ii).

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		
	2021	2020	Movement (%)	2021	2020	Movement (%)
Euro	**1.17**	1.13	3.4%	**1.19**	1.12	6.5%
Polish Zloty	**5.32**	5.04	5.7%	**5.46**	5.10	7.1%

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 though is reviewing its approach to fuel hedging in conjunction with the planned migration of the fleet to electric and lower carbon fuels.

Credit risk

Credit risk is covered in Note 17.

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 2021 is 99.5% (2020: 84%). The percentage of available gross debt at fixed rates of interest (including the undrawn RCF) is 90.7%.

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 and interest 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 2021 the Group held €300m (2020: €134m) of direct Euro-denominated debt through its senior 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.

20. Financial assets, liabilities, financial risk management and derivatives continued

As at 31 December 2020 the Group held two cross-currency derivative financial instruments which received fixed £16.6m and paid fixed €18.3m. These derivative financial instruments were designated as hedging instruments as part of the net investment hedge of the Group's Euro-denominated net assets. Fair value changes on these derivatives were recognised in other comprehensive income (in the hedging and translation reserve) to offset any gains or losses on translation of the net investments in the subsidiaries. These arrangements were terminated as part of the refinancing in November 2021.

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 statement of financial position is as follows:

	Notional amount €m	Carrying amount (Liability) £m	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period £m
At 31 December 2021				
Cross-currency swap	**–**	**–**	**Derivative financial instruments**	**0.5**
Foreign currency denominated borrowing	**300.0**	**252.1**	**Senior secured notes**	**1.3**
Foreign currency denominated borrowing	–	**–**	**Private placement notes**	**6.8**
At 31 December 2020				
Cross-currency swap	18.3	(0.1)	Derivative financial instruments	(1.4)
Foreign currency denominated borrowing	134.0	120.0	Private placement notes	(9.5)

The impact of the hedged item on the statement of financial position is as follows:

	31 December 2021			31 December 2020		
	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	Hedging and translation reserve £m	Cost of hedging reserve £m
Net investment in foreign subsidiaries	**8.6**	**8.6**	**–**	(10.9)	(10.7)	(0.2)

The hedging gain recognised in Other comprehensive income before tax is equal to the change in fair value used for measuring effectiveness. There is no ineffectiveness recognised in profit or loss.

Hedge of the Group's Euro denominated assets	2021 £m	202 £m 0
Asset/(liability) at 1 January	**0.1**	(1.9)
Fair value gains/(losses) recognised in equity	**0.5**	(1.4)
Cash settlement on derecognition	**(0.6)**	–
Cash settlement on partial derecognition	–	3.4
Liability at 31 December	–	0.1

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. The cash flow hedges described below are expected to impact upon both profit and loss and cash flow annually over the life of the hedging instrument and the related debt as interest falls due, and upon maturity of the debt and related hedging instrument.

Foreign currency risk

The Group previously faced a translation risk from the US Dollar on its private placement borrowings in respect of payments of interest and the principal amount. As at 31 December 2020, the Group held two cross-currency interest rate swaps which swapped fixed US Dollar-denominated debt (and the associated interest) held in the UK into fixed Sterling-denominated debt. These derivative financial instruments formed a cash flow hedge as they fixed the functional currency cash flows of the Group. These derivative financial instruments were designated and effective as cash flow hedges and the fair value movement was therefore deferred in equity via the Consolidated statement of comprehensive income. At 31 December 2020, the weighted average maturity date of these swaps was 5.6 years. Following the refinancing in November 2021 the Group no longer has any US Dollar denominated debt and the cross-currency interest rate swaps were terminated on completion of the refinancing.

Hedge of the Group's functional currency cash flows	2021 £m	2020 £m
Asset/(liability) at 1 January	**(0.4)**	1.7
Fair value gains/(losses) recognised in equity	**0.5**	(0.1)
Cash settlement on derecognition of cash flow hedges	**(0.1)**	–
Cash settlement on partial derecognition of cash flow hedges	**–**	(2.0)
Liability at 31 December	**–**	(0.4)

The Group also uses foreign exchange forward contracts to manage the exposures arising from cross currency transactions. At 31 December 2021 the Group held a number of short term forward contracts designated as hedging instruments in cash flow hedges of forecast purchases in US Dollars. 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 £0.2m (2020: £0.1m) relating to forward foreign exchange contracts.

Interest rate risk

The Group previously held one interest rate derivative financial instrument which swapped variable rate debt into fixed rate debt thereby fixing the functional currency cash flows of the Group. This interest rate derivative financial instrument was designated and effective as a cash flow hedge and the fair value movement was therefore deferred in equity via the Consolidated statement of comprehensive income. This swap expired in August 2020.

Hedge of the Group's interest cash flows	2021 £m	2020 £m
Liability at 1 January	**–**	(0.2)
Fair value gains recognised in equity	**–**	0.2
Liability at 31 December	**–**	–

For the cash flow hedges, there is an economic relationship between the hedged items and hedging instruments as the terms of the cross-currency and interest rate swaps match the terms of the debt (i.e. notional amount, maturity and payment dates). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the cross-currency swaps, interest rate swap and foreign exchange forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in fair value of the hedging instruments against the changes in fair value of the hedged items.

Hedge ineffectiveness can arise from differences in the timing of the cash flows of the hedged items and the hedging instruments; the counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedge items; and changes to the forecasted amount of cash flows of hedged items and hedging instruments.

The Group is holding the following cross-currency swaps, interest rate swaps and foreign exchange forward contracts:

	Notional amount $m	Notional amount €m	Notional Amount £m	Maturity	Average hedged rate	Average forward rate
At 31 December 2021						
Foreign exchange forward contracts	**11.5**	**27.8**	**32.2**	**2022**	**n/a**	**1.27**
At 31 December 2020						
Cross-currency swaps	22.2	n/a	16.5	2026	6.25%	1.34
Foreign exchange forward contracts	6.0	20.0	22.8	2021	n/a	1.34

20. Financial assets, liabilities, financial risk management and derivatives continued

The impact of the hedging instruments on the statement of financial position is as follows:

	Carrying amount £m	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period £m
At 31 December 2021			
Cross-currency swaps	**–**	**Derivative financial instruments**	**0.5**
Foreign exchange forward contracts	**(0.2)**	**Derivative financial instruments**	**0.2**
At 31 December 2020			
Cross-currency swaps	(0.4)	Derivative financial instruments	(0.1)
Interest rate swap	–	Derivative financial instruments	0.2
Foreign exchange forward contracts	(0.4)	Derivative financial instruments	(0.6)

The impact of the hedged item on the statement of financial position is as follows:

	31 December 2021			31 December 2020		
	Change in fair value used for measuring ineffectiveness £m	Cash flow hedging reserve £m	Cost of hedging reserve £m	Change in fair value used for measuring ineffectiveness £m	Hedging and translation reserve £m	Cost of hedging reserve £m
Cross-currency swaps	**0.5**	**0.5**	**–**	(0.1)	(0.2)	0.1
Interest rate swap	**–**	**–**	**–**	0.2	0.2	–
Foreign exchange forward contracts	**0.2**	**0.2**	**–**	(0.6)	(0.6)	–

The effect of the cash flow hedges in the statement of profit or loss and other comprehensive income is as follows:

	Total hedging gain/(loss) recognised in OCI €m	Ineffectiveness recognised in profit or loss €m	Line item in the statement of profit or loss	Amount reclassified from OCI to profit or loss €m	Line item in the statement of profit or loss €m
At 31 December 2021					
Cross-currency swaps	**0.5**	**–**	**Finance costs**	**–**	**Operating expenses**
Foreign exchange forward contracts	**0.2**	**–**	**Finance costs**	**–**	**Operating expenses**
At 31 December 2020					
Cross-currency swap	(0.1)	–	Finance costs	–	Operating expenses
Interest rate swap	0.2	–	Finance costs	–	Finance costs
Foreign exchange forward contracts	(0.6)	–	Finance costs	–	Operating expenses

Derivatives not designated as hedging instruments

The Group also uses some 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 one (2020: no) such item with a total carrying amount of £0.1m (2020: £nil).

iii) Impact of hedging on equity

Set below is the reconciliation of each component of equity and the analysis of other comprehensive income ("OCI"):

	Retained (losses)/profits		Cash flow hedging reserve		Foreign currency translation reserve		Cost of hedging reserve	
	2021 £m	Restated 2020 £m	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
At 1 January	**(369.3)**	(237.0)	**2.2**	3.5	**8.4**	6.7	**0.2**	0.3
Effective portion of changes in fair value arising from:								
Net Investment Swaps	**–**	–	**–**	–	**0.5**	(1.2)	**–**	(0.2)
Cross-currency swaps	**–**	–	**0.5**	(0.2)	**–**	–	**–**	0.1
Interest rate swaps	**–**	–	**–**	0.2	**–**	–	**–**	–
Foreign exchange forward contracts	**–**	–	**0.2**	(0.6)	**–**	–	**–**	–
Amount reclassified to profit or loss	**–**	–	**(3.1)**	(0.7)	**–**	–	**(0.1)**	–
Foreign currency revaluation of foreign currency denominated borrowing	**–**	–	**–**	–	**8.1**	(9.5)	**–**	–
Foreign currency revaluation of net foreign operations	**–**	–	**–**	–	**(14.4)**	18.3	**–**	–
Tax effect	**–**	–	**–**	–	**–**	–	**–**	–
Exchange differences reclassified to the Consolidated Income Statement in respect of the disposal of foreign operations	**–**	–	**–**	–	**–**	(5.9)	**–**	–
Other movements not associated with hedging	**428.6**	(132.3)	**–**	–	**–**	–	**–**	–
At 31 December	**59.3**	(369.3)	**(0.2)**	2.2	**2.6**	8.4	**0.1**	0.2

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.

	2021 £m	2020 £m
Gains on derivative financial instruments recognised directly in the Consolidated income statement	**–**	0.7
Amounts reclassified from OCI to profit and loss on cash flow hedges	**(3.1)**	0.8
Total net losses on derivative financial instruments included in the Consolidated income statement	**(3.1)**	1.5

21. 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 2021 was as follows:

	2021 £m	2020 £m
In one year or less	**51.7**	51.3
In more than one year but not more than two years	**44.0**	43.4
In more than two years but not more than five years	**336.4**	294.5
In more than five years	**81.7**	88.3
Total	**513.8**	477.5

The table excludes trade payables of £341.0m (2020: £275.6m).

21. Maturity of financial assets and liabilities continued

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. Given this is a maturity analysis all trade payables (including amongst other items payroll and sales tax accruals which are not classified as financial instruments) have been included.

2021 Analysis

	Balance sheet value £m	Maturity analysis < 1 year £m	1-2 years £m	2-5 years £m	> 5 years £m	Total £m
Current liabilities						
Trade and other payables	341.0	341.0	–	–	–	341.0
Lease liabilities	50.7	59.3	–	–	–	59.3
Deferred consideration	1.1	1.1	–	–	–	1.1
Derivative financial instruments	0.5	0.5	–	–	–	0.5
Other financial liabilities	0.4	0.4	–	–	–	0.4
Total	393.7	402.3	–	–	–	402.3
Non-current liabilities						
Lease liabilities	210.4	–	48.3	95.0	126.2	269.5
Senior secured notes	249.6	13.7	13.2	291.8	–	318.7
Deferred consideration	0.7	–	0.7	–	–	0.7
Other financial liabilities	0.6	–	0.4	0.2	–	0.6
Total	461.3	13.7	62.6	387.0	126.2	589.6
Total liabilities	855.0	416.0	62.6	387.0	126.2	991.8
Other						
Derivative financial instrument assets	(0.2)	–	–	–	(0.2)	(0.2)
Cash and cash equivalents	(145.1)	(145.1)	–	–	–	(145.1)
Trade and other receivables	(371.3)	(371.3)	–	–	–	(371.3)
Total	(516.6)	(516.4)	–	–	–	(516.6)
Grand total	338.4	(100.4)	62.6	387.0	126.0	475.2

The table above includes short term derivative financial assets with a fair value at 31 December 2021 of £0.2m and derivative financial liabilities of £0.5m that will be settled gross, the final exchange on these derivatives will be total receipts of €27.8m, PLN 32m, $11.5m with corresponding payments totalling £38.2m.

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements:

As at 31 December 2021	Gross amounts of recognised financial assets/ (liabilities) £m	Amounts available to offset through netting agreements £m	Net amount £m
Derivative financial assets	0.2	–	0.2
Derivative financial liabilities	(0.5)	–	(0.5)
Total	(0.3)	–	(0.3)

2020 Analysis

	Balance sheet value £m	Maturity analysis < 1 year £m	1-2 years £m	2-5 years £m	> 5 year £m	Total £m
Current liabilities						
Trade and other payables	275.6	275.6	–	–	–	275.6
Lease liabilities	50.6	61.5	–	–	–	61.5
Deferred consideration	0.5	0.5	–	–	–	0.5
Derivative financial instruments	0.5	0.5	–	–	–	0.5
Other financial liabilities	0.5	0.5	–	–	–	0.5
Total	327.7	338.6	–	–	–	338.6
Non-current liabilities						
Lease liabilities	211.6	–	51.8	101.5	144.0	297.3
Bank loans	67.7	2.7	2.7	71.6	–	77.0
Private placement notes	144.5	7.6	7.6	89.3	77.6	182.1
Deferred consideration	0.4	–	0.4	–	–	0.4
Derivative financial instruments	0.4	(0.1)	(0.1)	(0.3)	1.2	0.7
Other financial liabilities	1.2	–	1.2	–	–	1.2
Total	425.8	10.2	63.6	262.1	222.8	558.7
Total liabilities	753.5	348.8	63.6	262.1	222.8	897.3
Other						
Derivative financial instrument assets	(0.1)	–	–	–	(0.1)	(0.1)
Cash and cash equivalents	(235.3)	(235.3)	–	–	–	(235.3)
Trade and other receivables	(294.4)	(294.4)	–	–	–	(294.4)
Total	(529.8)	(529.7)	–	–	(0.1)	(529.8)
Grand total	223.7	(180.9)	63.6	262.1	222.7	367.5

The table above includes: cross-currency interest rate swaps in relation to derivative financial assets with a fair value at 31 December 2020 of £0.1m and derivative financial liabilities of £0.3m that will be settled gross, the final exchange on these derivatives will be a payment of €18.3m and receipt of $22.2m in August 2026; and other derivative financial assets with a fair value at 31 December 2020 of £nil and derivative financial liabilities of £0.5m that will be settled gross, the final exchange on these derivatives will be total receipts of €20m, PLN 32m, $3.0m and £nil and corresponding payments of £29.2m and €nil.

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements:

As at 31 December 2020	Gross amounts of recognised financial assets/ (liabilities) £m	Amounts available to offset through netting agreements £m	Net amount £m
Derivative financial assets	0.1	(0.1)	–
Derivative financial liabilities	(0.9)	0.1	(0.8)
Total	(0.8)	–	(0.8)

22. 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 and Euro interest rates. Following the refinancing in November 2021 the Group is no longer exposed to a USD interest rate, and the exposure to variable Euro interest rates has reduced. The Group also has a minimal exposure to Polish Zloty interest rates.

In order to illustrate the Group's sensitivity to interest rate fluctuations, the following table details 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.

2021 analysis

	GBP		EUR		USD		Total	
	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m
Profit or loss	–	– (i)	–	– (iii)	–	–	–	–
Total Shareholders' equity	–	–	–	–	–	–	–	–

2020 analysis

	GBP		EUR		USD		Total	
	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m	+100bp £m	-100bp £m
Profit or loss	0.4	(0.4) (i)	–	– (iii)	–	–	0.4	(0.4)
Other equity	–	– (ii)	1.1	(1.2) (iv)	(1.1)	1.1 (ii)	–	(0.1)
Total Shareholders' equity	0.4	(0.4)	1.1	(1.2)	(1.1)	1.1	0.4	(0.5)

The movements noted above are mainly attributable to:

(i) floating rate Sterling debt and cash deposits

(ii) mark-to-market valuation changes in the fair value of effective cash flow hedges

(iii) floating rate Euro debt and Euro cash deposits

(iv) changes in the value of the Group's Euro-denominated assets and liabilities

b) Foreign currency sensitivity

The Group is exposed to currency rate changes between Sterling and Euros, US Dollars and Polish Zloty.

The following table details 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.

2021 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	**–**	**–**	(i)	**–**	**–**		**(0.5)**	**0.7**		**(0.5)**	**0.7**
Other equity	**4.0**	**(4.9)**	(ii)	**(0.8)**	**0.9**	(ii)	**0.3**	**(0.4)**	(ii)	**3.5**	**(4.4)**
Total Shareholders' equity	**4.0**	**(4.9)**		**(0.8)**	**0.9**		**(0.2)**	**0.3**		**3.0**	**(3.7)**
*Total assets and liabilities**											
Profit or loss	**–**	**–**	(iii)	**–**	**–**	(v)	**–**	**–**	(vi)	**–**	**–**
Other equity	**(4.3)**	**5.3**	(iv)	**(0.8)**	**0.9**	(iv)	**(0.5)**	**0.7**	(iv)	**(5.6)**	**6.9**
Total Shareholders' equity	**(4.3)**	**5.3**		**(0.8)**	**0.9**		**(0.5)**	**0.7**		**(5.6)**	**6.9**

2020 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	–	–	(i)	–	–		(0.1)	0.1		(0.1)	0.1
Other equity	0.8	(1.0)	(ii)	(0.4)	0.5	(ii)	0.3	(0.4)	(ii)	0.7	(0.9)
Total Shareholders' equity	0.8	(1.0)		(0.4)	0.5		0.2	(0.3)		0.6	(0.8)
*Total assets and liabilities**											
Profit or loss	–	–	(iii)	–	–	(v)	(0.1)	0.1	(vi)	(0.1)	0.1
Other equity	(4.7)	5.8	(iv)	(0.4)	0.5	(iv)	(0.1)	0.1	(iv)	(5.2)	6.4
Total Shareholders' equity	(4.7)	5.8		(0.4)	0.5		(0.2)	0.2		(5.3)	6.5

* 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 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 cash flow and 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 cash flow and net investment hedges

(v) transaction exposure relating to purchases in US Dollars

(vi) retranslation of Polish Zloty profit streams

23. Provisions

	Onerous leases £m	Leasehold dilapidations £m	Onerous contracts £m	Other amounts £m	Total £m
At 1 January 2021	0.6	22.1	11.4	2.1	**36.2**
Unused amounts reversed in the period	(0.3)	(0.5)	–	(0.2)	**(1.0)**
Utilised	0.5	(1.4)	(4.9)	(2.2)	**(8.0)**
New provisions	0.5	1.3	2.2	2.5	**6.5**
Added on acquisition	–	0.6	–	–	**0.6**
Unwinding of discount	–	–	0.1	–	**0.1**
Exchange differences	–	(0.1)	–	(0.1)	**(0.2)**
At 31 December 2021	**1.3**	**22.0**	**8.8**	**2.1**	**34.2**

	2021 £m	2020 £m
Included in current liabilities	**12.9**	10.5
Included in non-current liabilities	**21.3**	25.7
Total	**34.2**	36.2

Onerous leases

Since adoption of IFRS 16 on 1 January 2019, 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 2021 is payable over the relevant lease terms, the longest unexpired term being 20 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 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 25 (reinstatement) and during the lease term (wear and tear).

Onerous contracts

Onerous contract provisions relate to licence fee commitments where no future economic benefit is expected to be obtained, principally in relation to the SAP 1HANA implementation following the change in scope of the project in 2020 and subsequent changes in 2021. The costs will be incurred equally over the next two years.

Other amounts

Other amounts relate principally to claims and warranty provisions. The transfer of economic benefit is expected to be made between one and four years' time.

24. Deferred tax

The net deferred tax asset at the end of the year is analysed as follows:

	2021 £m	2020 £m
Deferred tax assets:		
Continuing operations	**4.8**	5.7
Net deferred tax asset	**4.8**	5.7

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	Other temporary differences £m	Retirement benefit obligations £m	Losses £m	Other £m	Total £m
At 1 January 2020 (restated)	(4.1)	5.0	2.3	2.7	3.2	(2.7)	6.4
Credit/(charge) to income	1.1	(1.0)	–	–	(2.0)	1.3	(0.6)
Credit/(charge) to equity	–	–	–	0.3	–	–	0.3
Exchange differences	(0.1)	–	–	–	–	–	(0.1)
Change of rate charged to equity	–	–	0.1	0.2	0.1	(0.5)	(0.1)
Attributable to discontinued operations	1.4	0.7	(1.6)	–	(0.7)	–	(0.2)
At 31 December 2020	(1.7)	4.7	0.8	3.2	0.6	(1.9)	5.7
Credit/(charge) to income	**1.4**	**(1.8)**	**1.7**	**(1.2)**	**1.5**	**(1.1)**	**0.5**
Credit/(charge) to equity	**–**	**–**	**–**	**0.1**	**–**	**–**	**0.1**
Added on acquisition	**(1.3)**	**–**	**–**	**–**	**–**	**–**	**(1.3)**
Exchange differences	**–**	**–**	**(0.1)**	**–**	**(0.1)**	**–**	**(0.2)**
At 31 December 2021	**(1.6)**	**2.9**	**2.4**	**2.1**	**2.0**	**(3.0)**	**4.8**

The deferred tax charge within the Consolidated Income Statement for 2021 includes a charge of £0.1m (2020: £0.2m) arising from the change in domestic tax rates in the countries in which the Group operates.

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 £77.9m (2020: £57.0m) of potential deferred tax assets relating mainly to cumulative UK tax losses and other deductible temporary differences which are currently unrecognised as there is not considered to be sufficient convincing evidence at 31 December 2021 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.

At the balance sheet date, no deferred tax liability is recognised on temporary differences relating to undistributed profits of the overseas subsidiaries which aggregate to £143m (2020: £280m). The Group is in a position to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

The UK Budget 2021 announced an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes are now substantively enacted at the balance sheet date and have been reflected in the measurement of deferred tax balances at the period end. This has not had 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.

25. 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 Statement of significant 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 2021	202.2	27.4	229.6
Foreign currency movement	(6.6)	(1.3)	(7.9)
Additions	25.3	23.6	48.9
Added on acquisition	7.4	0.1	7.5
Disposals	–	(0.4)	(0.4)
Modifications	11.2	(0.6)	10.6
Impairments	(0.5)	–	(0.5)
Depreciation expense	(42.7)	(14.2)	(56.9)
At 31 December 2021	**196.3**	**34.6**	**230.9**

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2021 £m
At 1 January 2021	262.2
Foreign currency movement	(8.1)
Additions	48.9
Added on acquisition	7.5
Disposals	(0.1)
Modifications	8.0
Accretion of interest	11.6
Payments	(68.9)
At 31 December 2021	**261.1**
Current	50.7
Non-current	210.4
	261.1

The following are the amounts recognised in profit or loss (from continuing operations):

	2021 £m	2020 £m
Depreciation expense of right-of-use assets	56.9	56.6
Interest expense on lease liabilities	11.6	12.5
Expense relating to short-term leases (included in operating expenses)	0.8	0.8
Impairment of right-of-use assets (included in Other items)*	0.5	10.2
Total amount recognised in profit or loss	**69.8**	**80.1**

* £0.5m impairment is included within net restructuring costs within Other items. In the prior year £10.1m was included within "Impairment charges" within Other items in 2020 relating to the impairment of the right-of-use asset within UK Interiors and £0.1m was included within net restructuring costs within Other items.

The Group had total cash outflows for leases of £68.9m in 2021 (2020: £66.5m). The Group also had non-cash additions to right-of-use assets and lease liabilities of £48.9m in 2021 (2020: £38.5m). The future cash outflows relating to leases that have not yet commenced are disclosed in Note 32(b).

The Group has several 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	**31.7**	**52.2**	**83.9**
Termination options expected to be exercised	**2.2**	**0.9**	**3.1**
	33.9	**53.1**	**87.0**

The Group has considered the impact of any rent concessions as a result of Covid-19. The only changes as a result of Covid-19 were changes in the timing of payments (for example from quarterly to monthly) in the prior year and there were therefore no significant amounts recognised in the income statement from Covid-19 related rent concessions during the year or prior year.

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 IFRS16. The Group has lease assets receivable of £3.7m at 31 December 2021 (2020: £4.3m). These leases have terms of between 3 and 13 years. Rental income recognised by the Group during the year is £1.0m (2020: £1.0m).

Future lease payments receivable from sub-leases classified as finance leases at 31 December 2021 are as follows:

	2021 £m	2020 £m
Within one year	**1.1**	0.9
After one year but not more than five years	**2.5**	3.0
More than five years	**1.0**	1.2
	4.6	5.1
Less: future finance charges	**(0.9)**	(0.8)
Lease assets receivable	**3.7**	4.3

Of the total lease assets receivable, £0.8m (2020: £0.7m) is due within one year and £2.9m (2020: £3.6m) is due after more than one year.

Future minimum rentals receivable under non-cancellable operating leases at 31 December 2021 are as follows:

	2021 £m	2020 £m
Within one year	**0.4**	0.3
After one year but not more than five years	**0.9**	1.0
More than five years	**0.2**	–
	1.5	1.3

26. Government grants

The Group benefited from a number of government support packages during 2020 in relation to the Covid-19 pandemic. Income received under furlough support schemes (Coronavirus Job Retention Scheme in the UK and similar in Ireland, France and Benelux), amounting to £8.1m, met the definition of government grants and was netted off the related staff costs, and other business grants of £0.7m were also received and deducted from related costs. Amounts received in the year are shown below:

	2021 £m	2020 £m
At 1 January	**–**	–
Received during the year	**–**	8.8
Released to the profit and loss account	**–**	(8.8)
At 31 December	**–**	–

In 2020 the Group also benefitted from business rate savings in the UK and social tax savings in France, amounting to £2.1m, which represented a form of government assistance, but not a grant as there was no transfer of resources. Payment deferrals in relation to VAT, employment taxes and corporate tax did not have an impact on the profit and loss account. The majority of these had been repaid by 31 December 2020, with any outstanding amounts included in the relevant liability on the Consolidated balance sheet. All outstanding balances have been repaid at 31 December 2021.

27. Called up share capital

	2021 £m	2020 £m
Authorised:		
1,390,000,000 ordinary shares of 10p each (2020: 1,390,000,000)	**139.0**	139.0
Allotted, called up and fully paid:		
1,181,556,977 ordinary shares of 10p each (2020: 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.

Equity raise in 2020

On 10 July 2020 the Group completed an equity raise, with 589,999,995 new ordinary shares issued for gross proceeds of £165m. 587,901,900 of the shares were issued using a cash box structure, such that merger relief was available under the Companies Act 2006, section 612. In this circumstance, no share premium is recorded and the £105.6m excess of the net proceeds over the nominal value of the share capital issue has been recorded as a merger reserve. The proceeds of this issue were used to partially prepay private placement notes (see Note 19), to pay professional and lender fees relating to the equity raise and debt restructuring and to provide working capital flexibility. Consequently, the merger reserve will qualify as distributable.

The other 2,098,095 of shares were issued directly to senior management, not within the cash box structure, and the excess of the proceeds over the nominal value of the share capital of £0.4m was credited to the share premium account.

Professional fees of £13.1m incurred and directly related to the equity raise were deducted from the merger reserve (as no share premium recorded due to the use of the cash box structure as noted above), resulting in a net increase to the merger reserve of £92.5m.

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. Shares became unallocated during the prior year and were transferred to the treasury share reserve. 24,708,134 shares were purchased during the current year at a weighted average cost of 50.5p per share. A total of 24,814,955 own shares are outstanding at 31 December 2021 (2020: 125,429).

Capital reduction

On 24 June 2021 the Group completed the cancellation of its share premium account, which was approved by shareholders at the Annual General Meeting on 13 May 2021 and sanctioned by the High Court of England and Wales on 16 June 2021. The capital reduction results in the transfer of £447.7m from share premium account to retained profits/(losses) and creates distributable reserves.

28. Reconciliation of loss before tax to cash generated from operating activities

	2021 £m	Restated 2020 £m
Loss before tax from continuing operations	**(15.9)**	(194.6)
Profit before tax from discontinued operations	**–**	72.0
Loss before tax	**(15.9)**	(122.6)
Net finance costs (Note 5)	**29.9**	34.6
Depreciation of property, plant and equipment (Note 10)	**11.4**	11.2
Depreciation of right-of-use assets (Note 25)	**56.9**	57.2
Amortisation of computer software (Note 14)	**3.4**	4.8
Amortisation of acquired intangibles (Note 14)	**4.7**	5.6
Impairment of computer software (Note 14)	**–**	0.5
Impairment of property, plant and equipment (Note 10)	**0.3**	3.5
Impairment of goodwill (Note 13)	**9.9**	45.4
Impairment of acquired intangibles (Note 14)	**–**	1.9
Impairment of right-of-use asset (Note 25)	**0.5**	10.2
Profit on agreed sale or closure of non-core businesses (Note 11)	**–**	(71.6)
(Profit)/loss on sale of property, plant and equipment	**(0.9)**	0.7
Share-based payments	**2.4**	0.2
Gains on derivative financial instruments	**(2.8)**	(1.5)
Net foreign exchange differences	**0.3**	0.2
(Decrease)/increase in provisions	**(7.3)**	11.3
Working capital movements:		
Increase in inventories	**(75.7)**	(5.4)
(Increase)/decrease in receivables	**(68.1)**	19.7
Increase/(decrease) in payables	**58.4**	(56.4)
Cash generating from/(used in) operating activities	**7.4**	(50.5)

Included within the cash generated from/(used in) operating activities is a defined benefit pension scheme employer's contribution of £5.0m (2020: £2.5m).

Of the total loss on sale of property, plant and equipment, £nil profit (2020: £0.2m) has been included within Other items of the Consolidated income statement (see Note 2).

29. Reconciliation of net cash flow to movements in net debt

	2021 £m	2020 £m
(Decrease)/increase in cash and cash equivalents in the year	**(82.7)**	68.4
Cash flow from decrease in debt	**15.8**	183.0
(Increase)/decrease in net debt resulting from cash flows	**(66.9)**	251.4
Movement in deferred consideration	**(0.9)**	(0.9)
Debt added on acquisitions	**(7.5)**	–
Non-cash items^	**(60.0)**	(39.3)
Exchange differences	**8.5**	6.0
(Increase)/decrease in net debt in the year	**(126.8)**	217.2
Net debt at 1 January	**(238.2)**	(455.4)
Net debt at 31 December	**(365.0)**	(238.2)

^ 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, the movement in cash restricted for use in relation to the asset backed funding arrangement implemented in relation to the UK defined benefit pension plan and non-cash movements in relation to lease liabilities.

29. Reconciliation of net cash flow to movements in net debt continued

Net debt is defined as follows:

	2021 £m	2020 £m
Non-current assets:		
Derivative financial instruments	–	0.1
Lease receivables	**2.9**	3.6
Current assets:		
Derivative financial instruments	**0.2**	–
Lease receivables	**0.8**	0.7
Cash at bank and on hand	**145.1**	235.3
Current liabilities:		
Lease liabilities	**(50.7)**	(50.6)
Deferred consideration	**(1.1)**	(0.5)
Other financial liabilities	**(0.4)**	(0.5)
Derivative financial instruments	**(0.5)**	(0.5)
Non-current liabilities:		
Lease liabilities	**(210.4)**	(211.6)
Interest-bearing loans and borrowings	**(249.6)**	(212.2)
Deferred consideration	**(0.7)**	(0.4)
Derivative financial instruments	–	(0.4)
Other financial liabilities	**(0.6)**	(1.2)
Net debt	**(365.0)**	(238.2)

30. Analysis of net debt

	At 31 December 2020 £m	Cash flows £m	Acquisitions £m	Non-cash items* £m	Exchange differences £m	At 31 December 2021 £m
Cash at bank and on hand	235.3	(72.6)	(10.1)	–	(7.5)	**145.1**
Lease receivables	4.3	(1.0)	–	0.4	–	**3.7**
	239.6	(73.6)	(10.1)	0.4	(7.5)	**148.8**
Liabilities arising from financing activities						
Financial assets – derivative financial instruments	0.1	(0.8)	–	0.9	–	**0.2**
Debts due within one year	(1.5)	0.5	(0.2)	(0.8)	–	**(2.0)**
Debts due after one year	(214.2)	(51.8)	(0.7)	7.9	7.9	**(250.9)**
Lease liabilities	(262.2)	68.9	(7.5)	(68.4)	8.1	**(261.1)**
	(477.8)	16.8	(8.4)	(60.4)	16.0	**(513.8)**
Net debt	(238.2)	(56.8)	(18.5)	(60.0)	8.5	**(365.0)**

* Non-cash items includes to 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 lease liabilities.

31. Retirement benefit obligations

The Group operates a number of pension schemes, four (2020: four) of which provide defined benefits based on final pensionable salary. Of these schemes, one (2020: one) has assets held in a separate trustee administered fund and three (2020: three) are overseas book reserve schemes. The Group also operates a number of defined contribution schemes, all of which are independently managed.

In The Netherlands, the Company participates in the industry-wide pension plan for the construction materials industry ("BPF HiBiN"). The pension plan is classified as a multi-employer defined benefit scheme under IAS 19, but is recognised in the 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 is equal to the required contribution each year. The coverage ratio of the multi-employer union plan increased to 102.5% as at 31 December 2021 (2020: 94.8%). No change was made to the pension premium percentage of 22.2% (2020: 22.2%). 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 c.0.1% 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 Company is not aware of any 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 £6.9m (2020: £6.9m), of which a charge of £0.6m (2020: £0.7m) related to defined benefit pension schemes and £6.3m (2020: £6.2m) 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 valuations of the defined benefit pension schemes are assessed by an independent actuary every three years who recommends the rate of contribution payable each year. The last formal actuarial valuation of the SIG plc Retirement Benefits Plan, the UK scheme which is the largest scheme of the Group, was at 31 December 2019 was concluded during the year. It 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. As part of the funding discussions, the Group paid an additional one-off contribution of £2.5m into the Plan in July 2021 to accelerate plans to achieve a secondary funding target. On 30 June 2016 the UK defined benefit pension scheme was closed to future benefit accrual.

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 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 or earlier if the funding level of the Plan increases to greater than 115% of Technical Provisions before the end of the term.

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.

31. Retirement benefit obligations continued

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 £0.2m (2020: £0.3m) relating to the defined benefit pension schemes, was £0.6m (2020: £0.7m). The charge for the prior year included £0.4m in relation to the estimated liability impact of equalising Guaranteed Minimum Pensions (GMP) in relation to past transfer values, following the High Court ruling in November 2020. This estimated increase in the liability was charged to Other items within the Consolidated income statement, consistent with the original GMP liability estimate of £1.0m in 2018.

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 2021 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:

	2021 £m	2020 £m
Pension liability before taxation	**(10.7)**	(25.1)
Related deferred tax asset	**2.1**	3.2
Pension liability after taxation	**(8.6)**	(21.9)

The actuarial gain of £9.1m (2020: £1.7m loss) for the year, together with the associated deferred tax credit of £0.1m (2020: £0.4m credit) has been recognised in the Consolidated statement of comprehensive income. In addition a deferred tax credit of £0.4m (2020: £nil credit) has been recognised in the Consolidated income statement.

Of the above pension liability before taxation, £2.2m (2020: £15.6m) relates to wholly or partly funded schemes and £8.5m (2020: £9.5m) relates to the overseas unfunded schemes.

The movement in the pension liability before taxation in the year can be summarised as follows:

	2021 £m	2020 £m
Pension liability at 1 January	**(25.1)**	(24.8)
Current service cost	**(0.4)**	–
Payment of unfunded benefits	**0.3**	–
Contributions	**5.0**	2.5
Net finance cost	**(0.2)**	(0.3)
GMP equalisation ruling	**–**	(0.4)
Actuarial gain/(loss)	**9.1**	(1.7)
Business disposals	**–**	0.1
Effect of changes in exchange rates	**0.6**	(0.5)
Pension liability at 31 December	**(10.7)**	(25.1)

The principal assumptions used for the IAS 19 actuarial valuation of the UK scheme (the largest scheme of the Group) were:

	2021 %	2020 %
Rate of increase in salaries*	**n/a**	n/a
Rate of fixed increase of pensions in payment	**2.0%**	1.8%
Rate of increase of LPI pensions in payment	**3.2%**	2.8%
Discount rate	**1.8%**	1.4%
Inflation assumption	**3.4%**	2.9%

* 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 22.6 years (2020: 22.6 years). The life expectancy on retirement at age 65 of a male employee currently aged 45 years is 23.1 years (2020: 23.1 years). The life expectancy for a female employee beyond the normal retirement age of 65 is 24.0 years (2020: 24.0 years). The life expectancy on retirement at age 65 of a female employee currently aged 45 years is 25.6 years (2020: 25.6 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£2.6m. If the rate of inflation increased/decreased by 0.1% this would increase/decrease the Group's gross pension scheme deficit by c£0.8m. If the life expectancy for employees increased by one year the Group's gross pension scheme deficit would increase by c£9.1m. 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 2021 is 17 years (2020: 18 years).

The fair value of assets held at the balance sheet date were:

	2021 £m	2020 £m
Equities	**43.0**	40.9
Corporate and government bonds	**89.5**	93.2
Investment funds	**15.3**	14.8
Property	**8.1**	7.4
Cash and net current assets	**16.4**	17.2
Total fair value of assets	**172.3**	173.5

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.

31. Retirement benefit obligations continued

The amount included in the Consolidated balance sheet arising from the Group's obligation in respect of its defined benefit schemes is as follows:

	2021 £m	2020 £m
Fair value of assets	**172.3**	173.5
Present value of scheme liabilities	**(183.0)**	(198.6)
Net liability recognised in the Consolidated balance sheet	**(10.7)**	(25.1)

The overall expected rate of return is based upon market conditions at the balance sheet date.

Amounts recognised in the Consolidated income statement (from continuing operations) in respect of these defined benefit schemes are as follows:

	2021 £m	2020 £m
Current service cost	**0.4**	–
GMP equalisation ruling	**–**	0.4
Net finance cost	**0.2**	0.3
Amounts recognised in the Consolidated income statement	**0.6**	0.7

Analysis of the actuarial loss recognised in the Consolidated statement of comprehensive income in respect of the schemes:

	2021 £m	2020 £m
Actual return less expected return on assets	**0.8**	12.9
Effect of changes in demographic assumptions	**0.7**	4.0
Effect of changes in financial assumptions	**8.8**	(24.2)
Impact of liability experience	**(1.2)**	5.6
Remeasurement of the defined benefit liability	**9.1**	(1.7)

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:

	2021 £m	2020 £m
Present value of schemes' liabilities at 1 January	**(198.6)**	(188.3)
Current service cost	**(0.4)**	–
Interest on pension schemes' liabilities	**(2.5)**	(3.7)
Benefits paid	**9.3**	8.8
Payment of unfunded benefits	**0.3**	–
Effect of changes in exchange rates	**0.6**	(0.5)
GMP equalisation ruling	**–**	(0.4)
Remeasurement gains/(losses):		
Actuarial gain arising from changes in demographic assumptions	**0.7**	4.0
Actuarial loss arising from changes in financial assumptions	**8.8**	(24.2)
Actuarial loss due to liability experience	**(1.2)**	5.6
Business disposals	**–**	0.1
Present value of schemes' liabilities at 31 December	**(183.0)**	(198.6)

Movements in the fair value of the schemes' assets were as follows:

	2021 £m	2020 £m
Fair value of schemes' assets at 1 January	**173.5**	163.5
Finance income	**2.3**	3.4
Actual return less expected return on assets	**0.8**	12.9
Contributions from sponsoring companies	**5.0**	2.5
Benefits paid	**(9.3)**	(8.8)
Fair value of schemes' assets at 31 December	**172.3**	173.5

32. Commitments and contingencies

a) Capital commitments

	2021 £m	2020 £m
The purchase of property, plant and equipment contracted but not provided for	**0.1**	0.3

At 31 December 2021 the Group is also committed to further licence costs of £10.1m (2020: £14.8m) in relation to the SAP implementation project and other licence fees. £8.8m of this commitment has been already recognised as an onerous contract provision at 31 December, with £1.3m remaining to be recognised in the income statement over the period 2022 to 2026.

b) Lease commitments

The Group has various lease contracts that have not yet commenced as at 31 December 2021. The future lease payments for these non-cancellable lease contracts are £0.9m within one year (2020: £1.0m), £3.4m within five years (2020: £3.8m) and £1.8m thereafter (2020: £4.7m).

Information on the Group's leasing arrangements is included in Note 25.

c) Contingent liabilities

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 £9.9m (2020: £14.1m). Of this amount, £4.7m (2020: £5.0m) relates to a standby letter of credit issued by HSBC Bank plc in respect of the Group's insurance arrangements.

As disclosed in the Statement of significant accounting policies, SIG Building Systems Limited have taken advantage of the exemption available under Section 479A of the Companies Act 2006 in respect of the requirement for audit. As a condition of the exemption, the Company has guaranteed the year end liabilities of the entity until they are settled in full.

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 £1.1m (2020: £1.5m) based on the remaining future rent commitment at 31 December 2021. 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.

33. 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 2021, SIG incurred expenses of £0.6m (2020: £0.5m) 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 page 121), is set out below in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures".

	2021 £m	2020 £m
Short term employee benefits	**6.7**	5.8
Termination and post-employment benefits	**–**	0.1
IFRS 2 share option charge	**1.5**	–
	8.2	5.9

34. Subsidiaries

Details of the Group's subsidiaries, all of which have been included in the financial statements, are shown on pages 227 to 230.

35. 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, to adjust for Other items (as explained in further detail within the Statement of significant accounting policies) or to adjust for businesses identified as non-core to provide information on the ongoing activities of the Group. This also reflects how the business is managed and measured on a day-to-day basis. Non-core businesses are those businesses that have been closed or disposed of or where the Board has resolved to close or dispose of the businesses by 31 December 2021. Measures presented are aligned with the key performance measures used in the business and as included in the Strategic report. Operating costs as a percentage of sales is not included as a KPI in the current year and is therefore not presented below, whilst free cash flow is included for the first time in the current year.

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 IFRS16 is no longer relevant for financial covenant purposes but is still monitored for comparative purposes. Net debt on frozen GAAP basis and covenant net debt which were presented last year are no longer relevant following the change in debt arrangements during the year and are therefore no longer presented.

	Note	2021 £m	2020 £m
Reported net debt	29	**365.0**	238.2
Lease liabilities recognised in accordance with IFRS 16		**(239.1)**	(237.0)
Lease receivables recognised in accordance with IFRS 16		**3.7**	4.3
Other financial liabilities recognised in accordance with IFRS 16		**(1.0)**	(1.4)
Net debt excluding the impact of IFRS 16		**128.6**	4.1

b) 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	Total UK £m	France Interiors (LiTT) £m	France Exteriors (Larivière) £m	Total France £m	Germany £m	Benelux £m	Ireland £m	Poland £m	Total Group £m
Statutory revenue 2021	507.4	422.2	**929.6**	195.3	406.0	**601.3**	393.2	92.4	88.2	186.7	**2,291.4**
Non-core businesses	–	–	**–**	–	–	**–**	–	–	–	–	**–**
Underlying revenue 2021	507.4	422.2	**929.6**	195.3	406.0	**601.3**	393.2	92.4	88.2	186.7	**2,291.4**
Statutory revenue 2020	357.4	310.1	**667.5**	168.1	346.6	**514.7**	370.7	91.6	80.5	149.5	**1,874.5**
Non-core businesses	–	–	**–**	–	(1.8)	**(1.8)**	–	–	–	–	**(1.8)**
Underlying revenue 2020	357.4	310.1	**667.5**	168.1	344.8	**512.9**	370.7	91.6	80.5	149.5	**1,872.7**
% change year on year:											
Underlying revenue	42.0%	36.1%	**39.3%**	16.2%	17.7%	**17.2%**	6.1%	0.9%	9.6%	24.9%	**22.4%**
Impact of currency	–	–	**–**	3.9%	4.0%	**4.0%**	3.5%	3.4%	3.6%	7.0%	**2.6%**
Impact of acquisitions	(4.6)%	(1.2)%	**(3.0)%**	–	–	**–**	–	–	–	–	**(0.3)%**
Impact of working days	0.6%	0.6%	**0.6%**	–	–	**–**	–	0.8%	0.5%	1.6%	**(0.4)%**
Like-for-like sales	38.0%	35.5%	**36.9%**	20.1%	21.7%	**21.2%**	9.6%	5.1%	13.7%	33.5%	**24.3%**

c) Operating margin

This is used to enhance understanding and comparability of the underlying financial performance of the Group by period and segment.

	2021 £m	Restated 2020 £m
Underlying revenue	**2,291.4**	1,872.7
Underlying operating profit/(loss)	**41.4**	(53.1)
Total	**1.8%**	(2.8)%

d) Free cash flow

Free cash flow represents the cash available after supporting operations, including capital expenditure and the repayment of lease liabilities, and before acquisitions and any movements in funding.

	2021 £m	2020 £m
(Decrease)/increase in cash and cash equivalents for the year	**(82.7)**	68.4
Add back:		
Net cash flow on the purchase of businesses	**10.1**	0.8
Settlement of amounts payable for previous purchases of businesses	**0.5**	–
Net cash flow arising on the sale of businesses	**–**	(147.8)
Repayment of borrowings	**200.3**	55.1
Proceeds from borrowings	**(251.5)**	–
Repayment of RCF	**–**	30.0
Settlement of derivative financial instruments	**(0.8)**	0.1
Net proceeds from equity raise	**–**	(151.9)
Free cash flow	**(124.1)**	(145.3)

e) 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 group's and of the parent company's affairs as at 31 December 2021 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 2021 which comprise:

Group	Parent company
Consolidated income statement for the year ended 31 December 2021	Company balance sheet as at 31 December 2021
Consolidated statement of comprehensive income for the year ended 31 December 2021	Company statement of changes in equity for the year ended 31 December 2021
Consolidated balance sheet as at 31 December 2021	Related notes 1 to 16 to the financial statements including a summary of significant accounting policies
Consolidated statement of changes in equity for the year ended 31 December 2021	
Consolidated cash flow statement for the year ended 31 December 2021	
Related notes 1 to 35 to the financial statements, including a summary of significant accounting policies	

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 parent 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:

- In conjunction with our walkthrough of the group's financial statement close process, we confirmed 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 2023. We also engaged with management early to ensure all key risk factors were considered in their assessment;
- We obtained management's going concern assessment, including the cash forecast for the going concern period through to 31 March 2023 and tested 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;
- We obtained agreements for the Senior Secured Notes and Revolving Credit Facility (RCF) to verify the nature of facilities, repayment terms, covenants, and other conditions. We assessed their continued availability to the group through the going concern period and ensured completeness of covenants identified by management;
- We challenged the appropriateness of the key assumptions in management's forecasts including revenue growth and gross margin percentage, by comparing these to year-to-date performance and industry benchmarks;
- We challenged management's consideration of a reasonable worst-case scenario, evaluating whether or not expected labour and supply shortages, the potential impact of COVID-19, or climate risk may materially impact the going concern assessment;
- We performed reverse stress testing 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;
- We considered the amount and timing of mitigating factors under the Group's control that could preserve cash if required;
- We assessed the plausibility of management's downside scenarios 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; and
- We reviewed 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 2021, following the restructuring of its debt arrangements in November 2021, the Group has committed facilities of €300m Senior Secured Notes and an RCF of £50m to November 2026 and May 2026 respectively. The RCF was undrawn at 31 December 2021. The Group also had a cash balance of £145.1m at 31 December 2021.
- 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 growth assumptions in management's forecasts. Additionally, we did not identify events or conditions in the period to 31 March 2023, or in the look-forward period, 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 2023.

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	• We performed an audit of the complete financial information of five components and audit procedures on specific balances for a further three components • The components where we performed full or specific audit procedures accounted for 92% of Gross Margin, 92% of Revenue, 94% of Underlying Loss Before Tax and 88% of Total assets
Key audit matters	• Impairment of goodwill, intangible assets, property, plant and equipment (PPE) and Right-of-use assets (ROUA) • Misstatement of supplier rebate income and associated receivable • Classification of Other Items in the Income Statement
Materiality	• Overall Group materiality of £3.0m which represents 0.5% of gross margin

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 consider size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment 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 eight components covering entities within the United Kingdom (including the parent company), France, Germany, Poland, and Ireland which represent the principal business units within the Group.

Of the eight 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 three 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.

The reporting components where we performed audit procedures accounted for 92% (2020: 89%) of the Group's gross margin, being the measure used to calculate materiality, 92% (2020: 89%) of the Group's revenue, 94% (2020: 97% of the Group's loss underlying loss before tax) of the Group's underlying profit before tax, and 88% (2020: 80%) of the Group's total assets. For the current year, the full scope components contributed 72% (2020: 85%) of the Group's gross margin, 72% (2020: 85%) of the Group's revenue, 47% (96% of the Group's underlying loss before tax) of the Group's underlying profit before tax, and 77% (2020: 79%) of the Group's total assets. The specific scope components contributed 20% (2020: 4%) of the Group's gross margin, 20% (2020: 4%) of the Group's revenue, 47% (1% of the Group's underlying loss before tax)of the Group's underlying profit before tax, and 11% (2020: 1%) 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. We also instructed two locations to perform specified procedures over certain aspects of revenue, receivables, and cash.

Of the remaining 40 components that together represent 8% of the Group's gross margin, none are individually greater than 2% of the Group's gross margin. 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

For our 2021 audit, two components were brought into scope for specified audit procedures due to risk and to further increase testing coverage over the revenue to cash process. Additionally, two components were reduced from full to specific scope due to the reduction in risk profile of these components relative to 2020.

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 one of these directly by the primary audit team and four by component audit teams. For the three specific scope components, where the work was performed by component auditors, 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.

Although initial plans were made to travel to component locations during the audit cycle, these were disrupted by COVID-19 travel restrictions which meant the planned visits were unable to take place. The primary team interacted regularly with the component teams where appropriate during various stages of the audit and followed a programme of oversight remotely. These included frequent interaction with each component team to clarify and discuss audit approach and any issues arising from the testing performed, together with:

- Briefing video calls were held with each full and specific scope component team during the planning phase of the audit;
- Detailed audit instructions were issued to the component locations;
- At the interim testing phase of the audit we held further briefing video calls with the component teams and attended an interim status meeting with local component management; and
- At the year-end we attended all component team close meetings with local management via video call, reviewed key interoffice deliverables reported to the primary audit team, and performed a remote file review of key audit workpapers.

The primary audit team were responsible for the scope and direction of the audit process. 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 has been increasing interest from stakeholders as to how climate change will impact companies. The Group has determined that the effects of climate change are not expected to have a significant impact on the Group's operations nor the viability of the Group over the next three years.

These effects are referenced on page 50 in the required Task Force for Climate related Financial Disclosures and on pages 54 to 59 in the principal risks and uncertainties, which form part of the "Other information," rather than the audited financial statements. Our procedures on these 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.

Our audit effort in considering climate change was focused on the Group's disclosures in the financial statements and conclusion that no issues were identified that would impact the carrying values of assets with indefinite and long lives or have any other impact on the Group financial statements. We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

Whilst the Group have stated their commitment to achieve net zero carbon emissions by 2035, the Group is currently unable to determine the full future economic impact on their business model, operational plans and customers to achieve this and therefore as set out above the potential impacts are not fully incorporated in these financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements 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 Committee
Impairment of goodwill, intangible assets, property, plant and equipment ("PPE"), and right-of-use assets ("ROUA") *Refer to Accounting policies (pages 136 and 148); and Notes 13 and 14 of the Consolidated Financial Statements (pages 166 to 170)* The Group Balance Sheet includes goodwill, intangible assets, property, plant and equipment, and right-of-use assets totalling £434.6m (2020: £440.1m). 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. 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. Changes to assumptions or adverse performance could have a significant impact on the available headroom and any impairment that may be required. Particularly sensitive is the Benelux cash-generating unit ("CGU"). Additionally, indicators may exist to that reversal of previously recorded impairment is appropriate. This is relevant to the UK Distribution CGU. There is also an associated risk in the company only balance sheet over the potential impairment of investments in subsidiary undertakings and the recoverability of receivables due from subsidiary undertakings. Additionally, there is a risk that a reversal of previous impairments are not appropriately recorded.	**Indicators of Impairment or Reversal of Impairment** We audited management's impairment assessment including their consideration of indicators for impairment or reversal of impairment. We considered whether other indicators existed which were not identified by management. We evaluated the identification of CGUs against the requirements of IAS 36. **Valuation Model** 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 CGUs per the requirements of IAS 36 Impairment of Assets. We tested the clerical accuracy of the model and challenged the allocation of central assets and forecasting risk adjustments through understanding the rationale for their inclusion and reviewing management's calculations. We identified and walked through key controls in the impairment process identified by management, including the budgeting process. We challenged whether any 'reverse indicators' of impairment exist and whether they are sufficiently satisfied in order to recognise any reversal of previous impairment charges. **Key assumptions in the valuation** We evaluated the key underlying assumptions within the VIU calculation including the forecasts, discount rates, and long-term growth rates. We evaluated the impact of COVID-19 and climate risk on the assumptions. We challenged the underlying forecast in management's 2022 budget and 2023-2024 medium-term plan. Our challenge focused on the inflationary and product availability pressures while maintaining margin and seeking to outperform the market. We benchmarked the discount rate calculation 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 We applied sensitivities to the long-term growth rates used in the model by benchmarking to alternative source of evidence, we noted management's rates were comparable and the model was not overly sensitive to this change. For CGUs with the lowest headroom levels we calculated the degree to which the key inputs and assumptions would need to fluctuate before an impairment was triggered and considered the likelihood of this occurring. We performed our own sensitivities on the forecasts for each CGU based on independent industry forecasts and determined whether adequate headroom remained. **Disclosures** 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. We also assessed the disclosure within the key judgements and estimation uncertainty section of the financial statements.	**Impairment of goodwill, intangible assets, property, plant and equipment ("PPE"), and right-of-use assets ("ROUA")** An impairment charge of £9.9m against Benelux goodwill has been appropriately recorded. We agree that it is too early to reverse any of the UK Distribution impairment as there was insufficient evidence the turnaround plan is complete. We reviewed the disclosures included within the financial statements and consider them appropriate. **Impairment of investments and recoverability of intercompany balances in the parent company accounts** We agree with the Directors assessment that no impairment should be recorded at 31 December 2021. Additionally, management's assessment not to reverse previously recorded impairment is reasonable.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
	Continued overleaf	
	Impairment of investments and recoverability of intercompany balances in the parent company accounts We compared the forecasts and discount rates to our goodwill testing to confirm these had been consistently applied. We compared the balance sheet positions of the intercompany counterparty to our testing on the consolidation to confirm the accuracy of the balances. We compared the investment carrying value and the intercompany receivable to the net assets of the investee and the discounted future cashflow forecasts. Where a shortfall was noted we confirmed that the impairment charge or expected credit loss provision was recorded correctly. We compared the parent company net assets to the Group's net assets and to the Group's market capitalisation. Neither test indicated an impairment in the parent company investments were required. We assessed whether any indicators existed to support the reversal of previous investment impairment charges. The primary audit team performed audit procedures over this risk area covering 100% of the risk amount.	
Misstatement of supplier rebate income and associated receivable *Refer to Accounting policies (page 139); and Notes 17 and 18 of the Consolidated Financial Statements (page 173 to 175)* In 2021, income from Supplier Rebates totalled £261.4m (2020: £198.5m) with a receivable balance as at 31 December 2021 of £88.0m (2020: £66.6m). 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.	We focused our audit procedures on the areas where management apply judgement and estimate, where the processing is either manual or more complex, and where the value is high. For example, agreements with non-coterminous year ends are a particular focus due to the judgement in predicting the rebate tier that will be achieved. We performed walkthroughs to understand the key processes used to record supplier rebate transactions and identified key controls. We performed analytical reviews to understand unusual movements in income statement and balance sheet accounts period on period, including ageing analysis. We selected a sample of suppliers, in order to obtain independent confirmations to confirm key terms, income and year end receivable. Using the confirmations received, we reconciled income recognised in the period and the receivable recorded at the year end. Where third party vendor confirmations could not be obtained for the sample, we: • 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. For new agreements signed in the year, we obtained copies of the agreements and reviewed management's delegation of authority to confirm that these were approved in line with Group's policy. We challenged the level of settlement provision held against supplier rebates receivable in the UK. 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. We reviewed the appropriateness of the critical accounting judgements and key sources of estimation uncertainty disclosure in respect of supplier rebate amounts recorded in the income statement and balance sheet. We performed the above audit procedures over this risk area at eight full and specific scope locations, which covered 98% of the risk amount associated to supplier rebate income and 96% of the risk amount associated to supplier rebates receivable	The income recognised in the year and the balance sheet position at year end are appropriately recorded. We reviewed the disclosures included within the financial statements and consider them appropriate.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Classification of Other Items in the Income Statement *Refer to Accounting policies (page 137-138); and Note 2b of the Consolidated Financial Statements (page 155)* Other items recorded in 2021 is an expense of £35.2m (2020 restated: expense of £118.5m). Other items are not defined by IFRS and therefore judgement is required in determining the appropriateness of such classification guided by IAS 1. Consistency in items treated as separately disclosed is important to maintain comparability of reporting year-on-year. Underlying profit is a key performance measure of the Group. There exists a risk, through management override of controls or bias of judgement, of inappropriate classification of these items separately to overstate underlying profit.	We performed walkthroughs to understand the key processes used to record Other items and identify key controls. We reviewed management's accounting policy in respect of Other items classification in the income statement and challenged the appropriateness of separately presenting these items within Other items. We obtained evidence for a sample of transactions categorised as Other Items to understand the nature of these costs and challenged the appropriateness of separately presenting these items in-line with the Group's accounting policy. We considered the consistency of approach with reference to Other items in previous years. Where an item related to impairment charges, testing was performed in line with our response to the risk set out in the Key Audit Matter relating to the impairment of goodwill, intangible assets, PPE and ROUA on page 206. Where an item related to a restructuring project, we inspected the build-up to ensure that the costs were attributable to the project and had been correctly categorised as an underlying cost or as an Other Item in line with the accounting policy. We assessed the appropriateness of recognising cloud computing, configuration, and customisation costs as Other Items following the change in accounting policy. We recalculated the amortisation charge in the year and confirmed this is consistent with the Group accounting policy. Where refinancing costs were classified within Other items, we obtained a listing of transaction costs associated with the debt refinancing, challenged management's cost allocation and performed a sample test to confirm the appropriate classification of the costs. We also assessed treatment of costs associated with the previous debt arrangements. The primary audit team, in conjunction with all full and specific scope components, performed audit procedures over this risk area covering 100% of the risk amount.	We agree that Other Items are recorded in-line with the Group's policy and the guidance in IAS 1.

There are no changes in our key audit matters from the prior year.

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 £3.0m (2020: £1.8m), which is 0.5% (2020: 0.5%) of Gross Margin which provides a materiality value reflective of the performance of the Group. We believe that this basis provides one of the most relevant performance measures to the stakeholders of the group and is therefore an appropriate basis for materiality. The increase in materiality year on year is reflective of the improved financial performance of the Group.

We determined materiality for the Parent Company to be £3.0m (2020: £1.8m), which is 1.0% (2020: 1.0%) of Equity being £3.8m, however we have capped this at the materiality of Group.

During the course of our audit, we reassessed initial materiality and increased the final materiality from original assessment at planning of £2.8 million. No additional testing was required due to an amendment in final materiality. This increase reflects our assessment based on the actual results for the current year.

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% (2020: 50%) of our planning materiality, namely £1.5m (2020: £0.9m). 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 £0.6m (2020: £0.2m to £0.4m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.15m (2020: £0.09m), 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 128, including the Strategic Report and the Governance reports (Corporate Governance Report, Nominations Committee Report, Audit 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.

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 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 66;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 65;
- 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 66;
- Directors' statement on fair, balanced and understandable set out on page 111;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 96;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 96; and;
- The section describing the work of the audit committee set out on pages 104 to 111.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 128, 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 company 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.
- 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 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 journal entry testing, with a focus on manual consolidation journals, and journals indicating large or unusual transactions based on our understanding of the business; enquiries of legal counsel, group management, internal audit, subsidiary management at all full and specific scope components; and focused testing, including the procedures referred to in the key audit matters section above. 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 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 four years, covering the years ending 31 December 2018 to 31 December 2021.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Colin Brown
(Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

10 March 2022

Five-year summary

Statutory basis	Total 2017 £m	Total 2018 £m	Total 2019 £m	Total Restated^ 2020 £m	Total 2021 £m
Revenue	2,878.4	2,431.8	2,160.6	1,874.5	**2,291.4**
Operating (loss)/profit	(36.3)	26.2	(87.9)	(160.0)	**14.0**
Finance income	0.6	0.5	0.5	0.7	**0.7**
Finance costs	(19.0)	(16.4)	(25.3)	(35.3)	**(30.6)**
(Loss)/profit before tax	(54.7)	10.3	(112.7)	(194.6)	**(15.9)**
(Loss)/profit after tax	(59.2)	4.1	(124.1)	(201.2)	**(28.3)**
(Loss)/earnings per share (p)	(10.2)	3.0	(21.0)	(23.1)	**(2.4)**
Total dividend per share (p)	3.75	3.75	1.25	0.0	**0.0**

Underlying basis*	Underlying 2017 £m	Underlying 2018 £m	Underlying 2019 £m	Underlying Restated^ 2020 £m	Underlying 2021 £m
Revenue	2,714.3	2,347.2	2,143.0	1,872.7	**2,291.4**
Operating profit/(loss)	85.3	70.4	42.5	(53.1)	**41.4**
Finance income	0.5	0.5	0.5	0.7	**0.7**
Finance costs	(16.6)	(15.9)	(25.3)	(23.7)	**(22.8)**
Profit/(loss) before tax	69.2	55.0	17.7	(76.1)	**19.3**
Profit/(loss) after tax	51.5	40.1	1.4	(86.8)	**3.7**
Earnings/(loss) per share (p)	8.7	6.8	0.2	(10.0)	**0.3**

^ Results for 2020 have been restated for the change in accounting policy in relation to cloud computing arrangements as set out in the Statement of significant accounting policies. 2019 and previous years are not restated.

* Underlying represents the results before Other items. See the Statement of significant accounting policies for further details.

All underlying numbers are stated excluding the trading results attributable to businesses identified as non-core.

Company balance sheet

as at 31 December 2021

	Note	2021 £m	2020 £m
Fixed assets			
Investments	5	**267.6**	267.6
Tangible fixed assets	6	**0.3**	0.3
Right-of-use assets	11	**–**	1.4
Intangible assets	7	**0.6**	1.0
		268.5	270.3
Current assets			
Debtors – due within one year	8	**496.7**	405.7
Debtors – due after more than one year	8	**–**	–
Deferred tax assets	13	**–**	–
Cash at bank and in hand		**119.9**	174.0
		616.6	579.7
Current liabilities			
Creditors: amounts falling due within one year	9	**248.3**	235.6
Provisions: amounts falling due within one year	12	**4.5**	4.3
		252.8	239.9
Net current assets		**363.8**	339.8
Total assets less current liabilities		**632.3**	610.1
Creditors: amounts falling due after one year	10	**249.6**	213.9
Provisions: amounts falling due after one year	12	**4.0**	6.2
Net assets		**378.7**	390.0
Capital and reserves			
Called up share capital	14	**118.2**	118.2
Share premium account	14	**–**	447.7
Treasury shares reserve	14	**(12.5)**	(0.2)
Merger reserve	14	**104.0**	104.0
Capital redemption reserve	14	**0.3**	0.3
Share option reserve	14	**4.4**	2.0
Exchange reserve	14	**(0.2)**	(0.2)
Cash flow hedging reserve	14	**(0.3)**	2.1
Cost of hedging reserve	14	**0.1**	0.1
Retained profits	14	**164.7**	(284.0)
Shareholders' funds		**378.7**	390.0

The accompanying Statement of significant 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 profit after tax for the financial year ended 31 December 2021 of £1.0m (2020: £155.6m loss – restated).

The financial statements were approved by the Board of Directors on 10 March 2022 and signed on its behalf by:

Steve Francis
Director

Ian Ashton
Director

Registered in England: 00998314

Company statement of changes in equity

for the year ended 31 December 2021

	Called up share capital £m	Share premium account £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 2020 (restated)	59.2	447.3	–	11.5	0.3	1.8	(0.2)	3.5	(0.1)	(128.6)	394.7
Loss after tax (restated)	–	–	–	–	–	–	–	–	–	(155.6)	(155.6)
Other comprehensive (expense)/income	–	–	–	–	–	–	–	(1.4)	0.2	–	(1.2)
Total comprehensive (expense)/income	–	–	–	–	–	–	–	(1.4)	0.2	(155.6)	(156.8)
Transfer of unallocated treasury shares	–	–	(0.2)	–	–	–	–	–	–	0.2	–
Credit to share option reserve	–	–	–	–	–	0.2	–	–	–	–	0.2
Share capital issued in the year	59.0	0.4	–	92.5	–	–	–	–	–	–	151.9
At 31 December 2020	118.2	447.7	(0.2)	104.0	0.3	2.0	(0.2)	2.1	0.1	(284.0)	390.0
Profit after tax	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1.0**	**1.0**
Other comprehensive expense	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2.4)**	**–**	**–**	**(2.4)**
Total comprehensive (expense)/income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2.4)**	**–**	**1.0**	**(1.4)**
Purchase of treasury shares	**–**	**–**	**(12.3)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(12.3)**
Credit to share option reserve	**–**	**–**	**–**	**–**	**–**	**2.6**	**–**	**–**	**–**	**–**	**2.6**
Settlement of share options	**–**	**–**	**–**	**–**	**–**	**(0.2)**	**–**	**–**	**–**	**–**	**(0.2)**
Capital reduction	**–**	**(447.7)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**447.7**	**–**
At 31 December 2021	**118.2**	**–**	**(12.5)**	**104.0**	**0.3**	**4.4**	**(0.2)**	**(0.3)**	**0.1**	**164.7**	**378.7**

Total equity at 1 January 2020 and the loss for the year ended 31 December 2020 has been restated as set out in the Company statement of significant accounting policies.

The accompanying Statement of significant accounting policies and Notes to the Company financial statements are an integral part of this Company statement of changes in equity.

Company statement of significant accounting policies

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 IAS 17, 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 page 144.

The separate financial statements have been prepared in accordance with Financial Reporting Standard 101, “Reduced Disclosure Framework” (FRS 101) and the Companies Acts 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.

On 18 November 2021 the Company completed the restructuring of its debt arrangements, comprising the issue of €300m senior secured notes and a new RCF of £50m. The existing private placement notes of £129.8m and £70m term loan were repaid, together with £12.9m make whole payment on early settlement of the private placement notes. The Company now has committed facilities in place to November 2026 (senior secured notes) and May 2026 for the RCF. The senior secured notes are subject to incurrence based covenants only, and 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 RCF was undrawn at 31 December 2021.

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 2023.

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:

- a decline in market conditions resulting in lower than forecast sales;
- continued implementation of the new strategy taking longer than anticipated to deliver forecast increases in revenue and profit;
- potential impact of material shortages on forecast sales; and
- further waves of the Covid-19 pandemic having an impact on trading.

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 Viability statement review on page 65.

The Directors have considered the impact of climate-related matters on the going concern assessment, 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 2023 and the Directors therefore consider it appropriate to adopt the going concern basis in preparing the 2021 financial statements.

New standards, interpretations and amendments adopted

A number of amendments and interpretations apply for the first time in 2021, 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.

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".

Change in accounting policy – software as a service ("SaaS") arrangements

Following the IFRS Interpretations Committee (IFRIC) agenda decision published in April 2021, the Company has reviewed its accounting policy regarding the configuration and customisation costs incurred in implementing SaaS arrangements. The Company's revised policy is consistent with the Group as detailed on page 135. The change in accounting policy has been retrospectively applied, resulting in a restatement to previously reported numbers. The impact on the Company's balance sheet and equity is a reduction in intangible assets and retained profits/(losses) of £9.0m at 1 January 2020 and a reduction in the loss before tax for the year ended 31 December 2020 of £9.0m. There is no impact on retained profits/(losses) or net assets at 31 December 2020 as the previously capitalised costs were fully impaired during 2020 with no remaining net book value at 31 December 2020.

Share-based payments

The accounting policy for share-based payments (IFRS 2) is consistent with that of the Group as detailed on page 140.

Derivative financial instruments

The accounting policy for derivative financial instruments is consistent with that of the Group as detailed on page 144.

Financial assets and liabilities

The accounting policy for financial assets and liabilities is consistent with that of the Group as detailed on pages 143 to 144. 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 141.

Intangible assets

The accounting policy for tangible fixed assets is consistent with that of the Group as detailed on page 141.

Leases

The accounting policy for leases is consistent with that of the Group as detailed on page 142.

Foreign currency

The accounting policy for foreign currency is consistent with that of the Group as detailed on page 137.

Taxation

The accounting policy for taxation is consistent with that of the Group as detailed on page 140.

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 losses to the extent that it is probable that taxable profit will be available against which the attributes losses can be utilised, after consideration of available taxable temporary differences. The Company has £10.7m (2020: £2.7m) of potential deferred tax assets relating to cumulative UK tax losses and other deductible temporary differences which are currently unrecognised as there is not considered to be sufficient convincing evidence at 31 December 2021 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 2021 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 £10.7m. Further details are disclosed in Note 13.

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 £267.6m (2020: £267.6m) after an impairment loss recognised in 2020 of £109.3m. Of the £267.6m net book value at 31 December 2021, £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 2020, a review of the future operating cashflows of SIG Trading Limited using the following year's budget as a base indicated that the carrying value of the investment was not recoverable, resulting in the impairment charge recognised. At 31 December 2021 the carrying value is supported by the future operating cashflows and no further impairments are recognised. No reversal of the previous impairment is recognised as there is not sufficient evidence that the factors leading to the impairment in previous years no longer exist and that the reverse indicators of impairment are sufficiently satisfied at 31 December 2021.

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 in the balance sheet could become impaired further. Further details on the assumptions and sensitivities in relation to the forecast future cash flows of this subsidiary are provided in Note 13 of the Consolidated financial statements.

Impairment of amounts owed by subsidiary undertakings

At 31 December 2021 the Company has recognised amounts owed by subsidiary undertakings of £492.3m (2020: £402.5m). 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 £169.9m has been recognised at 31 December 2021 (2020: £193.9m) 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 2021 and level of ECL provision required in the future.

Deferred tax assets

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. Therefore, estimates are made to establish whether deferred tax balances should be recognised, in particular in respect of non-trading losses. Deferred tax assets have not been recognised at 31 December 2021 on the basis that the realisation of their future economic benefit is uncertain.

Notes to the Company financial statements

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 profit after tax for the financial year ended 31 December 2021 of £1.0m (2020: £155.6m loss – restated).

The Auditor's remuneration for audit services to the Company was £0.6m (2020: £0.6m).

2. Share-based payments

The Company had three share-based payment schemes in existence during the year ended 31 December 2021. The Company recognised a total credit to equity of £0.7m (2020: credit of £0.2m) 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 2021 (2020: nil) and the Directors are not proposing a final dividend for the year ended 31 December 2021 (2020: no dividend). Total dividends paid during the year was £nil (2020: £nil). No dividends have been paid between 31 December 2021 and the date of signing the financial statements.

See Note 14 for further details on distributable reserves.

4. Staff costs

Particulars of employees (including Directors) are shown below:

	2021 £m	2020 £m
Employee costs during the year amounted to:		
Wages and salaries	**8.2**	11.2
Social security costs	**1.0**	1.1
IFRS 2 share option charge	**0.7**	–
Pension costs	**0.3**	0.3
Total	**10.2**	12.6

The average monthly number of persons employed by the Company during the year was as follows:

	2021 Number	2020 Number
Administration	**58**	69

5. Fixed asset investments

Fixed asset investments comprise investments in subsidiary undertakings, as follows:

	2021 £m	2020 £m
Cost		
At 1 January	**650.9**	650.8
Additions	**–**	0.1
At 31 December	**650.9**	650.9
Accumulated impairment charges		
At 1 January	**383.3**	274.0
Impairment charge	**–**	109.3
At 31 December	**383.3**	383.3
Net book value		
At 31 December	**267.6**	267.6
At 1 January	**267.6**	376.8

Details of the Company's subsidiaries are shown on pages 227 to 230.

The £0.1m addition of investments in the prior year related to the share based payment charge settled by SIG plc but relating to other subsidiary companies.

Of the £267.6m (2020: £267.6m) investment net book value, £263.7m (2020: £263.7m) relates to SIG Trading Limited, the largest UK trading subsidiary. At 31 December 2020, a review of the future operating cashflows of SIG Trading Limited using the following year's budget as a base, taking into account current economic conditions, indicated that the carrying value of the investment was not recoverable and an impairment charge of £106.3m was recognised. At 31 December 2021 the carrying value is supported by the future operating cashflows and no further impairments are recognised. No reversal of the previous impairment is recognised as there is not sufficient evidence that the factors leading to the impairment in previous years no longer exist and that the reverse indicators of impairment are sufficiently satisfied at 31 December 2021. £3.0m impairment was also recognised in 2020 in relation to the Company's investment in Freeman Group Limited following the settlement of intercompany balances and distribution of remaining reserves during the year.

A more detailed sensitivity analysis of the Group's significant CGUs is given in Note 13 of the Consolidated financial statements.

6. Tangible fixed assets

The movement in the year was as follows:

	Land and buildings			
	Freehold land and buildings £m	Leasehold improvements £m	Plant and machinery £m	Total £m
Cost				
At 1 January and 31 December 2020	0.1	0.5	0.6	1.2
Additions	**–**	**0.1**	**–**	**0.1**
Disposals	**–**	**(0.2)**	**–**	**(0.2)**
At 31 December 2021	**0.1**	**0.4**	**0.6**	**1.1**
Depreciation				
At 1 January 2020	0.1	0.1	0.6	0.8
Charge for the year	–	0.1	–	0.1
At 31 December 2020	0.1	0.2	0.6	0.9
Charge for the year	**–**	**0.1**	**–**	**0.1**
Disposals	**–**	**(0.2)**	**–**	**(0.2)**
At 31 December 2021	**0.1**	**0.1**	**0.6**	**0.8**
Net book value				
At 31 December 2021	**–**	**0.3**	**–**	**0.3**
At 31 December 2020	–	0.3	–	0.3

7. Intangible fixed asset

The movement in the year was as follows:

	Computer software £m	Total £m
Cost		
At 1 January 2020 (restated)	3.5	3.5
Additions	0.4	0.4
Disposals	(2.3)	(2.3)
At 31 December 2020 (restated)	1.6	1.6
Additions	**–**	**–**
Disposals	**(0.1)**	**(0.1)**
At 31 December 2021	**1.5**	**1.5**
Depreciation		
At 1 January 2020 (restated)	0.9	0.9
Charge for the year	0.9	0.9
Disposals	(1.3)	(1.3)
Impairment	0.1	0.1
At 31 December 2020 (restated)	0.6	0.6
Charge for the year	**0.3**	**0.3**
At 31 December 2021	**0.9**	**0.9**
Net book value		
At 31 December 2021	**0.6**	**0.6**
At 31 December 2020	1.0	1.0

The 2020 software balances have been restated as a result of the IFRS Interpretations Committee (IFRIC) agenda decision on configuration and customisation costs in cloud computing arrangements. See the Company statement of significant accounting policies for further details.

Included within computer software additions are assets in the course of construction of £nil (2020: £nil).

The impairment charge in the prior year related to IT projects no longer considered to have any future value to the Company.

8. Debtors

	2021 £m	2020 £m
Amounts owed by subsidiary undertakings	**492.3**	402.5
Derivative financial instruments	**0.2**	–
Prepayments	**4.2**	3.2
Total	**496.7**	405.7

The Group 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 £169.9m (2020: £193.9m) has been recognised at 31 December 2021 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 0.0% and 8.0%.

9. Creditors: amounts falling due within one year

	2021 £m	2020 £m
Lease liabilities	**0.3**	0.2
Amounts owed to subsidiary undertakings	**234.7**	219.3
Derivative financial instruments	**0.5**	0.5
Accruals and deferred income	**12.8**	15.6
Total	**248.3**	235.6

Amounts owed to subsidiary undertakings are measured at amortised cost, are unsecured and bear interest at rates between 0.0% and 3.5%.

10. Creditors: amounts falling due after one year

	2021 £m	2020 £m
Lease liabilities	**–**	1.4
Senior secured notes	**249.6**	–
Private placement notes	**–**	144.5
Bank loans	**–**	67.7
Derivative financial instruments	**–**	0.3
Total	**249.6**	213.9

On 18 November 2021 the Company completed a restructuring of its debt arrangements. This comprised the issuance of €300m senior secured notes at a coupon of 5.25% and the establishment of a new RCF of £50m. The proceeds from the senior secured notes were used to repay the existing private placement notes and £70m term loan, and the previous RCF of £25m was cancelled. This has been accounted for as an extinguishment of the previous arrangements, and arrangement fees and the loss on modification which were being amortised over the term of the previous facilities have been written off.

Senior secured notes

The €300m senior 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 £2.5m is unamortised at 31 December 2021.

The contractual repayment profile of the current senior secured notes and the previous private placement notes is shown below:

	2021		2020	
	£m	Fixed interest rate %	£m	Fixed interest rate %
Repayable in 2023	**–**	**–**	66.2	6.2%
Repayable in 2026*	**252.1**	**5.25%**	70.0	5.3%
Total gross amount payable	**252.1**	**5.25%**	136.2	5.6%
Unamortised fees	**(2.5)**		(1.8)	
Loss on modification	**–**		10.1	
	249.6		144.5	

* The previous private placement notes were subject to a put option which if exercised by the lenders would have meant that the notes due in 2026 would have become due and payable in 2023

Previous arrangements

Bank loan

As part of the amendments to the financing arrangements on 18 June 2020, the amount drawn on the RCF at that date of £70.0m was converted into a term facility due for repayment on 31 May 2023 and a RCF of £25.0m. The £70.0m term facility is included within non-current liabilities above, net of arrangement fees paid (of which £2.3m remains unamortised at 31 December 2020). This has been accounted for as an extinguishment of the previous facility and new arrangement, and therefore arrangement fees which were being amortised over the term of the previous facility have been written off.

Private Placement Notes

On 18 June 2020 the Group concluded changes to its agreements with existing private placement notes holders with the following key changes:

- Repayment of €30m of notes previously due on 31 October 2020 and €20m of notes previously due on 31 October 2021 deferred to 31 May 2023;
- £48.9m repaid on completion of the Group's equity raise in July 2020, split across each of the individual notes on a pro-rata basis;
- holders of the existing 2023 notes (due 31 October 2023) and 2026 notes (due 12 August 2026) granted a put option for those notes to be redeemed on 31 May 2023 at a price equal to 100% of the aggregate outstanding principal together with a make-whole amount calculated as specified in the agreement;
- additional fee of 2% per annum to be paid on the outstanding principal; and
- financial covenants were reset.

The loan notes were considered separately to determine whether the changes should be accounted for as a modification of the existing arrangement or as an extinguishment and refinancing. The Company concluded that each loan note met the criteria to be accounted for as a modification. Previous arrangement fees therefore continued to be amortised over the remaining term (£0.3m at the date of modification) together with arrangement fees incurred in relation to the new agreement (£1.9m). A loss on modification of £11.3m was also recognised, reflecting the difference in the present value of the future cash flows discounted at each loan note's original effective interest rate. This was recognised within finance costs. This was unwinding over the remaining term of the loan notes, resulting in the finance cost recognised being lower than the actual amounts paid.

11. Leases

The Company as a lessee

The Company has a lease contract for a property. Information on the nature and accounting for lease contracts is provided in the Statement of significant accounting policies.

Set out below is the carrying amount of the right-of-use asset recognised and the movement during the period:

	Buildings £m	Total £m
At 1 January 2020	1.6	1.6
Depreciation expense	(0.2)	(0.2)
At 31 December 2020	1.4	1.4
Depreciation expense	**(0.1)**	**(0.1)**
Modification	**(0.9)**	**(0.9)**
Impairment	**(0.4)**	**(0.4)**
At 31 December 2021	**–**	**–**

Set out below is the carrying amount of the lease liability and the movement during the year:

	Total £m
At 1 January 2020	1.8
Accretion of interest	0.1
Payments	(0.3)
At 31 December 2020	1.6
Accretion of interest	**–**
Payments	**(0.2)**
Modification	**(1.1)**
At 31 December 2021	**0.3**

	2021 £m	2020 £m
Current	**0.3**	0.2
Non-current	**–**	1.4
	0.3	1.6

The following are the amounts recognised in profit or loss:

	2021 £m	2020 £m
Depreciation expense of right-of-use asset	**0.1**	0.2
Interest expense on lease liability	**–**	0.1
Impairment of right-of-use asset	**0.4**	–
Total amount recognised in profit or loss	**0.5**	0.3

The Company had total cash outflows for leases of £0.2m in 2021 (2020: £0.3m). The Company had no non-cash additions to right-of-use assets and lease liabilities in 2021 (2020: none). There are no future cash outflows relating to leases that have not yet commenced in 2021 (2020: none).

12. Provisions

	Onerous lease £m	Dilapidations £m	Onerous contracts £m	Total £m
At 1 January 2021	–	0.2	10.3	10.5
Utilised	–	–	(4.5)	(4.5)
New provisions	0.2	–	2.2	2.4
Unwinding of discount	–	–	0.1	0.1
At 31 December 2021	0.2	0.2	8.1	8.5

	2021 £m	2020 £m
Amounts falling due within one year	4.5	4.3
Amounts falling due after one year	4.0	6.2
Total	8.5	10.5

The dilapidations provision relates to the contractual obligation to reinstate leasehold property to its original state of repair. The transfer of economic benefit in respect of the dilapidations provision is expected to be made on expiry of the lease in one years time.

The onerous lease provision relates to a vacant property. The future rental costs are 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. The transfer of economic benefit will be made within one year.

The onerous contract provisions relate to licence fee commitments where no future economic benefit is expected to be obtained, principally in relation to the SAP 1 HANA implementation following the change in scope of the project in 2020 and subsequent changes in 2021. The costs will be incurred equally over the next two years.

13. Deferred tax

	2021 £m	2020 £m
Deferred tax assets	–	–

The different components of deferred tax assets and liabilities recognised by the Company and movements thereon during the current and prior reporting period are analysed below:

	Losses £m	Other £m	Total £m
At 1 January 2020 and 2021	–	–	–
Charge/credit to income	–	–	–
At 31 December 2021	–	–	–

Deferred tax has not been recognised on tax losses carried forward and other deductible temporary differences on the basis that the realisation of their future economic benefit is uncertain. The unrecognised potential deferred tax asset in relation to this is £10.7m (2020: £2.7m). This is on the basis that the realisation of their future economic benefit is uncertain. At the balance sheet date, no deferred tax liability is recognised on temporary differences relating to undistributed profits of the overseas subsidiaries. The Group is in a position to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. The value of the losses has increased in the year due to the main rate of UK corporation tax increasing from 19% to 25%.

14. Capital and Reserves

a) Called up share capital

	2021 £m	2020 £m
Authorised:		
1,390,000,000 ordinary shares of 10p each (2020: 1,390,000,000)	**139.0**	139.0
Allotted, called up and fully paid:		
1,181,556,977 ordinary shares of 10p each (2020: 1,181,556,977)	**118.2**	118.2

The Company did not allot any shares during the year. The Company completed an equity raise during the prior year. Details of the equity raise, including movements in the share premium account and merger reserve, can be found in Note 27 to the Consolidated financial statements. During 2021 the Company allotted no shares (2020: 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. Shares became unallocated during the prior year and were transferred to the treasury share reserve. 24,708,134 shares were purchased during the current year at a weighted average cost of 50.5p per share. A total of 24,814,955 own shares are outstanding at 31 December 2021 (2020: 125,429).

c) Reserves

Details of all movements in reserves are shown in the Company statement of changes in equity.

The share premium represents the amounts above the nominal value received for shares sold.

The share option reserve represents the cumulative equity-settled share option charge under IFRS 2 "Share-based payments" 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 Statement of significant accounting policies.

The merger reserve principally represents the premium on ordinary shares issued during the prior year through the use of a cash box structure. See Note 27 to the Consolidated financial statements for further details.

Capital reduction

On 24 June 2021 the Group completed the cancellation of its share premium account, which was approved by shareholders at the Annual General Meeting on 13 May 2021 and sanctioned by the High Court of England and Wales on 16 June 2021. The capital reduction results in the transfer of £447.7m from share premium account to retained profits/(losses) and creates distributable reserves.

At 31 December 2021 the Company has distributable reserves of £190.2m (2020: negative £217.1m).

15. Guarantees and other financial commitments

a) Guarantees

At 31 December 2021 the Company had provided guarantees of £nil (2020: £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 £4.7m (2020: £8.0m). This standby letter of credit, issued by HSBC Bank plc, is in respect of the Group's insurance arrangements.

As disclosed in the Statement of significant accounting policies, SIG Building Systems Limited have taken advantage of the exemption available under Section 479A of the Companies Act 2006 in respect of the requirement for audit. As a condition of the exemption, the Company has guaranteed the year end liabilities of the entity until they are settled in full.

16. 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 the audited part of the Directors' Remuneration Report on page 121. In addition, the Company recognised a share-based payment charge under IFRS 2 of £0.7m (2020: £nil) with a credit to the share option reserve of £0.7m (2020: £nil).

Group companies 2021

This Note provides a full list of the related undertakings of SIG plc in line with Companies Act requirements.

In accordance with Section 409 of the Companies Act 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 2021 is disclosed below. Unless otherwise stated, the share capital disclosed comprises ordinary or common shares which are held by subsidiaries of SIG plc.

Fully owned subsidiaries (United Kingdom)

A. M. Proos & Sons Limited (England) (ii)
A. Steadman & Son (Holdings) Limited (England) (ii)
A. Steadman & Son Limited (England) (ii)
Aaron Roofing Supplies Limited (England) (ii)
Acoustic and Insulation Manufacturing Limited (England) (ii)
Acoustic and Insulation Materials Limited (England) (ii)
Advanced Cladding & Insulation Group Limited (England) (ii)
Ainsworth Insulation Limited (England) (ii) (xi)
Ainsworth Insulation Supplies Limited (England) (ii) (xiii)
Air Trade Centre UK Limited (England) (ii)
AIS Insulation Supplies Limited (England) (ii)
Alltrim Plastics Limited (England) (ii)
Asphaltic Roofing Supplies Limited (England) (ii)
Auron Limited (England) (ii) (xix)
BBM (Materials) Limited (England) (ii)
Blueprint Construction Supplies Limited (England) (ii)
Bowller Group Limited (England) (ii)
Building Solutions (National) Limited (England)
Buildspan Holdings Limited (England) (ii) (vii)
C. P. Supplies Limited (England) (ii)
Cairns Roofing and Building Merchants Limited (England) (ii)
Capco Interior Supplies Limited (England) (ii) (xv)
Ceilings Distribution Limited (England) (i) (ii)
Cheshire Roofing Supplies Limited (England) (ii)
+Clyde Insulation Supplies Limited (Scotland) (ii)
Clydesdale Roofing Supplies (Leyland) Limited (England) (ii)
C.M.S. Acoustic Solutions Limited (England) (ii) (x)
CMS Danskin Acoustics Limited (England) (ii)
C.M.S. Vibration Solutions Limited (England) (ii) (xv)
Coleman Roofing Supplies Limited (England) (ii)
Construction Material Specialists Limited (England) (ii) (xvi)
CPD Distribution Plc (England) (ii)
Dane Weller Holdings Limited (England) (ii)
+Danskin Flooring Systems Limited (Scotland) (ii)
Davies & Tate plc (England) (ii)
Drainex Limited (England) (ii) (viii)
Euroform Products Limited (England) (ii)
+Fastplas Limited (Scotland) (ii)
F30 Building Products Limited (England)
Fibreglass Insulations Limited (England) (ii)
Fireseal (North West) Limited (England) (ii)
Firth Powerfix Limited (England) (ii) (vii)
Flex-R Limited (England) (xv)
Formerton Limited (England) (ii)
Formerton Sheet Sales Limited (England) (ii)
Franklin (Sussex) Limited (England) (ii)
Freeman Group Limited (England) (i) (ii)
General Fixings Limited (England) (ii)
G.S. Insulation Supplies Limited (England) (ii)
Gutters & Ladders (1968) Limited (England) (ii)
>HHI Building Products Limited (Northern Ireland) (ii)
Hillsborough Investments Limited (England) (i) (ii) (iii)
Impex Avon Limited (England) (ii) (xv)
Insulation & Machining Services Limited (England) (ii)
Insulslab Limited (England) (ii)
+J. Danskin & Company Limited (Scotland) (ii)
John Hughes (Roofing Merchant) Limited (England) (ii)
John Hughes (Wigan) Limited (England) (ii)
Jordan Wedge Limited (England) (ii)
K.D. Insulation Supplies Limited (England) (ii)
Kem Edwards Limited (England) (ii)
Kent Flooring Supplies Limited (England) (ii)
Kesteven Roofing Centre Limited (England) (ii)
Kitson's Thermal Supplies Limited (England) (ii) (v)
Landsdon Holdings Limited (England) (ii) (xv)
Landsdon Limited (England) (ii) (x)
Leaderflush + Shapland Holdings Limited (England)
Lee and Son Limited (England) (ii)
Lifestyle Partitions and Furniture Limited (England) (ii) (vi)
London Insulation Supplies Limited (England) (ii)
+MacGregor & Moir Limited (Scotland) (ii)

Marvellous Fixings Limited (England) (ii)
Mayplas Limited (England) (ii) (ix)
Metechno Limited (England)
Ockwells Limited (England) (ii) (vii)
Omnico (Developments) Limited (England) (ii)
Omnico Plastics Limited (England) (ii)
One Stop Roofing Centre Limited (England) (ii)
Orion Trent Holdings Limited (England) (ii) (xvii)
Orion Trent Limited (England) (ii) (xvii)
Penkridge Holdings Limited (England) (ii)
Penlaw & Company Limited (England)
Penlaw Fixings Limited (England)
Penlaw Norfolk Limited (England)
Penlaw Northwest Limited (England)
Plastic Pipe Supplies Limited (England) (ii)
Polytech Systems Limited (England) (ii) (xvii)
Pre-Pour Services Limited (England) (ii) (xv)
Roberts & Burling Roofing Supplies Limited (England) (ii)
Roof Care (Northern) Limited (England) (ii)
Roof Shop Limited (England) (ii)
Roofing Centre Group Limited (England) (ii)
Roofing Material Supplies Limited (England) (ii)
Roplas (Humberside) Limited (England) (ii)
Roplas (Lincs) Limited (England) (ii)
Ryan Roofing Supplies Limited (England) (ii) (viii)
SAS Direct and Partitioning Limited (England) (ii)
Scotplas Limited (England) (ii)
Sheffield Insulations Limited (England) (i) (ii) (iii)
Shropshire Roofing Supplies Limited (England) (ii)
SIG Building Solutions Limited (England) (ii)
SIG Building Systems Limited (England)
SIG Digital Limited (England) (proposal to strike off – 29/10/2021)
SIG Dormant Company Number Eight Limited (England) (ii) (iv)
SIG Dormant Company Number Eleven Limited (England) (ii)
SIG Dormant Company Number Fourteen Limited (ii)
SIG Dormant Company Number Nine Limited (England) (i) (ii)
SIG Dormant Company Number Seven Limited (England) (i) (ii)
SIG Dormant Company Number Six Limited (England) (ii)
SIG Dormant Company Number Sixteen Limited (England) (ii)
SIG Dormant Company Number Ten Limited (England) (i) (ii) (xvii)
SIG Dormant Company Number Three Limited (England) (i) (ii)
SIG Dormant Company Number Two Limited (England) (i) (ii) (iv)
SIG Energy Management Limited (England) (i) (ii)
SIG EST Trustees Limited (England) (i) (ii)
SIG European Holdings Limited (England) (i)
SIG European Investments Limited (England)
SIG Green Deal Provider Company Limited (England) (i) (ii)
SIG Group Life Assurance Scheme Trustees Limited (England) (ii)
SIG Hillsborough Limited (England)
SIG (IFC) Limited (England)
SIG International Trading Limited (England) (i)
SIG Logistics Limited (England) (ii)
SIG Manufacturing Limited (England)
SIG Offsite Limited (England) (ii)
SIG Retirement Benefits Plan Trustee Limited (England) (i) (ii)
SIG Roofing Supplies Limited (England) (i) (ii)
SIG Scots Co Limited (Scotland) (i)
SIG Specialist Construction Products Limited (England) (ii)
SIG Trading Limited (England) (i)
S M Roofing Supplies Limited (England)
Solent Insulation Supplies Limited (England) (ii)
South Coast Roofing Supplies Limited (England) (ii)
Southwest Roofing Supplies Limited (England) (ii) (viii)
Specialised Fixings Limited (England) (ii)
Specialist Fixings and Construction Products Limited (ii)
Summers PVC (Essex) Limited (England) (ii)
Summers PVC Limited (England) (ii)
Support Site Limited (England) (i) (ii)
T.A.Stephens (Roofing) Limited (England) (ii)
Tenon Partition Systems Limited (England) (ii)
The Coleman Group Limited (England) (ii) (xviii)
The Greenjackets Roofing Services Limited (England) (ii) (xv)
Thomas Smith (Roofing Centres) Limited (England) (ii)
Tolway East Limited (England) (ii)
Tolway Fixings Limited (England) (ii)
Tolway Holdings Limited (England) (ii)
Trent Insulations Limited (England) (ii)
Trimform Products Limited (England) (ii)
TSS Plastics Centre Limited (England) (ii)
Undercover Holdings Limited (England) (ii)
Undercover Roofing Supplies Limited (England) (ii)
United Roofing Products Limited (England) (ii)

Fully owned subsidiaries (United Kingdom) continued

United Trading Company (UK) Limited (England) (ii) (vii)

W.W. Fixings Limited (England) (ii) (xvi)

Warm A Home Limited (England) (ii) (xx)

Wedge Roofing Centres Holdings Limited (England) (ii)

Wedge Roofing Centres Limited (England) (ii)

Westway Insulation Supplies Limited (England) (ii)

Weymead Holdings Limited (England) (ii) (xv)

William Smith & Son (Roofing) Limited (England) (ii)

Window Fitters Mate Limited (England) (ii)

Wood Floor Sales Limited (England) (ii)

Woods Insulation Limited (England) (ii)

Workspace London Limited (England) (ii)

Zip Screens Limited (England) (i) (ii)

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)

\+ Registered Office Address: Coddington Crescent, Holytown, Motherwell, ML1 4YF, United Kingdom

> Registered Office Address: 6-8 Balmoral Road, Balmoral Industrial Estate, Belfast, Northern Ireland, BT12 6QA, United Kingdom

Fully owned subsidiaries (overseas) (including registered office addresses)

Gate Pizzaras SL (Spain) – Ponferrada, Villamartin Leon, Spain

Hillsborough (Guernsey) Limited (Guernsey) – Martello Court, PO Box 119, Admiral Park, St Peter Port, HY1 3HB, Guernsey

Hillsborough Investments (Guernsey) Limited (Guernsey) – Martello Court, PO Box 119, Admiral Park, St Peter Port, HY1 3HB, Guernsey

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) – 36 bis rue delaage, 49100 Angers, France

LITT Diffusion S.A.S. (France) – 8-16 rue Paul Vaillant Couturier 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 Aftbouwspecialist B.V. (The Netherlands) Het Sterrenbeeld 52, 5215 ML ‘s-Hertogenbosch, The Netherlands

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 Central Services B.V. (The Netherlands) – Bedrijfweg 15, 5061 JX Oisterwijk, The Netherlands

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) – 8-16 rue Paul Vaillant Couturier, 92240 Malakoff, France

SIG Germany GmbH (Germany) – Maybachstrasse 14, 63456 Hanau-Steinheim, Germany

SIG Holdings B.V. (The Netherlands) – Bedrijfweg 15, 5061 JX Oisterwijk, The Netherlands

SIG Nederland B.V. (The Netherlands) – Bedrijfweg 15, 5061 JX Oisterwijk, The Netherlands

SIG Property GmbH (Germany) – Maybachstrasse 14, 63456 Hanau-Steinheim, Germany

SIG Technische Isolatiespecialist B.V. (The Netherlands) – Touwbaan 24-26, 2352 TZ Leiderdorp , The Netherlands

SIG Services Limited (Jersey) – 44 Esplanade, St Helier, JE4 9WG, Jersey

SIG Stukadoorsspecialist B.V. (The Netherlands) – Hoogeveenenweg 160, Nieuwerkerk a.d. Ussel, 2913 LV, The Netherlands

SIG Trading (Ireland) Limited (Ireland) (viii) – Ballymount Retail Centre, Ballymount Road Lower, Dublin 24, Ireland

SIG Sp. z.o.o. (Poland) – ul. Kamienskiego 51, 30-644 Krakow, Poland

Sitaco Sp. z.o.o. (Poland) – ul. Kamienskiego 51, 30-644 Krakow, Poland

Sitaco Sp. z.o.o. Spolka Komandytowa (Poland) – ul. Kamienskiego 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 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

Company information

Life President
Sir Norman Adsetts OBE, MA

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

Fax: +44 (0) 114 285 6349

Email: info@sigplc.com

www.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 6ZZ

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

London Branch
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
Jefferies International Limited

100 Bishopsgate
London
EC2N 4JL

Peel Hunt LLP

100 Liverpool Street
London
EC2M 2AT

Financial public relations
FTI Consulting LLP

200 Aldersgate
Aldersgate Street
London
EC1A 4HD

Financial advisers
Lazard & Co Limited

50 Stratton Street
London W1 J8LL

Shareholder enquiries
Our share register is managed by Computershare, who can be contacted by telephone on:

24 hour helpline*	0370 707 1293
Overseas callers*	+44 370 707 1293
Text phone	0370 702 0005

* Operator assistance available between 08:30 and 17:30 GMT each business day.

Email: Access the Computershare website **www-uk.computershare.com/investor** and click on “Contact Us”, from where you can email Computershare.

Post: Computershare, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ, United Kingdom.

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**.

Financial calendar

Annual General Meeting	Thursday 12 May 2022
Interim Results 2022	August 2022
Full Year Results 2022	March 2023
Annual Report and Financial Statements 2022 posted to shareholders	March/April 2023

Shareholder analysis at 31 December 2021

Size of Shareholding	Number of Shareholders	%	Number of Ordinary Shares	%
0 – 999	580	32.28%	234,450	0.02%
1,000 – 4,999	617	34.34%	1,408,200	0.12%
5,000 – 9,999	165	9.18%	1,105,926	0.09%
10,000 – 99,999	229	12.74%	7,604,215	0.64%
100,000 – 249,999	59	3.28%	9,407,729	0.80%
250,000 – 499,999	36	2.00%	12,405,756	1.05%
500,000 – 999,999	38	2.11%	27,296,960	2.31%
1,000,000 +	73	4.06%	1,122,093,741	94.97%
Total	**1,797**	**100.00%**	**1,181,556,977**	**100.00%**

Registered office

Adsetts House
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www.sigplc.com

Registered number: 00998314
Registered in England