

J.B. Riney & Co. Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are considered to be:

Brexit - operations may face operational, regulatory and market challenges resulting from the UK's withdrawal from the European Union, potentially impacting supply chain norms, construction labour availability and the general economic performance of the UK. Failure to manage the continued uncertainties posed by Brexit could result in adverse financial performance. The Directors currently believe that the uncertainty will have a limited impact on the Company and its related activities. However they continue to monitor the economic situation in the UK situation and receive reports on the ongoing impacts associated with Brexit, given the withdrawal from the EU only took place in early 2020 and there remains some uncertainty around the longer term impact of Brexit;

COVID-19 pandemic - Public health emergencies, epidemics or pandemics, such as the emergence and spread of the COVID-19 pandemic, have the potential to significantly impact operations through a fall in demand for the Company's products, a reduction in staff availability and business interruption. The emergence and spread of the COVID-19 pandemic has had a material impact across the construction markets in which the Company operates. The continued uncertainty around the global pandemic could have an adverse effect on the operating results, cash flows, financial condition and/or prospects of the Company. Crisis management structures and protocols are in place to enable swift decision-making at times of crisis. Business continuity management structures and plans have been enacted with new working protocols implemented to safeguard our people and business;

Climate change and policy - The impact of climate change may over time affect the operations of the Company and the markets in which it operates. This could include physical risks, such as acute and chronic changes in weather and/or transitional risks such as technological development, policy and regulation change and market and economic responses. Should the Company not reduce its greenhouse gases (GHGs) emissions by its identified targets, it may be subject to increased costs, adverse financial performance and reputational damage. However to date no such items of financial significance have occurred and there is deemed to be limited risk in the short term. The longer term impact continues to be monitored and the Company continues to focus on developing sustainable construction solutions and meet regularly with government to ensure adherence to the relevant regulations and policy changes;

External market outlook - aside from the uncertainty around the economic impact of the Coronavirus pandemic and the UK's withdrawal from the European Union, the nature of operations being based outdoors and certain optimal weather conditions being required for a number of key operational activities, means that adverse weather conditions across all seasons can have a significant short term impact on the both the Company's performance and the wider market. The Company continues to monitor the market and government policy to mitigate external risks where possible;

Competitive environment - increased competition could impact the Company's volumes and margins. The Company benefits from being part of a vertically integrated business and is therefore able to leverage on other Tarmac companies in order to differentiate itself from its competitors. The Company's principal objective is to develop sustainable building solutions for its customers;

Health & safety - The Company's operates in an industry where health and safety risks are inherently prominent. Further, the Company is subject to stringent regulations from a health and safety perspective. A serious health and safety incident could have a significant impact on the Company's operational and financial performance, as well as its reputation. This is managed through ensuring that a robust health and safety framework is implemented throughout the Company's operations requiring all employees to complete formal health and safety training on a regular basis. The Company monitors the performance of its health and safety framework, and takes immediate and decisive action if non adherence is identified. The development of a strong safety culture is driven by management and employees at every level and is a core part of doing business with integrity; and

Finance risk management - see Finance risk management objectives and policies section in the Directors Report.

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Directors' Report for the Year Ended 31 December 2020 (continued)

In December 2020 Tarmac announced the launch of a series of employee networks called 'Communities' - a new way for our employees to connect with their colleagues. As a business, Tarmac is proud to celebrate what matters to our colleagues and help everyone bring their whole self to work and the Communities will help colleagues find like-minded people to share advice and knowledge, provide support or just socialise together. Our first Communities reflect colleague feedback in line with our inclusion and diversity ("I&D") activity. Following our I&D survey last year, we asked an Employee Development Programme ("EDP") team to put forward recommendations on what more we could do - and employee networks were a clear favourite. Our first new communities have been suggested by the EDP group and previous feedback and will include:

- The Female Voice
- Mental health and wellbeing
- R.E.A.C.H (Black, Asian, and Minority Ethnic communities)
- LGBTQ+
- Parents and Carers

Our Communities are open to both members and allies and each community has an executive sponsor which enables reciprocal mentoring and ensures all employee voices and opinions are heard, especially from our underrepresented groups, enabling us to remove barriers and underpins our I&D agenda.

Customers

Stakeholders' interests

- Focused on minimising the impact on the environment, including the provision of low carbon solutions
- Responsible and sustainable sourcing of materials
- Projects that maximise sustainability and the health and safety of workers and reduce environmental impact
- Excellent and reliable service
- Transparency through the supply chain, committed to respecting human and labour rights and preventing modern slavery
- Engaging with customers to promote product innovation

How we have fostered relationships

Customer ESG requirements often form an integral part of the pre-qualification questionnaire for tender processes, especially for larger customers and tenders. In recent years, we have seen a steadily increasing weighting applied to ESG aspects in assessing tenders. In engaging with customers, either through tender submissions or outside of the formal tender process, we positively take into account their sustainability ambitions and how these should complement Tarmac's sustainability strategy. Our sustainability strategy sets out Tarmac's commitments to becoming a more sustainable and responsible business and to the delivery of a more sustainable built environment. Our strategy is built upon four key themes of people, planet, performance and solutions with priorities, commitments and targets to drive continuous improvement through our business.

Tarmac launched a new and improved user-friendly website as part of its ongoing commitment to putting the customer journey first and enhancing the business' digital infrastructure. Designed to enhance user experience, the mobile-compatible site makes it quicker for customers to identify the products and solutions they need with improved location functionality and easier-to-access case studies and information. The launch of the new website also makes it easier to access the Tarmac Connect customer portal which enables customers to request quotes and orders, track deliveries and pay invoices online. The customer portal is just one of Tarmac's latest digital innovations in the Connect programme of activity aimed at improving customer experience. The improvements to Tarmac's digital infrastructure are part of a wider pledge to delivering a smooth and effective customer journey.

In partnership with the City of Wolverhampton Council, Tarmac laid a new type of sustainable asphalt that uses rubbercrumb from waste tyres to support environmentally friendly roads in the city. The surface is laid at a lower temperature allowing the roads to be reopened quicker with up to 10 percent less CO₂ emissions, improved site safety, reduced fumes and less risk of burns to workers.

As our products and services are considered to be of strategic national importance, and as part of our approach to 'public policy', we input into, advise and support a wide range of governmental departments, functions and agencies (such as the Health & Safety Executive and the Environment Agency) on matters such as road construction, carbon reduction strategies and industry regulation. This also includes hosting MP visits to our sites, commenting on public consultations, proposed legislation and lobbying the government on key business issues.

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Tarmac and Yorkshire Dales Millennium Trust (YDMT) launched a new corporate volunteering initiative, the 'People and the Planet', which see Tarmac complete 7,700 hours of volunteering over the next ten years, demonstrating our commitment to our local communities and the importance and benefits of volunteering to our colleagues. In addition to the volunteering programme, Tarmac will also provide YDMT with opportunities to organise visits to our sites through several "Rock to Road tours", which explain how quarried stone from the national parks is used to maintain the regions road network. The agreement with YDMT supports Tarmac's sustainability strategy to support environmental stewardship and community involvement.

Tarmac volunteers have showcased their commitment to helping young people to tackle the planet's biggest issues by providing virtual mentoring to teams of school pupils as part of a nationwide competition.

Tarmac is a national sponsor of the Solutions for the Planet Big Ideas Competition that sees volunteers from local businesses partner with school pupils across the country to generate ideas which improve society, economy and the environment. Tarmac volunteers have been committed to helping young people in the South East of England, the West Midlands, Northern England and Scotland for six years, delivering more than 4286 hours of mentoring highlighting the importance of sustainability and raising awareness of career opportunities within the construction sector. Following school closures in response to the Covid-19 crisis, a new online platform was launched on the Solutions for the Planet website, giving pupils and mentors the means to collaborate and continue working together virtually - prior to the virtual mentoring, Tarmac volunteers had been attending schools, to help develop solutions created by pupils, aged 11 - 14, during their Big Ideas Days.

Tarmac operates under the CRH UK Tax Objectives, Strategy & Governance Framework. As a large global organisation, CRH acknowledges its responsibilities with respect to taxation in the multiple communities and jurisdictions in which it operates. CRH seeks a constructive and cooperative working relationship with the UK tax authorities through discussions and updates between the in-house tax team and the HM Revenue & Customs Customer Compliance Manager.

Tarmac became the first company in its sector to sign up to the EV100, a global initiative bringing together businesses committed to accelerating the transition to electric vehicles ("EV"), as part of its ongoing commitment to sustainability. Tarmac committed to upgrading its 2,000-strong fleet of corporate cars and vans to EVs by 2030, as well as installing EV charging points and infrastructure in key business locations across the country. Enrolment to the EV100 scheme is Tarmac's latest procurement initiative in its continued drive towards carbon reduction and follows a company-wide switch to 100 per cent clean electricity which allows all of Tarmac's sites across the country to use electricity supplied entirely through clean UK-based wind and solar sources.

During Covid-19, we launched a national campaign to enable our sites to donate personal protective equipment to hospitals and NHS and social care workers in our local communities. As well as donating equipment, our teams supplied material to essential infrastructure projects across the country including supplying concrete to the NHS Nightingale Hospital built at the Excel, London, and providing 53m³ of concrete to help with the construction of a critical ICU ward at George Eliot Hospital in Nuneaton.

We have continued to support local charities, clubs and community groups through volunteering, sponsorship and provision of equipment and resources.

By supporting safety initiatives and educating people, we help to raise awareness of potential dangers of the industries in which we operate to protect the local communities near to our sites.

We embrace innovation and drive continuous improvements to boost efficiency and productivity, not just of Tarmac operations, but the performance of the construction industry as a whole.

We have enabled Tarmac to reach people outside of our industry and work alongside other organisations in our community to support and nurture the leaders of tomorrow.

Tarmac continued to operate the third-party certified ISO 50001 energy management standard across the business. This standard is used to drive continuous improvement in energy and CO₂ efficiency. For further information on the energy efficiency actions taken by Tarmac, please refer to the Streamlined Energy and Carbon Reporting in the Directors' Report on page 17.

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Environmental matters

As the UK's leading construction solutions and building materials business, Tarmac's products and services help to create the fabric of the infrastructure and buildings around us.

Sustainability remains a cornerstone to managing the long-term future of our business and plays a fundamental role in shaping our growth strategy. It also underpins our Group vision of being the world's leading building materials company. For Tarmac, it encompasses how we keep our people safe; how we build a business that people want to work for; and how we foster ever closer relationships with local communities around our sites. It considers how we manage our operations to optimise environmental, social, and economic performance; how we ensure strong financial and ethical governance; and how we build stronger relationships with customers and anticipate their requirements.

2020 presented every business with some momentous challenges. Our ability to deliver sustainable long-term value in a rapidly evolving environment demonstrates the strength and resilience of our business and employees. The impact of the coronavirus pandemic for the UK was severe, particularly in the second quarter of the year, and we also had to manage the uncertainty of Brexit.

The COVID-19 pandemic highlighted the importance of working together to put the health and safety of people first. We moved quickly to implement best practice measures from the outset, in line with UK Government and industry guidelines. This resulted in the temporary closure of many of our sites and offices and meant adapting our working practices, through the provision of our IT networks, to make arrangements for many of employees to work remotely from home.

Despite the challenges of COVID-19 we continued to make progress against our 2020 commitments. In February, we were delighted to welcome His Royal Highness the Duke of Cambridge to officially open our National Skills and Safety Park, an industry leading training facility for our operational onboarding, professional training / assessments and health and safety learning. We continued to create a diverse and inclusive culture that promotes opportunities for all, and we were particularly proud to achieve Clear Assured 'bronze certification' for this work.

By the end of 2020 we had achieved a 24% reduction in CO2 per tonne of product compared to 1990. We are pleased with our progress, but it was short of the ambitious milestone target of a 30% reduction. We understand the scale of the net zero challenge ahead and will continue to set and drive towards ambitious carbon reduction targets in our net zero roadmaps for the business.

Our pledge to contribute to a circular economy through the efficient use of primary natural resources continued, with the reuse and recycling of around 7 million tonnes of waste and secondary materials from other businesses. And our sites and offices continued to maintain certification to ISO 14001, Environmental management standard, the Occupational Health and Safety Management Standard, ISO45001 and ISO 50001, the Energy Management Standard.

We also continue to invest in our business and maintained our focused growth strategy with some key strategic sites opening for operation in 2020. During the year we completed work on the installation of a Birmingham asphalt plant the latest addition to our materials portfolio and started construction of the first of eleven new concrete batching plants as part a major contract to supply readymixed concrete to a number of work packages as part of the UK High Speed 2 line (HS2).

Our business has also continued to invest in the development of innovative construction materials with particular focus on our low carbon asphalt and readymixed concrete products.

In 2021, we will be launching our new 2030 Sustainability Strategy, confirming our priority areas of focus and stating new ambitious goals for Tarmac over the next ten years and beyond. This new strategy will also set out plans to tackle the climate emergency and our commitment for our business to be 'net zero' before 2050.

For more information on our approach please see our Sustainability Report 2020: <http://sustainability-report.tarmac.com/>

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Streamlined Energy and Carbon Reporting

Methodology

J.B. Riney & Co. Limited, as a large unquoted company, qualifies for completing Streamlined Energy and Carbon Reporting by satisfying two or more of the specified requirements set out in the guidance. In compliance with the regulations energy use from gas, electricity and transport including their associated emissions have been reported, in conjunction with an intensity ratio of emissions per business turnover (tCO₂e/£) and energy efficiency actions taken.

In determining the entity's energy use and emissions the principles of The Greenhouse Gas Protocol have been followed where possible. For J.B. Riney & Co. Limited, energy consumption has been determined from billed data with emissions calculated using UK Government GHG Conversion Factors for Company Reporting. Gross CV and gross carbon factors were used from DEFRA to convert fuel volumes to kWh and kgCO₂e.

For information see: <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020>.

Intensity ratio of emissions per business turnover has been utilised as all businesses are revenue generating and there are inconsistencies in production output units.

Energy Efficiency Actions

In the period covered by the report, J.B. Riney & Co. Limited carried out the following energy efficiency actions:

1. Operating an Energy Management System (EMS) in accordance with ISO 50001
2. 6 weekly Preventative Maintenance Inspections (PMI) carried out on HGV vehicles, to enhance the efficiency of the vehicles and reduce energy by keeping them running efficiently
3. Introduction of electric vans to the company fleet and installation of 2 charging points
4. Incentives for cycling to work are now in place for employees with the aim of reducing the number of people driving to work
5. Transitioning to a 100% clean electricity provider so that all site and office electricity is supplied entirely through clean UK-based wind and solar. This is fully traceable to source, through the purchase of REGO certificates (Renewable Energy Guarantees of Origin)

GHG emissions and energy data for period 1st January 2020 to 31st December 2020	Unit of Measure	Current Reporting year (2020) UK & Offshore
Energy consumption used to calculate emissions	kWh	5,605,998
Emissions from combustion of gas (Scope 1)	tCO ₂ e	14
Emissions from combustion of fuel for transport purposes (Scope 1) & from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	tCO ₂ e	1,349
Emissions from purchased electricity (Scope 2, location-based)	tCO ₂ e	43
Total gross CO ₂ e based on above (location-based Scope 2)	tCO ₂ e	1,406
Intensity ratio	Gross tCO ₂ e per £million turnover	20