

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



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

Vanda Murray OBE
Chair

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

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

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

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

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

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

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

Dear shareholder

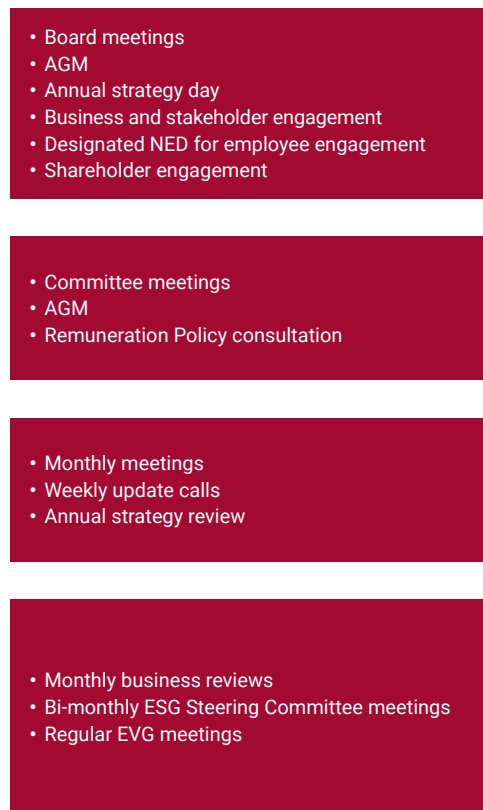
During 2023, the Board supported management actions addressing the challenges created by prolonged market weakness, driven predominantly by macro-economic conditions. Whilst these actions position the Group well for when markets recover, we recognise the impact they have had on our people and how they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

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

Our governance framework

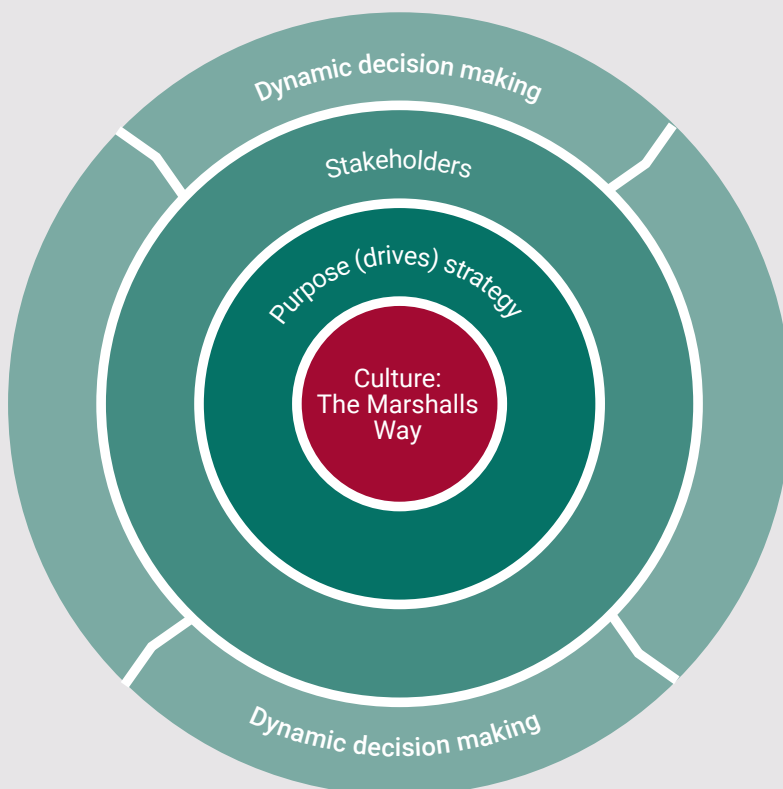


Programme of activities



Governance at Marshalls

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



Activities in 2023

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

Priorities in 2024

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

ESG priorities

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

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

Operating responsibly has been a foundation of our business from the outset. Current global challenges, whether political, economic, or environmental, demand transparent corporate citizens who have the

trust of their stakeholders. Our ESG commitments and credentials demonstrate this clearly.

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

 For further details see pages 34 to 43

ESG oversight



Supported by

- ESG metrics
- ESG Board updates
- Shareholder engagement
- TCFD reporting
- Risk Register
- Climate-related risks and opportunities
- Climate Disclosures Working Group
- Sustainability Report
- Science-based targets
- Metrics and targets

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

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

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

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

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

Diversity

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

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

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

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

Board evaluation

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

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

Responsibility Statement

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

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

Vanda Murray OBE

Chair

18 March 2024

Compliance Statement

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

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

1 Board leadership and Company purpose

 Read more on pages 73 and 74

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

2 Division of responsibilities

 Read more on pages 75 and 76


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

3 Composition, succession and evaluation

 Read more on pages 77 and 78

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

4 Audit, risk and internal control

 Read more on page 79

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

5 Remuneration

 Read more on page 79

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

Role of the Board

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

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



Delegation to Board Committees

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

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

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

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

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

Delegation to the Executive and management

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

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

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

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

1

Board leadership and Company purpose

Leadership and purpose

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

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

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

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

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

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

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

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

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

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

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

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

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

1. Board leadership and Company purpose continued

Leadership and purpose continued

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

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

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

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

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

Conflicts and concerns

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

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

Whistleblowing

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

2

Division of responsibilities

Roles and division of responsibilities

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

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

Board meetings and attendance*

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

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

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

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

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

2. Division of responsibilities continued

Board meetings

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

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

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

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

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

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

Strategy

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

Operations

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

Governance and risk

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

3

Composition, succession and evaluation

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

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

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

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

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

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

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

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

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

How Board priorities were addressed during the year

Focusing on the most critical issues

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

Overseeing strategy and monitoring execution

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

Supporting management in a challenging external environment

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

Succession planning

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

3. Composition, succession and evaluation continued

Focus areas and actions to enhance effectiveness in 2023

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

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

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

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

2023 Board performance review

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

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

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

priorities is summarised above and the specific areas identified for focus during 2024 are:

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

4

Audit, risk and internal control

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

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

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

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

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

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

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



Read the Audit Committee Report on [pages 84 to 87](#)

5

Remuneration

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

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

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



Read the Remuneration Committee Report on [pages 88 to 102](#)

Vanda Murray OBE

Chair

18 March 2024