



ADBRI

Building Australia since 1882



2021 Annual Report

Our people deliver

Adbri is a team of 1,500 people around Australia with a single purpose and promise. Individually and collectively, they demonstrated in 2021 that we always deliver – for customers, for shareholders, and for a better Australia. In a changing world, our people are key to Adbri's plans to keep growing and transforming.



■ **Acknowledgment of Country**

We acknowledge the Aboriginal and Torres Strait Islander peoples as the Traditional Custodians of the lands and waters of Australia. We recognise their continuing custodianship of Country and culture and pay respect to their Elders past, present and emerging.



Introduction and overview	02
Our business at a glance	02
2021 highlights	04
Chairman's report	06
Managing Director & CEO's review	08
Finance report	12
Operational updates	16
Cement and Lime	18
Concrete and Aggregates	20
Masonry	22
Joint ventures	24
Sustainability report	26
Our approach to sustainability	28
Economic vitality and technology solutions	36
Healthy, safe and engaged people	37
Positive contribution to communities	42
Reduce adverse environmental impacts	46
Responding to climate change	49
Lower carbon products	54
Building a better Australia	56
Tax transparency report	58
Executive Leadership Team	62
Board of Directors	64
Financial statements	66



Delivering for a better Australia

Contributing to a safe, healthy and sustainable future for Australians, their communities and the environment is a fundamental part of Adbri's culture.

[View our Sustainability report](#)
Page 26



Delivering for shareholders

As an ASX-listed leader, we employ people who understand Adbri's responsibility to shareholders. Our people add value through their dedication to productivity, efficiency and improvement.

[View our Financial statements](#)
Page 66

About this report

Information on likely developments in the Group's business strategies, prospects and operations for future financial years and the expected results that could result in unreasonable prejudice to the Group (for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage) has not been included in this report. The categories of information omitted include forward-looking estimates and projections prepared for internal management purposes, information regarding Adbri's operations and projects, which are developing and susceptible to change, and information relating to commercial contracts.

Our business at a glance

An industry pioneer since 1882

Adbri produces and distributes cement, lime, concrete, aggregates, masonry products and industrial minerals that have helped build a better Australia for 140 years.

Today, Adbri is proudly one of this country's largest cement, lime and concrete producers.

Building a Better Australia

 **#1** Lime producer to the mineral processing sector

 **#1** Concrete masonry products supplier

Our business

1,500 people

200+ national locations¹

63 quarries¹

31 cement and lime facilities and depots¹

108 concrete plants¹

7 masonry facilities



Our strategic pillars



Safety

We put safety first

We care about each other's wellbeing

We live by our Life Saving Rules

Work Safe, Home Safe



Customer Focus

We deliver on our promises

We are agile in meeting our customers' needs

We build long-term partnerships that add value

We act with integrity

1. Includes joint ventures.



#2

Cement and clinker supplier to construction sector



#4

Concrete and aggregates producer



Inclusivity

- We work together
- We embrace differences
- We respect and listen to each other
- We empower our people



Sustainable Growth

- We create value for our investors and our communities
- We contribute to a sustainable future
- We learn and innovate
- We invest in our people

Our purpose

Building a Better Australia

Building a Better Australia is what we do at Adbri. It's how we contribute socially and economically as a company and as individuals.

Our promise

Always Ready

Key financials

Total Revenue

\$1.57_b

Reported NPAT attributable to members

\$116.7_m

Total Assets

\$2.3_b

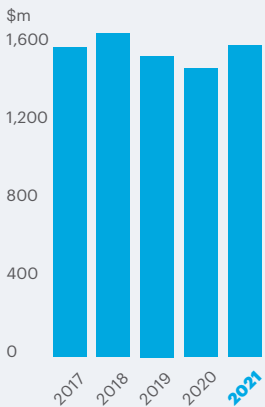
2021 highlights

Financial

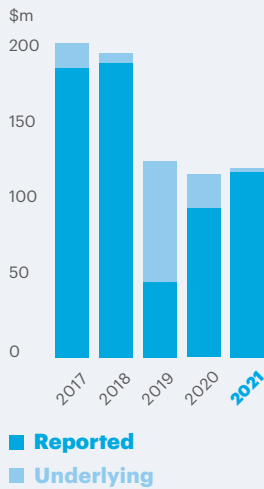
Adbri's geographic and sector diversity and our team's disciplined focus on executing strategy, allowed us to deliver a robust financial performance in 2021 for our shareholders. Our reported net profit after tax (NPAT) attributable to members increased by 25%, while revenue increased by 8%.

\$116.7m reported NPAT attributable to members

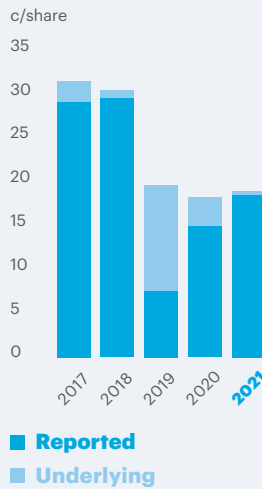
\$1569.2m
Revenue



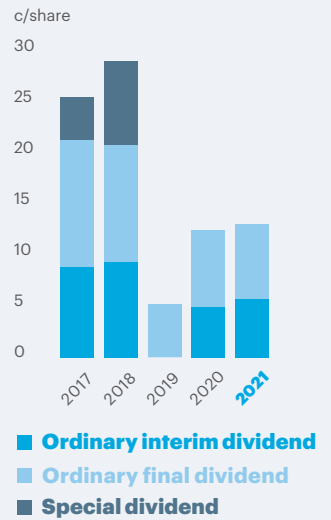
\$119.1m
Underlying net profit after tax



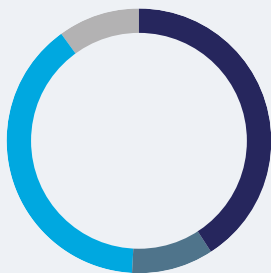
18.3 c/share
Underlying earnings per share



Dividends approved



Revenue by product group



Cement

39%

Concrete and aggregates

41%

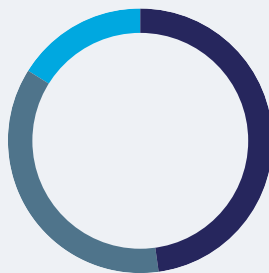
Lime

10%

Masonry

10%

Revenue by market



Non-residential and engineering

43%

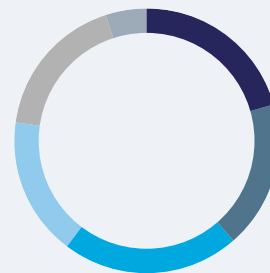
Mining

15%

Residential

42%

Revenue by state



WA

20%

NSW

18%

SA

18%

QLD

18%

VIC

22%

Other

4%

Operations

In 2021, the Australian economy continued to face disruption from COVID, which included temporary construction shutdowns in New South Wales, Victoria, South Australia and the Northern Territory. Thanks to the efforts of our people in following COVIDSafe measures, we limited the impact of the virus at our workplaces and delivered for our customers, our shareholders, and for a better Australia.

 Cement, aggregate, concrete and masonry **volumes increased** during the year

Four significant **lime supply** agreements secured – South32, Northern Star, Newmont Boddington and Alcoa

First sod turned at Kwinana Upgrade project in WA

Three acquisitions aligned with our **vertical integration** strategy – Milbrae, Metro Quarry Group, Zanows (subject to completion) – expanding our geographical footprint in NSW, Vic and Qld

Land sale agreement to divest our Hilltop holdings in Geelong

Sustainability

In 2021, we announced our aspiration of net zero emissions by 2050. During the year we developed Adbri's Position on Climate Change and progressed our Net Zero Emissions (NZE) Roadmap, which will be released prior to the 2022 Annual General Meeting.



Healthy, safe and engaged people

6.3
TRIFR in 2021



Positive contributions to communities

70+
community organisations supported



Reduce adverse environmental impacts

0
reportable environmental incidents in 2021



Responding to climate change

2%
decrease in Scope 1 + 2 emissions in 2021



Lower carbon products

Type GL cement
trials commenced

Chairman's report

Robust financial performance

I am pleased to report a robust performance from Adbri in 2021. We ended the year well-placed to continue with our growth strategy and maintain our significant contribution to Australia's economic recovery. The COVID pandemic has made the last two years one of the most demanding periods in Adbri's history, and I am extremely proud of how our people responded with dedication and perseverance so they could deliver our promise of being *Always Ready*.

Delivering for our stakeholders

Adbri's geographic and sector diversity and our team's disciplined focus on executing our strategy ensured we delivered a robust financial performance in 2021.

Sales volumes, excluding lime, increased compared to 2020. This was despite a high degree of variability in demand for construction materials throughout the year, influenced by government restrictions and short-term industry shutdowns in several key markets. Our agile and flexible workforce stood tall throughout the global supply chain crisis to ensure we met customer demand, which rebounded strongly once temporary shutdowns were lifted. Our cost base was impacted by COVID-related costs and delays, including scheduled work on our limestone supply ship, the *Accolade*, and additional maintenance.

Looking ahead, we expect strong market conditions to continue across the construction, infrastructure and mining sectors. Government stimulus for infrastructure development and residential demand will support a strong outlook for construction materials. Nationally, home builds and residential construction approvals were at record levels, indicating a continued strong pipeline for construction materials.

Strong shareholder returns

Adbri delivered a reported net profit after tax (NPAT) attributable to members of \$116.7 million in 2021, an increase of 25% on the prior year. Our profit performance was driven by strong volume growth across all product lines, excluding lime. Lime demand was robust despite the reduction in Alcoa volumes. A focused recovery program resulted in new contracts secured from Northern Star, Newmont and South32, as well as ongoing sales to Alcoa.

Underlying NPAT of \$119.1 million includes profit after tax on the sale of property of \$6.1 million and significant items of \$2.4 million translating to earnings of 18.3 cps (on an underlying basis) which compares with 17.7 cps in 2020.

Adbri's robust profit performance and strong balance sheet position underpinned the Board's decision to announce a fully franked final dividend of 7.0 cents per share. Total dividends for the year were 12.5 cents per share and were in line with the Board's targeted payout ratio of 65–75% of underlying earnings.

Committing to a sustainable future

Climate-related risk is far-reaching, affecting economies, asset classes and industry as well as societies and the physical environment. At Adbri, we respect our social licence to operate and understand why our continued support for all aspects of sustainability is vital for both our business and the broader community.

We continued to progress long-term projects with sustainability benefits during the year, including increasing the use of refuse derived fuel (RDF) as an alternative fuel at Birkenhead, and refreshing our strategy for supplementary cementitious materials (SCMs).

We began constructing the strategically important Kwinana Upgrade project in Western Australia. This project will provide greater efficiencies in our Western Australian cement operations, with reduced electricity and diesel use, and lower greenhouse gas emissions (GHG) compared to the existing operations.

Our people are at the centre of Adbri's commitment to a sustainable future. This means providing an inclusive workplace where everyone goes home safely. Throughout 2021, we continued to make progress against Adbri's five-year sustainability targets, as described in our *2021 Sustainability Report*. Adbri supports the Taskforce on Climate-Related Financial Disclosures (TCFD) and is progressively reporting against the framework.

At Adbri's Annual General Meeting (AGM) in May 2021, I announced our aspiration to achieve net zero carbon emissions by 2050 and we will deliver our roadmap ahead of the 2022 AGM. As a hard-to-abate industry, the challenges of achieving net zero will require innovation and future investment in technology and research partnerships.

Advancing key strategies

Adbri's strategy is built on our purpose of **Building a Better Australia**. It focuses on transformation and sustainable growth.

During 2021, we completed two strategically significant acquisitions on Australia's eastern seaboard that extended and complemented Adbri's vertically integrated footprint. A third acquisition is expected to complete in early 2022. Along with our cost-competitive offering, this exposure ensures we are strongly positioned to continue capitalising on the increased demand for construction materials, and will also provide increased pull-through of our higher value products.

Progress on the Company's lime strategy continued in 2021. We completed a pre-feasibility study for a new kiln in Kalgoorlie, which received Board approval to progress to the definitive feasibility study (DFS) stage. This study is anticipated to take 12–18 months and we look forward to updating stakeholders as it progresses.

In December 2021, we completed the sale of our Hilltop land in Geelong. This forms a small part of Adbri's much broader strategy to realise significant value for shareholders by progressively developing and divesting our surplus land portfolio.

Adbri delivered a robust financial performance in 2021

Reported NPAT
attributable to members

\$116.7m

NPAT increase

25%



Creating a stronger Board

During the year, we further strengthened your Board. In June 2021, Michael Wright joined as an Independent Non-executive Director. Michael has extensive expertise across the global resources and industrial sectors in Australia, Asia, Africa and the Americas. He is also the current Executive Chairman and CEO of Thies. Michael's strong industry knowledge and focus on safety and sustainability make him a valuable addition to the Board.

In October 2021, Nick Miller was appointed to the Board as Managing Director & CEO. Nick has been integral in developing and executing Adbri's transformational agenda and long-term growth strategy since he joined as CEO in January 2019. He has guided the business through unprecedented operating challenges caused by the COVID pandemic, and we look forward to his continuing leadership in building a more sustainable and competitive business in his expanded role.

The Board remains committed to having a majority of independent directors. We are currently searching for an additional Independent Non-executive Director to restore a majority independent Board following Nick's appointment. The Board continues to apply Adbri's Conflict Protocol and Governance Framework.

Acknowledgements

The many challenges of 2021 revealed the strength of our people and the depth of their skills, capabilities and experience. On behalf of the Board, I would like to commend Nick Miller, his Executive Leadership Team and all our people for their commitment, dedication and resolve as they have continued to deliver for our stakeholders.

We also thank Adbri's customers, partners and the communities in which we operate, as well as our shareholders, for their continued support.

Our people are the key to transforming and growing our business responsibly and sustainably as we respond to market changes, execute our strategy and create long-term value for our shareholders. As we move into 2022 and beyond, our people will form the basis of Adbri's future plans and success.

Raymond Barro

Chairman

Financial summary

	2021 \$m	2020 \$m
Revenue	1,569.2	1,454.2
Earnings before interest, tax, depreciation and amortisation (EBITDA)	270.8	262.7
Depreciation, amortisation and impairments	(95.9)	(115.1)
Earnings before interest and tax (EBIT)	174.9	147.6
Net finance cost ¹	(19.1)	(20.4)
Profit before tax	155.8	127.2
Tax expense	(39.1)	(33.6)
Non-controlling interests	-	0.1
Net profit attributable to members (NPAT)	116.7	93.7
Underlying EBITDA	274.2	272.3
Underlying EBIT	178.3	178.9
Underlying net profit after tax excluding property attributable to members	113.0	114.9
Underlying net profit after tax including property attributable to members	119.1	115.6
Basic earnings per share (EPS) (cents)	17.9	14.4
Underlying EPS (cents)	18.3	17.7
Ordinary dividends per share – fully franked	12.5	12.0
Net debt ² (\$million)	437.4	372.1
Leverage ratio ³ (times)	1.6	1.4
Gearing ⁴ (%)	34.5	30.5
Underlying return on funds employed ⁵ (%)	10.6	10.9
Reported return on funds employed ⁶ (%)	10.4	9.1

1. Net finance cost is the net of finance costs shown gross in the income statement with interest income included in other income.
2. Net debt is calculated as total borrowings less cash and cash equivalents and excludes lease liabilities.
3. Leverage ratio is net debt/trailing 12 month underlying EBITDA.
4. Gearing is net debt/equity.
5. Underlying return on funds employed is underlying EBIT/average monthly funds employed.
6. Reported return on funds employed is EBIT/average monthly funds employed.

Managing Director & CEO's review



2022 outlook

- Adbri is well-positioned to benefit from favourable market conditions in the construction and resources sector.
- Adbri is focused on continuing to execute its cost reduction program which is expected to deliver incremental gross savings in excess of \$10 million in 2022.
- Our 2022 capital expenditure program of \$250 – \$300 million includes approximately \$150 million for the Kwinana Upgrade project, and excludes business acquisitions.

A year of change and growth

I am pleased to report that Adbri made solid progress across all divisions during the year. Your Company delivered for our customers, shareholders and communities, while demonstrating ongoing commitment to Adbri's purpose of **Building a Better Australia**.

Delivering for our customers

Our people's experience of confronting the uncertainties of the pandemic in 2020 and our comprehensive and proactive crisis management approach, ensured Adbri was in a strong position to meet any new challenges head-on in 2021.

In the context of dynamic market conditions that included short-term shutdowns of the construction industry in New South Wales, Victoria, South Australia and the Northern Territory, Adbri remained strong across our key end markets. Outside government-mandated shutdowns, the infrastructure, commercial, residential construction and home renovation markets grew in all states, with demand for construction materials well supported by government stimulus measures.

Pleasingly, cement volumes and pricing improved on our 2020 numbers. The anticipated drop in year-on-year lime volumes was partially reduced through ongoing supply agreements until January 2023 with Alcoa, and several other new or extended contracts. Our cement and lime exposure in the South Australian and Western Australian resources sector provide a significant diversification benefit for the business.

Strong underlying residential and commercial markets underpinned growth across Adbri's Concrete and Aggregates division. Major infrastructure works also drove increased volumes following a targeted tendering program where we have secured 47% of concrete and aggregate tenders bid in the year. In total, concrete and aggregate volumes increased by 9% and 22% respectively compared to 2020.

Building on 2020, the market remained extremely buoyant for Adbri's masonry products, with households across the country continuing to channel their discretionary spending into home improvements and renovations. Sales volumes grew by 6% on the prior year, however challenges from supply shortages and shipping and pallet costs impacted margins.

Delivering for our shareholders

The Group delivered robust financial results for the full year which supported improved returns for our shareholders. Despite COVID disruptions, Adbri recorded full year revenue of \$1.57 billion, 8% higher than the prior year, driven by volume growth across all products with the exception of lime.

The management team continued to execute on its planned cost reduction program with discipline, delivering gross savings of \$26.1 million. However, the Group experienced a number of COVID-related earnings impacts including lockdowns, the Accolade's delayed return from its refurbishment and increased demurrage.

Notwithstanding those COVID headwinds, the Group recorded a robust 2021 underlying EBIT result of \$178.3 million, in line with the prior corresponding period. Reported NPAT was \$116.7 million, a 25% increase on 2020.

Adbri maintains a healthy balance sheet, with cash on hand of \$124.7 million and net debt of \$437.4 million. Combined with the extension of our \$950 million debt and guarantee facilities announced after the year end, we have significant flexibility and headroom to pursue future opportunities for value creation.

Building a Better Australia

Our people's commitment to Adbri's four strategic pillars – safety, customer focus, inclusivity and sustainable growth – supported many achievements during 2021 and has placed us in a strong position for 2022 and into the future.

Safety

Keeping our people, customers and communities safe is of paramount importance to Adbri and the pandemic has led to a new layer of safety measures. In May, we introduced vaccination leave of up to four hours leave per medical appointment to encourage our people to protect themselves and others by participating in government vaccination programs. We also undertook a company-wide survey to understand our people's perspectives on COVID-related issues. The Group instigated a policy of up to 10 days of supplementary paid COVID leave per state to support employees where sites closed to either comply with restrictions or respond to subsequent reduced customer demand. As we move into endemic management, this leave will be replaced with accrued entitlements.

As in 2020, Adbri's Safety Step Change program helped to change behaviours and shone a spotlight on our critical risk areas. Developed in consultation with our employees, this risk-based program is making Adbri's workplaces safer for the long-term. During the year we made strong progress in our safety lead indicators such as critical control audits and visible leadership, however we did record a 12% increase in our total recordable injury frequency rate (TRIFR) compared with 2020. Since 2019, our TRIFR has reduced overall by 41%.

Full year revenue

\$1.57b

Revenue increased

8%

I am proud of how our people are supporting Adbri's continued focus on safety excellence. In November 2021, these efforts were recognised when Adbri won the South Australian Premier's Award in Energy and Mining for Health and Safety in the Resources Sector with our Safety Step Change program.

Customer focus

On 1 January 2021, we consolidated three divisions into two, appointing a Chief Operating Officer for each. As well as better aligning our organisational structure with Adbri's business strategy, the new structure allows us to work even more closely with our customers, be more focused on sustainability and drive efficiency across the Group.

In addition to Alcoa, we also secured contracts to supply lime to customers previously reliant on imports. We closed the year with a strong lime volume run-rate with substantial quantities locked in for 2022. These successes demonstrate the value of offering a locally produced, quality lime product to customers in the resources sector, particularly when supply chains are disrupted.

During the year, we also invested in a customer-focused initiative to create consistency in how we engage with our customers across the Group. Client satisfaction measures are being introduced to help gauge how we are progressing in this area.

Inclusivity

The Adbri Executive Leadership Team understands and appreciates the benefits of a fairer and more inclusive culture. We aim for our workforce to be as diverse as the communities in which we operate and are committed to giving our people a voice wherever possible.

We are proud to have been participants in the 2021 NAIDOC and National Reconciliation Week celebrations, which provided an opportunity to show how Adbri recognises and respects the diverse cultures in our business. During the year we delivered on our Reflect Reconciliation Action Plan (RAP) commitments and are looking to progress to an Innovate RAP with targets in 2022.

Managing Director & CEO's review continued

Sustainable growth

Ongoing cost reduction and operational improvement remain key priorities in Adbri's plans to achieve sustainable growth. We will also continue to enhance our capability in infrastructure as we target projects where Adbri has a competitive advantage.

In 2021, we commenced an end-to-end South Australian cement manufacturing process benchmarking study that harnesses the international knowledge of a European technical advisory group with extensive global cement manufacturing expertise. This review has identified key areas for improvement that will help focus our investment for future years. We also signed a new long-term gas sales agreement with Senex, complementing the RDF used to power our low cost and lower emissions operations in South Australia. Under the terms of the seven-year agreement, Senex will supply natural gas to Adbri, from January 2023 up until 2030, from the Moomba Gas Supply Hub at a fixed price in line with current market levels.

The Group continued to identify and pursue opportunities to grow our vertically integrated business model. Our Mawsons joint venture acquired the Millbrae concrete and aggregate business, broadening its footprint in regional New South Wales. This was followed by the purchase of Metro Quarry Group through a 50/50 joint venture with Barro Group in Victoria. In late 2021, the Group announced it was acquiring Zanows to increase our concrete and quarry footprint in the strategic South East Queensland market. This transaction is expected to complete in early 2022.

We also continued to develop options for increasing exposure to the lime market and as outlined in the Chairman's Report, we will undertake a definite feasibility study for a new lime kiln in Kalgoorlie. This new kiln would be in addition to our existing lime manufacturing facilities.

Land ownership is an important component of the Group's operations to support our sustainable growth, however at times specific sites may become surplus to requirements. Adbri has a land strategy in place to maximise value for shareholders through either development or divestment. This is evidenced by the recent sale agreement to divest our Hilltop land holdings in Geelong. The Group will continue to identify opportunities from its surplus land portfolio and has gone through an RFP process with land developers to identify potential partners and options.

Delivering for our future

Operating a sustainable business is a fundamental part of Adbri's role as an industry leader. We believe in doing business responsibly; keeping our people and communities safe; meeting the needs of our customers; and creating long-term value for our shareholders. In 2022, we will release our Net Zero Emissions (NZE) Roadmap, outlining our aspiration of net zero emissions by 2050.

2021 marked the beginning of the Group's involvement as a core partner in the Heavy Industry Low-carbon Transition Cooperative Research Centre (HILT CRC) and a member of the Material and Embodied Carbon Leaders Alliance (MECLA). As a participant in an industry where emissions are difficult to abate, technology developments and partnerships with industry, government and research institutions will be critical to achieving net zero by 2050.

1.5 million tonnes

capacity in Western Australia when the Kwinana Upgrade project is operational

It is exciting to see construction begin on the Kwinana Upgrade project, which will consolidate Adbri's two existing cement production facilities in Western Australia into a single modern facility, with a 1.5 million tonne capacity. Meanwhile, we are progressively increasing the use of alternative fuels at Birkenhead to reduce carbon emissions and embed a circular economy into our operations. We also continued to bolster our supply chain of SCMs to use as an alternative to emissions-heavy Portland clinker in cement and concrete production.

Looking ahead

Adbri is well positioned to benefit from favourable market conditions in the construction and resources sector in 2022.

The outlook for Australia's mineral sector is strong with high prices, good volume growth and a weak Australian dollar driving a surge in export volumes as the world economy rebounds from the impact of the pandemic. This is expected to drive strong demand for cement and lime.

Residential construction is buoyant across all states, underpinning a strong order book until at least the middle of 2022, while multi-residential activity is also beginning to increase. Heightened activity in the commercial industrial sector and our increasing exposure to a healthy pipeline of infrastructure projects will support demand for cement, concrete and aggregates, despite project timetables being pushed out due to impacts from COVID, labour, and supply chain challenges.

Lime volumes are anticipated to reduce, entirely due to lower Alcoa volumes. Lime pricing is expected to improve with new customers seeking reliable local supply as a result of supply chain disruptions.

Adbri is focused on continuing to execute its cost reduction program which is expected to deliver incremental gross savings of more than \$10 million in 2022, helping to mitigate predicted cost headwinds in areas including pallets, shipping, labour and west coast gas supply.

Our 2022 capital expenditure program of \$250 – \$300 million includes approximately \$150 million for the Kwinana Upgrade project, but excludes business acquisitions.

We expect higher earnings in our cement, concrete, aggregates, masonry and joint venture businesses to offset lower earnings from the lime business. Overall, full year earnings will benefit from contributions from our recently acquired assets, including Milbrae, Metro Quarry Group and Zanows (subject to completion), and improved operational efficiencies. Net proceeds from surplus land sales over the next 12 months are expected to be at least \$20 million.



▲ (L-R) Mayor Carroll Adams, Kwinana Council; Theresa Mlikota, Adbri CFO; the Hon. Roger Cook MLA; Dr Vanessa Guthrie AO, Adbri Deputy Chair; and Brett Brown, Adbri COO – Cement & Lime at the Kwinana Upgrade project sod turning

In conclusion

Thank you to the Board of Directors and the broader Adbri team for your dedication, responsiveness and flexibility that enabled us to deliver on Adbri's promise in 2021. Combined with the Group's vertically integrated business model and balanced geographic exposure, our people's hard work meant Adbri performed well in a year challenged by COVID disruption.

I also extend my appreciation to our customers, contractors, suppliers, joint venture partners and shareholders. I look forward to continuing to work with you in 2022 and beyond as we progress the Company's strategic goals and together build a better Australia.

Nick Miller

Managing Director & Chief Executive Officer

Underlying EBIT

\$178.3m

Operating a sustainable business is a fundamental part of Adbri's role as an industry leader. We believe in doing business responsibly; keeping our people and communities safe; meeting the needs of our customers; and creating long-term value for our shareholders.

Finance report

Full year reported NPAT attributable to members increased from \$93.7 million to \$116.7 million in 2021.

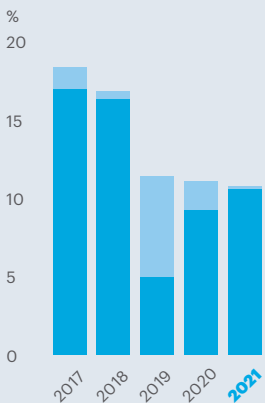
Reported profit includes property sale profits totalling \$6.1 million after tax and non-recurring significant items totalling \$2.4 million after tax. Underlying profit including property sales totalled \$119.1 million, an increase of 3% from \$115.6 million in 2020. Excluding property sale profits, the underlying NPAT of \$113.0 million was marginally lower than last year.

Sales and profit

Revenue increased 8% to \$1.57 billion, with improved sales volumes across all product categories except lime, where sales were lower following the reduction in contracted volumes from Alcoa. Pleasingly, strong sales demand was experienced across all sectors including residential, non-residential, infrastructure/ engineering and mining.

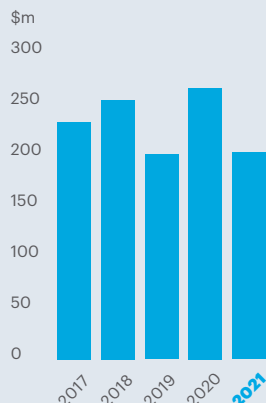
Cement pricing improved in all key markets, in particular, South Australia, New South Wales and Western Australia. However, this was offset by lower lime pricing across major gold and alumina contracts. Concrete pricing varied from market to market but was stable overall. In the first half of the year, we experienced concrete pricing pressure in the New South Wales and Queensland markets, until demand lifted considerably in the second half of the year. Aggregate pricing was stable overall, with the key driver of price variances being sales mix. Bagged products and retail masonry products (e.g. pavers, retaining walls) continued to experience strong demand, while demand for low grade aggregate also increased.

Return on funds employed

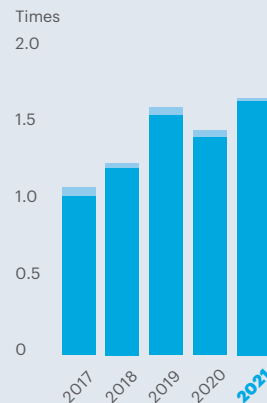


■ Reported
■ Underlying

Cash flow from operations

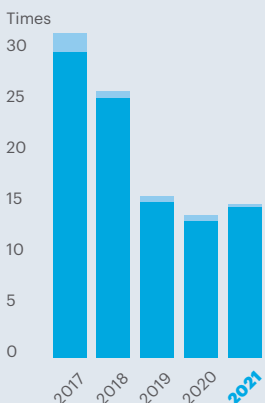


Leverage



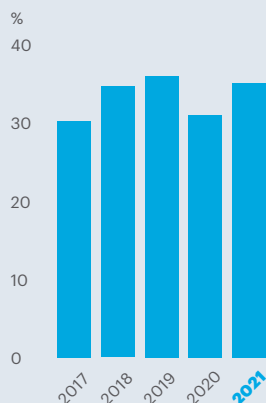
■ Underlying
■ Reported

Interest cover

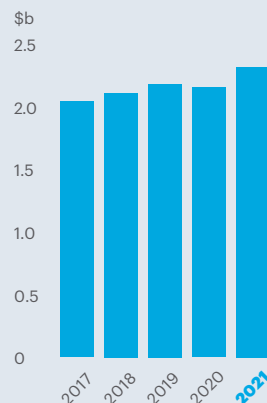


■ Reported
■ Underlying

Net debt to equity



Total assets



The demand for cementitious materials in Western Australia increased significantly. This demand was driven from all sectors including major mining infrastructure projects such as Koodaideri and Iron Bridge. Demand for higher margin packaged products continued strongly, as discretionary incomes continued to be invested in home improvements and renovations. Demand for lime remained strong, in spite of the reduction in volumes sold to Alcoa following their shift towards imported lime from July 2021. Logistical challenges for importers saw demand shift to locally produced lime later in the year which aided in the recovery of lime volumes, as did the commencement of operations at Capricorn Metals Karlawinda Gold project, which also drove an increase in lime demand. This resulted in lime sales volumes being 88% of 2020. We expect 2022 volumes to be in the order of 80% of 2020. Lime pricing in this market was stable for non-alumina customers and lower for alumina customers, although pricing improved towards the end of the period as new customers shifted from imports to local lime production to secure reliable supply.

Domestic demand for cement in South Australia was marginally higher than last year, supported by ongoing residential demand and infrastructure project delivery including the Osborne North Development project. Concrete and aggregate demand were 9% and 22% higher respectively compared to 2020. Home builders continue to report strong order books into 2022, as well as continued demand for civil works for new subdivision activity. Commercial construction activity in the Adelaide CBD is being driven by the development of government office buildings and hotels. Pricing of cement into the domestic market was marginally lower with the resetting of some key contracts, while pricing of concrete and aggregates was marginally higher due to strong demand.

Supply from our Birkenhead facility into Melbourne was constrained due to extended shutdowns, which required higher levels of imported cement to meet Victorian demand. Victorian demand was very strong, with cement volumes (imported and domestically produced) increasing by over 9% compared to the prior comparative period, at slightly higher pricing than 2020. This increase in demand was driven by ongoing residential and commercial activity. Stabilised fill supplied to the Mickleham Quarantine Facility also supported Victorian volumes. Concrete and aggregate volumes were impacted by COVID lockdowns and labour shortages, curtailing output. Pricing for concrete and aggregates was marginally higher than in 2020. The demand outlook for this market is strong with good order book visibility for the first half of 2022 in the residential and multi-residential market, as well as the commercial warehousing market.

The New South Wales market experienced a strong recovery, with sales volumes of cement, concrete and aggregates increasing by 5%, 6% and 23% respectively. Cement and aggregate pricing were both stable, while concrete pricing was marginally lower before volumes recovered. Residential and commercial/industrial warehousing demand were the key drivers of volume, with residential (including multi-residential) and infrastructure demand expected to positively impact 2022 volumes.

Queensland demand was stronger than anticipated, driven by residential demand, both multi-residential and single dwelling. This residential demand, along with infrastructure projects, assisted to build out volumes for our more recently established Scotchy Pocket quarry and Pinkenba concrete plant. Demand for our products remains strong into 2022, however supply chain risks and workforce challenges have the ability to cap residential construction demand as we compete with the mining sector for labour resources. Pricing in this market was marginally lower than last year for concrete, a situation we expect will reverse in 2022 due to high demand. Infrastructure demand is expected to be stronger, driven by roads and school projects and the commencement of the Brisbane Airport Corporation apron upgrade project.

Northern Territory cement volumes increased 22% over the prior year. Both concrete and aggregate demand increased, driven by infrastructure projects, including supply to the RAAF Base Tindal Stage 6 redevelopment and the Health Precinct project in Alice Springs.

Masonry volumes were stronger across all markets, except Victoria (impacted by lockdowns) and Western Australia, which was stable. Residential demand remains strong, demonstrating that discretionary spend continues to be injected into home renovations and improvements. Infrastructure spending is expected to continue to drive masonry demand across all markets through government spending on schools, defence, prisons and ongoing demand from the commercial sector, including warehousing and retail precincts.

\$2.3b

total assets

2021 challenges

2021 presented ongoing challenges, with COVID impacting our operations more materially through site lockdowns, shipping delays due to quarantining and congestion at ports, and the delayed return of the Accolade, which undertook refurbishment in Singapore. The impact of these items totalled \$14.4 million.

The Company also experienced an extended shutdown period at its Birkenhead plant and maintenance issues at Munster which impacted production (and unit cost) during the period. The impacts of these items totalled \$5.9 million.

In spite of this, the team delivered our targeted cost out initiatives (gross savings of \$26.1 million) and recovered significant volumes in our main lime market, Western Australia, where many mining companies returned to a more reliable domestic supply. We also grew our cement, concrete and aggregate volumes nationally.

Underlying NPAT including property sales increased 3% to \$119.1 million. Excluding property sales, underlying NPAT was marginally lower than 2020. Reported NPAT attributable to members of \$116.7 million was 25% higher than 2020.

Cash flow

Operating cash flow of \$195.2 million was lower than 2020, but was in line with expectations, recognising the benefit of tax refunds in 2020. Receivables rose towards the end of 2021, driven by higher turnover levels. Debtor collections improved dramatically, with DSO days reducing from 45.8 to 40.4.

Cash distributions from joint ventures increased in line with the rise in earnings. Interest payments decreased as average gross debt levels were lower compared with 2020, where higher cash and gross debt holds were taken as we monitored the impact of COVID on financial markets.

Investment in capital increased marginally to \$140.5 million. Stay-in-business capital of \$106.0 million represented 110% of depreciation, and development capital projects totalled \$34.5 million. Development projects included the purchase of a pugmill and road access works for our Scotchby Pocket quarry, upgrade of our Birkenhead drymix plant, and \$14.1 million for the Kwinana Upgrade project, which is currently on track for commissioning in mid-2023. Taking into consideration current information on inflationary pressures on steel, logistics and labour, the project is expected to be delivered at a cost in the order of \$200 million.

The Company also injected \$32.2 million into our new 50/50 joint venture, B & A Sands Pty Ltd, to acquire the Metro Quarry Group's sand assets in Victoria.

Dividend payments of \$83.2 million were \$19.6 million higher than 2020 and represent the final dividend for 2020 of 7.25 cents per share and the interim dividend for 2021 of 5.5 cents per share, an increase of 3.0 cents per share on the dividends paid in 2020.

Balance sheet and capital management

Adbri maintained its strong balance sheet through working capital management and considered investment expenditure. Net debt increased by \$65.3 million to \$437.4 million at 31 December 2021, driven by key investment spending in new acquisitions and the Kwinana Upgrade project. The Group's credit metrics remain strong with a leverage ratio of 1.6 times underlying EBITDA and gearing (net debt/equity) of 34.5%, while interest cover was 14.4 times underlying EBITDA. These metrics remain within the Board's target of 1-2 times underlying EBITDA for leverage and 25-45% for gearing.

Liquidity, representing the undrawn component of the Group's debt and overdraft facilities and cash balances, is strong at circa \$453.7 million. The Group's financing facilities were extended in early 2022, increasing the weighted average term to 5.1 years, when measured from the reporting date.

The Company has complied with its bank agreement terms and maintains significant headroom within its banking covenants.

Shareholder returns

Total fully franked dividends approved for 2021 of 12.5 cents per share represent a 68% payout ratio on underlying net profit after tax. Adbri's capital management objectives remain the same and are focused to:

- ensure an efficient balance sheet to optimise the cost of capital and thereby shareholder returns while maintaining prudent debt levels;
- maintain investment grade credit metrics to optimise funding cost;
- retain balance sheet flexibility to fund capital projects and acquisitions; and
- distribute surplus capital to shareholders in an efficient manner.

3% 

underlying NPAT increased to \$119.1 million including property sales

\$140.5m

capital expenditure

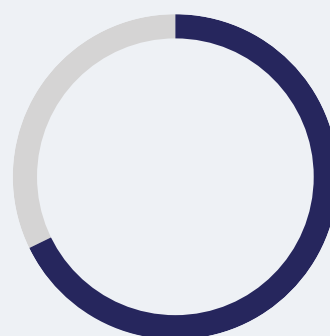


Approved dividends of 12.5 cents per share for 2021 represent an increase of 0.5 cents per share on the 2020 dividends approved and is towards the middle of the Board's target range of 65-75% of underlying earnings. Dividends at the middle to lower end of the Board's target range reflect the elevated capital requirements for the Kwinana Upgrade project over the next 18 months.

Underlying return on funds employed declined marginally from 10.9% to 10.6%, given heightened capital investment levels which will deliver increased earnings over time and the previously announced loss of contracted volumes from Alcoa and a competing cement import terminal in New South Wales. Underlying margins were further negatively impacted by COVID and production impacts, most of which we expect to be non-recurring. Taking account of \$16.2 million in non-recurring items, the return on funds employed would have increased to 11.6%. The return on funds employed remains above the Company's cost of capital. Capital management, production and cost reduction remain key priorities, allowing the Company to continue to deliver relatively stable returns in a dynamic and challenging market environment.

12.5 cps

total fully franked dividends approved for 2021



68%

payout ratio on underlying NPAT

Operational updates



Our people deliver for customers

An organisation's true character is revealed under pressure. Despite unexpected challenges in 2021, Adbri's people went above and beyond to meet our customers' needs. By being collaborative, innovative, responsive and practical, we helped Australia's infrastructure, mining and construction industries build a better Australia.

Cement revenue increased by

 **12%**

Concrete and Aggregates revenue increased by

 **14%**

Masonry revenue increased by

 **2%**

Joint venture businesses contributed

\$33.3m

Cement and Lime

2021 was a year of transformation and resilience for Cement and Lime.

As demand fluctuated in line with market conditions and government restrictions, the business maintained certainty of supply to customers, increased sales volumes and expanded and diversified our customer base. We look to the future with long-term asset investments that will help mitigate risk, improve efficiency and reduce future costs.



Looking ahead

- The demand outlook for heavy construction materials is strong and is expected to be driven by ongoing residential demand, infrastructure projects and commercial and industrial developments.
- Adbri's strong position in the resilient resources sector should continue to support cement and lime volumes.
- Our local manufacturing capability is an increasingly important point of difference compared to imports as global supply chain issues threaten security of supply.
- The ongoing Birkenhead operational efficiency program will help to improve our production costs, as well as improving our sustainability credentials.
- The Kwinana Upgrade project will undertake the bulk of construction activities in 2022.
- We continue to execute on our lime volume recovery strategy, as well as working on our broader lime strategy in Western Australia.
- A definite feasibility study will commence for a new kiln at Kalgoorlie. The study is anticipated to take 12-18 months.

Cement revenue increased by

12%

Performance: a year of transformation

Construction sector demand fluctuated during the year, with cement volumes increasing compared to 2020. Temporary government lockdowns closed the construction sector in Victoria, New South Wales, South Australia and the Northern Territory temporarily impacting demand, with the sector rebounding strongly once lifted. The infrastructure, commercial, residential construction and home renovation markets grew in most states.

Cement sales performed better in 2021 than in 2020, rising by 12%.

The resources sector in Western Australia and South Australia remained strong. Adbri's high level of exposure to this market was beneficial and resulted in a 7% increase in cement volumes to the Western Australian and South Australian resources industry in 2021 compared with the previous year.

Lime volumes reduced by 12% year-on-year as Alcoa volumes reduced (announced in 2020). The impact was better than anticipated, due to supply arrangements with Alcoa extending through to the end of the year and the successful execution of our lime volume recovery strategy. This resulted in a contract extension with South32 and new agreements with resources companies Northern Star and Newmont Boddington, as well as the recently announced supply agreement with Alcoa until 31 January 2023, reinforcing Adbri's reputation for reliable domestic supply of lime. It also diversified supply away from the alumina sector, reducing our reliance on one sector.

Construction industry demand peaks and troughs presented a significant challenge that we managed through a strong customer focus. Fixed long-term supply contracts for imported materials and shipping shielded the business from supply chain challenges. Adbri's vertically integrated business model and local manufacturing capabilities provided customers with supply certainty during a continued global pandemic.

With demand high for cement, prices increased overall by 1%. This substantially offset the 5% decrease in lime prices following the resetting of some contracts. The outlook for cement and lime prices in 2022 is favourable, particularly against the backdrop of shipping constraints and delays.

Unplanned one-off costs such as the extended closure of the Birkenhead facility for one of our largest maintenance programs, and the Accolade's delayed return from Singapore after a major refurbishment, impacted margins. This, coupled with lower Alcoa lime volumes and increased shipping demurrage costs, resulted in an overall decrease in divisional earnings and margins.

Major activities: positioning for the future

Our Birkenhead operation has commenced a transformational operational efficiency program. In addition, the once-in-50-year upgrade to kiln 4 was undertaken as part of the extended maintenance closure in January 2021. Long-term benefits include increasing clinker and cement production volumes, improving plant reliability and energy efficiency, reducing shipping, and improving the consistency of materials.

We improved operational efficiency and cost per tonne at Birkenhead by increasing the alternative fuel substitution rate from about 28% in 2020 to about 35% in 2021. We are targeting up to 40% as we increase throughput to 25 tonnes per hour in 2022, in line with our current regulatory approvals.

Successful SCM trials enabled us to file our first patent application in 2021. We will continue investigating lower carbon products and working to increase our market penetration. For more information, see the *2021 Sustainability Report*.

Next year we will look to maximise lime production from kiln 6 at Munster, while kiln 5 will be operated on a campaign-only basis to meet the current lime demand. The first sod was turned at the Kwinana Upgrade project, which will increase cement production capacity and deliver substantial costs savings when commissioned.

In July, Senex Energy signed a fixed-price agreement to supply natural gas to our South Australian cement operation. This removes pricing volatility for a tranche of our natural gas requirements through to 2029, and along with our increased use of alternative fuels, supports Birkenhead's position as a lower carbon cement manufacturing plant, positioning us well against high embodied carbon cement imports in a lower carbon future.

In February 2021, the Accolade went into dry dock in Singapore for a comprehensive overhaul that will greatly improve its reliability, safety and longevity. When the upgrade was delayed for around six weeks due to COVID-related working restrictions, alternative transport strategies ensured customer supply. These unexpected one-off costs impacted profit in 2021.

Our brands



Northern Cement
LIMITED



swan
CEMENT

The first sod was turned at the Kwinana Upgrade project, which will increase cement production capacity and deliver substantial savings when commissioned.

Concrete and Aggregates

Overall market conditions were strong for Concrete and Aggregates, despite COVID restrictions temporarily impacting some states and sectors.

The robust housing and civil infrastructure markets drove increased volumes and the team delivered strong results, highlighting the strength of Adbri's sector and geographic diversification strategy.

Looking ahead

- Strong market conditions are expected to continue in all states for Concrete and Aggregates, with anticipated government infrastructure stimulus expected to provide strong demand support for construction materials well into the future.
- The construction sector has a pipeline of over \$196 billion of projects in the next two years. Where Adbri has a strong competitive advantage this creates significant opportunity to supply to projects across the transport, energy and other civil works sectors.
- We anticipate industry-wide cost headwinds in fuel, labour and plant and equipment due to supply constraints. However, we expect market price increases to offset these costs as demand tightens.
- The Zanows acquisition is expected to complete in early 2022. This is expected to unlock associated synergies and efficiencies, benefiting our Queensland customers and overall business performance.
- While the new Western Sydney Airport and Badgerys Creek Aerotropolis is associated with multiple infrastructure projects, government planning is still underway. Once this is complete, we are well prepared to tender for projects and apply for development approval for a new concrete plant in the area.



Performance: infrastructure and residential demand drove volume

In 2021, Adbri's Concrete and Aggregates businesses benefited from strong market conditions and the flow-on effects of previously secured infrastructure projects. The HomeBuilder grant program continued to support residential housing construction demand along the east coast, driving increases in volumes and margins.

Compared to 2020, concrete volumes increased by 9%, despite temporary construction industry restrictions in some markets and states due to the pandemic. Strong underlying housing and civil markets led to higher concrete demand in Queensland, New South Wales and South Australia. Demand in Victoria was slower in early 2021 due to delays in the commencement of some key projects in metropolitan Melbourne, and the impact of COVID restrictions on construction customers. However, demand accelerated later in the year.

Demand for aggregates was high, growing 22% during the year. Major civil and project works in South Australia, Queensland and the Northern Territory underpinned this growth due to the strategic locations of our quarries to our customers and key projects.

Concrete prices were consistent across most markets, however Victoria grew by 1%. Aggregate pricing increases were also modest, due to competitive market conditions early in 2021.

Our vertically integrated footprint and cost-competitive offering continue to position us strongly in all market sectors.

Major activities: focus on growth strategies

In November 2021, Adbri announced the acquisition of Zanows' Concrete and Quarries, an integrated business in greater Brisbane operating two concrete plants (with approval for one more) as well as sand and hard rock quarries that service internal and external customers. The \$58 million acquisition (subject to normal closing adjustments) strengthens our local customer offering and provides a reliable long-term supply of high-quality alluvial sands and hard rock materials in a tightening market.

The Concrete and Aggregate division's vertically integrated footprint and cost-competitive offering continue to position us strongly in all market sectors in 2022. Our targeted tendering approach in the infrastructure segment has delivered strong wins, especially in the South East Queensland region, where our Scotchy Pocket quarry's unique positioning assisted Adbri to secure projects on the Sunshine Coast.

Our successes in this region included the Bruce Highway Cooray to Curra (sections 1 and 2) upgrade, as well as the Pumicestone Road to Steve Irwin Way section. More broadly, we supplied projects such as the Banksia Station upgrade in NSW, Sydney International Motorsports Park, Brisbane International Airport apron works, RAAF Edinburgh AIR 555 pavement package in South Australia and the RAAF Base Tindal Stage 6 redevelopment in the Northern Territory.

We continued to progressively rehabilitate our quarries during the year, with many community groups invited onto our sites to assist in tree planting. For more information, see the 2021 Sustainability Report.

Our brands



Revenue increased

↗ 14%

Concrete volumes increased

↗ 9%

Aggregate volumes increased

↗ 22%

Masonry

There was robust demand for Adbri's masonry products in 2021 as Australians continued to divert their discretionary spend into home improvements and renovations.



Looking ahead

- The demand outlook for Masonry in 2022 is positive. The Australian commercial building and home renovation sectors are expected to remain strong, although volumes may be impacted once national and international borders open and discretionary spending flows away from home improvement to travel and hospitality.
- Demand should be strengthened by greater exposure to landscaping masonry products due to a more diversified product offering and re-ranging of some product segments by major retail customers.
- We anticipate international cost pressures arising from a disrupted global supply chain and the impact of a worldwide timber shortage on pallet pricing will continue, putting pressure on margins.
- Price increases are projected to offset cost headwinds in 2022 and have been communicated to customers.

Increase in demand from residential product sector

↗ **21%**

Growth in the commercial sector

↗ **14%**

Performance: Stable earnings against cost headwinds

In 2021, Masonry delivered underlying EBIT of \$8.1 million, a 1% improvement on the previous year. Underlying EBITDA margins for the reporting period were consistent with the prior year.

Overall, sales revenue increased by 2% compared to the prior year driven by supply of tolling products to competitors in New South Wales and North Queensland. Earnings were underpinned by our key markets of retail landscaping, commercial construction and civil construction products.

In the commercial and engineering segments, we experienced year-on-year demand growth of 14% and 2% respectively, despite lockdowns in New South Wales and Victoria. This demand was driven by commercial and government projects.

As in 2020, the residential market boomed for Adbri's landscaping products, which are typically higher value. Australians continued to channel their spare time and discretionary spending into home improvements and renovations during government restrictions. There was a dip in sales across all states in the first half of the year, when trading eased. However, the mid-year resumption of rolling lockdowns across the country drove higher demand from June onwards.

Throughout the year, the business was challenged by the rising cost and availability of input materials including timber for pallets, colour oxide pigments, steel and packaging products due to local and worldwide supply shortages and increased shipping costs.

Underlying pricing remained relatively stable throughout 2021. However, a change in product mix meant there was a higher proportion of lower-value commercial products.

Pricing strategies are being applied to improve margins in 2022.

Major activities: focus on product innovation and efficiencies

Supporting the Group's commitment to making ongoing sustainability improvements, the Masonry division continued to expand Adbri's range of sustainable building and paving products, including concrete bricks.

We also investigated new opportunities to reduce operational costs as part of Adbri's Group-wide cost efficiency program, leading to lower cartage costs and higher pallet recoveries. However, the impact of these opportunities has somewhat been offset by higher timber costs and transport freight across the industry.

Our brand

adbriMASONRY

Customer recognition continued in 2021

In 2021, the landscaping design produced by masterplan architects BVN for stage 2 of the Charles Sturt University Macquarie campus development was Highly Commended for the Think Brick Bruce Mackenzie Landscape Award.

The Think Brick Awards celebrate excellence in the use of bricks, blocks, pavers and roofing tiles. Designs incorporating Adbri's masonry products have won 10 of these awards since 2014.

The shortlisted design features Adbri Brickpave pathways. They connect large courtyards that are the centrepiece of the design, which uses brick to honour the rich red clay of the local area.



Joint ventures

Adbri's joint venture businesses play an important role in the Group's vertical integration strategy.

Their diversified geographic footprint delivers major benefits including de-risking our earnings, expanding our customer base and providing touchpoints to deliver critical infrastructure into regional areas. They are significant contributors to our earnings and deliver strong margins and returns due to their unique positioning in their discrete markets.



In 2021, our joint venture businesses contributed \$33.3 million to Group earnings, a 24% increase on 2020. Positive market conditions and the impact of government stimulus packages in Victoria, New South Wales and Queensland drove higher offtake from both internal and external customers for most Australian joint ventures, despite COVID restrictions.

During the year, Mawson Group strengthened Adbri's regional growth story with their strategic purchase of Milbrae. This further diversified Mawsons' revenue base while improving access to raw materials and expanding Adbri's vertically integrated footprint in regional Victoria and New South Wales. We also completed the acquisition of Metro Quarry Group in a joint venture with the Barro Group to secure critical sand to support our Victorian concrete businesses.

Joint venture businesses contributed

\$33.3m

Contribution to Group earnings increased

24%

Growth through strategic acquisitions

Adbri Group's vertically integrated footprint expanded this year with two more joint venture acquisitions.

A 50/50 joint venture between Adbri and Barro Group, the **Metro Quarry Group (MQG)** acquisition was completed on 19 November 2021. This included two quarries south-east of Melbourne with 50 million tonnes of sand reserves, providing our Melbourne concrete businesses with long-term, secure access to natural sand in the competitive Victorian market.

During 2021, our Mawsons joint venture acquired the **Milbrae** concrete and aggregate business. With 13 quarries and seven concrete plants in the New South Wales Riverina region, Milbrae offers procurement and operational synergies and access to new markets. The transaction became effective on 1 July 2021 and was completed on 30 September 2021.

Independent Cement and Lime Pty Ltd (50% ownership)

A joint venture between Adbri and Barro Group, Independent Cement and Lime (ICL) is our exclusive cement distributor in Victoria and New South Wales, where it supplies cement and cement blended products to industries and retailers.

ICL's contribution to Adbri's earnings rose by \$1.9 million, a 13% improvement on 2020. Despite interruptions from construction industry restrictions, bulk volumes in Victoria were buoyant and rose slightly in New South Wales, underpinned by strong demand from the metropolitan and regional housing markets. ICL's total revenue increased 2%, and cost control and efficiency investments saw EBIT margins rise accordingly.

High demand from the Victorian dwelling and infrastructure construction sectors is expected to continue in 2022, while we anticipate New South Wales volumes to decrease in 2022 with the establishment of a competing import terminal.



Batesford Quarry (50% ownership)

An unincorporated joint venture between Adbri, E&P Partners and Geelong Lime Pty Ltd, Batesford Quarry produces and distributes limestone and quarry products in Victoria and New South Wales.

Farmers use limestone as a fertiliser and soil enhancer, so favourable growing conditions in Victoria led to the strongest year of agricultural lime sales to date, which increased earnings by 119%, or \$1.9 million, compared to 2020. We anticipate 2022 results will be similar due to steady demand for agricultural lime and quarry products.



Sunstate Cement Ltd (50% ownership)

Sunstate Cement (Sunstate) is a joint venture between Adbri and Boral, supplying cement to the construction industry in Queensland.

Sunstate's sales volumes and profits increased 36% and 115% respectively in 2021, leading to a \$3.8 million uplift in its Group earnings contribution. Strong demand across all South East Queensland construction sectors, increased offtake by our joint venture partner and provision of supplementary supply to a wholesale competitor underpinned the strong result. The investment in an advanced packaging plant has increased sales in this market. With high demand for cement expected to continue in 2022, the outlook is positive.



Mawson Group (50% ownership)

Mawson Group (Mawsons) supplies aggregates and premixed concrete to the construction industry. A joint venture between Adbri and BA Mawson Pty Ltd, it has over 80 concrete and quarry assets across New South Wales and Victoria.

Mawsons' success continued in 2021, contributing \$1.7 million more to Group earnings than the previous year. This was due to increased earnings from the Milbrae acquisition in the middle of the year. High demand remained for quarry products as construction accelerated across regional Victoria, with home builders taking advantage of favourable land availability and pricing. Significant rains stimulated agricultural economies, and HomeBuilder grants further drove demand. The infrastructure and commercial sectors were similarly positive, with road and rail projects rolling out statewide. Along with the positive outlook for regional construction, we expect the Milbrae acquisition to further strengthen Mawsons' earnings in 2022.



Aalborg Portland Malaysia Sdn. Bhd (30% ownership)

Aalborg Portland Malaysia (Aalborg) has been manufacturing and distributing white cement to domestic and international customers for more than a quarter of a century.

After a positive start to 2021 where earnings increased, COVID had a negative impact when government shutdowns closed the Malaysian plant for nearly two months. This supply disruption resulted in a decline in earnings.



Burrell Mining Services (50% ownership)

A joint venture between Adbri and Burrell Mining Products, Burrell Mining Services (Burrell) produces secondary roof support products for underground mines.

In 2021, some key customers faced operational changes impacting sales volumes, and in Queensland delayed mining projects led to flatter sales, with Burrell contributing \$0.2 million less to Group earnings than in 2020. The market is likely to remain stable in 2022 and we will continue to work to expand the product opportunities with new mines and product applications.



Sustainability report



Our people deliver for a better Australia

Contributing to a safe, healthy and sustainable future for Australians, our communities and the environment is a fundamental part of Adbri's culture. Whether we are putting safety first or developing lower carbon products, supporting local businesses or hosting community groups, our people are *Always Ready* to make Australia a better place.

■ Scope

Adbri Limited (the Company) reports on controlled entities as held at year ended 31 December 2021. Joint ventures are excluded unless stated otherwise. Greenhouse gas emissions, alternative fuel data and water usage is reported as at financial year 30 June 2021, consistent with regulatory reporting requirements, unless otherwise stated. All financial data is reported in Australian dollars. References to 'Adbri', 'the Company', 'we' and 'our' are to Adbri Limited. Any restatements are noted in the Report.



Message from our sustainability leaders

Operating a sustainable business is a fundamental part of Adbri's role as an industry leader. We believe in doing business responsibly; keeping our people and communities safe; meeting the needs of our customers; and creating long-term value for our shareholders. This is essential for achieving Adbri's purpose of *Building a Better Australia*.

In 2021, we publicly announced our aspiration of net zero emissions by 2050 and will launch our Net Zero Emissions (NZE) Roadmap ahead of the next Annual General Meeting (AGM). Our disclosures in this Report reflect Adbri's commitment to the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. As a hard-to-abate industry, the challenges of achieving net zero will require future investment in technology and partnerships.

Despite ongoing challenges from the COVID pandemic, we made progress towards our 2024 sustainability targets this year. Since 2019, we recorded a 41% reduction in our total injury frequency rate (TRIFR). Disappointingly, in 2021 our TRIFR increased by 12%, however our lead indicators such as critical control audits and visible leadership continued to improve. We approach 2022 with a heightened focus on our safety performance. Scope 1 and Scope 2 greenhouse gas (GHG) emissions have reduced by 4% since 2019. We continued to trial lower carbon product solutions and in our Birkenhead operations use refuse derived fuel (RDF). During the year we had no reportable environmental incidents. We responded to community concerns relating to odour emissions at our Munster operations and worked with the Department of Water and Environmental Regulation (DWER) to gain approval to undertake engineering works for an odour reduction trial. We look forward to the trial occurring in 2022.

Our achievements this year relied on the passion and commitment of Adbri's workforce and we thank them for contributing to our success.

Rebecca Irwin
Chief Sustainability &
People Officer

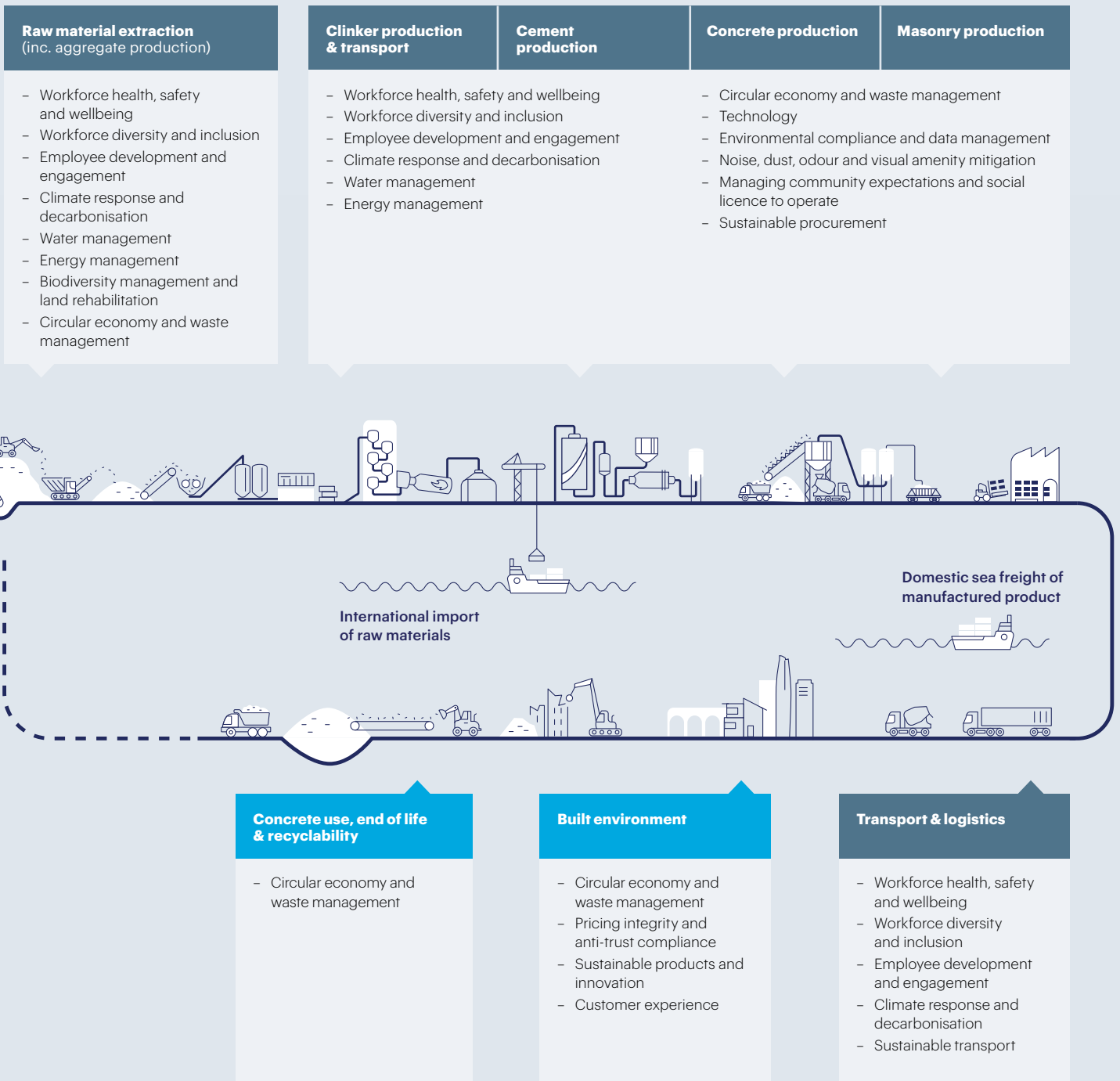
Nick Miller
Managing Director &
Chief Executive Officer

Our approach to sustainability

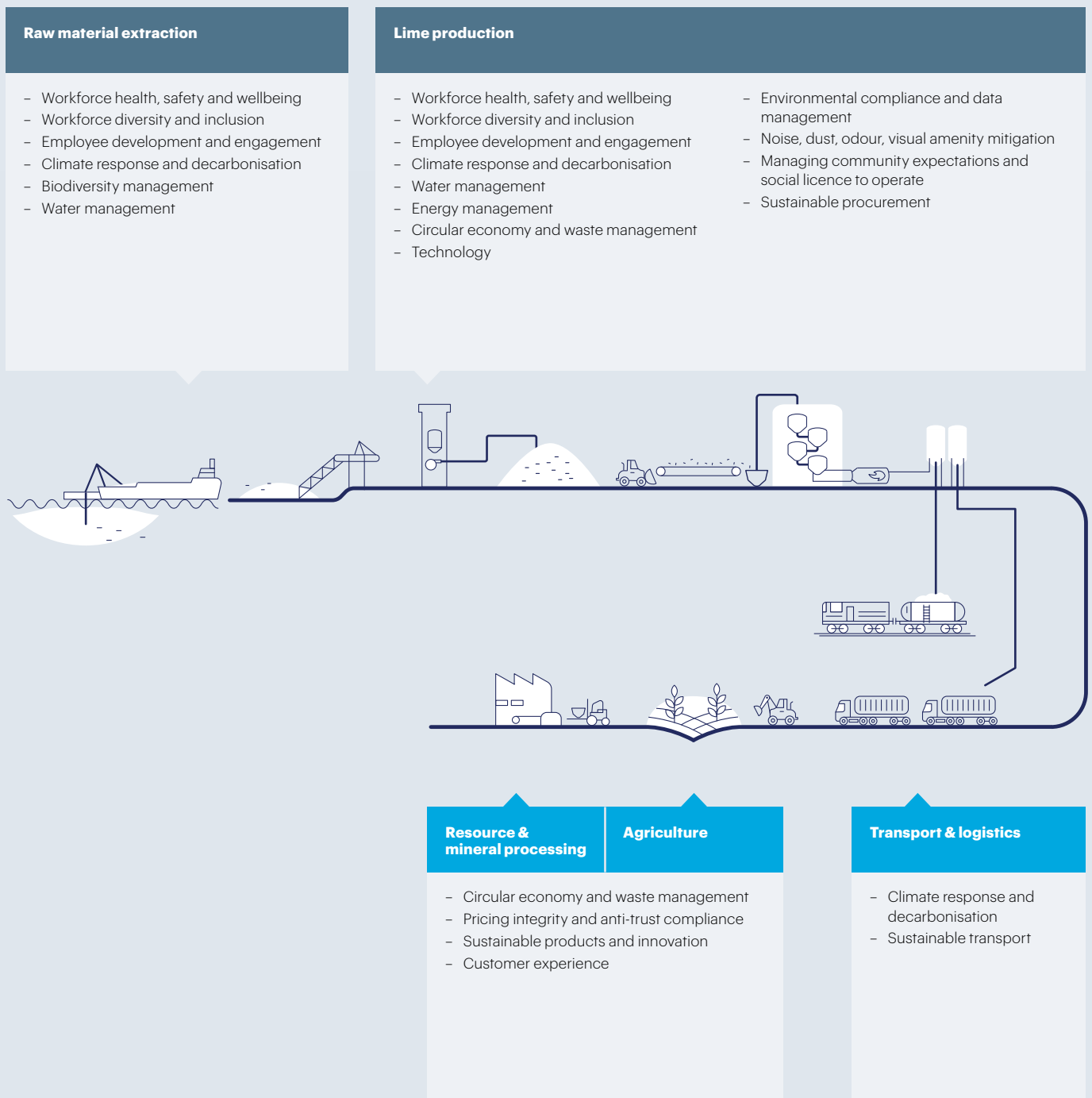
Adbri's sustainability approach is built on strong relationships with our people, customers, suppliers, partners, shareholders and the communities where we operate.

We aim for continuous, company-wide improvement along the entire value chain. We identify areas with the most material sustainability impact and focus our activities on these areas.

Sustainability topics across Adbri's clinker, cement and concrete value chain



Sustainability topics across Adbri's lime processing value chain



Our approach to sustainability continued

Governance

Adbri's Board is responsible for reviewing and approving management strategy, which incorporates sustainability objectives to mitigate material sustainability risks and identifies sustainability opportunities. Board members apply the highest governance standards to monitoring how this strategy is implemented, including compliance with Modern Slavery, TCFD and other international standards as appropriate. Where possible, we are incorporating sustainability criteria into decisions relating to change management, acquisitions and divestments. The Board regularly reviews Adbri's sustainability performance and approves the content in this Report.

The Board's Safety, Health, Environment and Sustainability (SHES) Committee monitors and oversees the effectiveness of sustainability practices, performance and continuous improvement. This assessment may involve consulting with the Board's Audit, Risk and Compliance Committee and People and Culture Committee. The Board's performance and effectiveness and that of each Committee, is reviewed every year and improvements are made where required.

The Board delegates responsibility for day-to-day oversight of managing material risks to Adbri's Managing Director & CEO. Sustainability strategy is led by our Chief Sustainability & People Officer. Our sustainability performance influences executive remuneration, which is linked to sustainability-related targets (see *the Remuneration Report*).

For more information on Adbri's Board committees, including composition, skills, independence and continuing education (see *the Directors' Report*). Their terms of reference are available at www.adbri.com.au/who-we-are/corporate-governance/.

Risk management

Adbri's approach to risk management is guided by our Group risk appetite. It is underpinned by sound risk management principles and the standards of behaviour outlined in Adbri's Code of Conduct. Our Risk Management Procedure outlines the process for operationally monitoring and managing risk plans, controls and performance and for reporting on them to the Executive Leadership Team and the Audit, Risk and Compliance Committee. Our risk register includes climate change and environmental, social and governance (ESG) issues as material risks.

Adbri's internal audit team regularly audits and inspects sites to evaluate risk management activities and performance, and identifies any control deficiencies. They report the results to the Board for information and action. The reports include remedial plans and audit team members follow up on implementation, supported by an external audit program.

All Adbri's managers are committed to sustainability and actively manage risk. They are encouraged, supported and guided by:

- a Sustainability Framework that underpins Adbri's sustainability performance, including five-year targets
- an integrated health, safety and environment management system (HSEMS), which provides standards and a framework for achieving objectives
- input and advice from the Executive Leadership Team
- personal key performance indicators based on key SHES areas
- Adbri's Code of Conduct; Diversity and Inclusion Policy; Health, Safety and Environmental Policy; Anti-bribery and Corruption Policy; and Speak Up (whistleblower) Policy.



As a responsible business, Adbri has sound governance practices and policies that protect our market reputation by mitigating ethical and financial risks and ensuring we comply with relevant laws and regulations.

Our stakeholders

Understanding the views and growing expectations of Adbri's stakeholders by regularly engaging with them is essential so we can respond effectively and keep meeting their changing needs. Our approach is open and inclusive.

Based on regular feedback from our key internal stakeholders, the table shows the topics of interest raised by our stakeholder groups and how we engaged with them in 2021. In 2022, we plan to engage Adbri's external stakeholders as part of our materiality assessment.

Who	Topics of interest	How we engage
Primary stakeholders		
Communities	<ul style="list-style-type: none"> - Health, safety and wellbeing - Indigenous rights - Investment in community - Local employment - Managing environmental impacts - Opportunities/challenges 	Site tours, feedback mechanisms, sponsorships and partnerships, fact sheets, Community Liaison Groups (CLGs), websites: www.cockburncementcommunity.com.au www.adelaidebrightoncommunity.com.au www.angastoncommunity.com.au www.morgancementcommunity.com.au
Customers	<ul style="list-style-type: none"> - Product availability - Economic vitality - Compliance with regulations - Lower carbon products - COVID-safe deliveries 	Site visits, market tenders, meetings, phone calls, emails, website, online orders, product information, technical support, feedback mechanisms
Government (local, state, federal) and regulators	<ul style="list-style-type: none"> - Regulatory and legal compliance - Taxes - Local employment - Managing environmental impacts - Contributions to communities 	Meetings, website, publications, phone calls, emails
Joint venture partners	<ul style="list-style-type: none"> - Health, safety and wellbeing - Regulatory and legal compliance - Collaboration opportunities 	Meetings, site visits, phone calls, emails
Shareholders, financiers and insurers	<ul style="list-style-type: none"> - Economic vitality - Share price performance and dividends - Health and safety performance - Compliance with regulations - Impact of a low carbon economy - Acquisitions and divestments - Corporate governance - Ethical behaviour - Sustainable finance - Options for capital raising/debt - Climate change - Strategy and outlook 	Annual Reports, half year updates, investor briefings, market announcements, Annual General Meetings, conferences, phone calls, emails
Suppliers	<ul style="list-style-type: none"> - Contract and payment terms and conditions - Business and collaboration opportunities - Economic vitality - Responsible practices and alignment with Modern Slavery legislation 	Contractual arrangements, market tenders and other out-to-market opportunities, meetings, phone calls, emails, toolbox meetings, reviews
Workforce	<ul style="list-style-type: none"> - Health, safety and wellbeing - Career advancement and wage growth - Diversity, inclusion and employee rights - Organisational structure and strategy - Economic vitality - Climate change - Strategy and outlook 	Intranet, newsletters, MD & CEO briefings, toolbox meetings, surveys, videos, text messages, team meetings and town halls, internal forums, collaboration tool
Secondary stakeholders		
Education/academia/research bodies	<ul style="list-style-type: none"> - Lower carbon product solutions - Low carbon future 	Partnerships Participating in working groups
Industry groups	<ul style="list-style-type: none"> - Health, safety and wellbeing - Low carbon transition 	Memberships, round table discussions, phone calls, emails
Media	<ul style="list-style-type: none"> - Economic vitality - Acquisitions and divestments - Impact of low carbon economy - Corporate governance 	Media releases, journalist interviews, phone calls, emails
Non-government organisations (NGOs)	<ul style="list-style-type: none"> - Managing environmental impacts - Impact of low carbon economy 	Annual General Meetings, phone calls, emails, feedback mechanisms

Our approach to sustainability continued

Materiality

Focusing on what matters most

This year Adbri undertook a materiality assessment to determine the sustainability topics that are most important to our key stakeholders and our business. Based on Account Ability’s five-part Materiality Test, the process involved an independent assessment of relevant internal policies, risk and strategy documents, media coverage, peer and industry publications and internal stakeholder interviews. Our Executive Leadership Team prioritised and validated the topics, and the Adbri Board endorsed the outcomes.

To ensure we are listening to and responding to their needs, we plan to engage external stakeholders every two years in this process, starting in 2022.

The topics inform the scope and content of this Sustainability Report.

Materiality matrix*



* Topics within each arc are arranged in alphabetical order and are of equivalent priority.

We progressively undertake rehabilitation works at our sites to improve biodiversity and visual amenity.







Our approach to sustainability continued

Our Sustainability Framework

Adbri's Sustainability Framework identifies two primary goals: engaged people and communities; and a sustainable and responsible business.

To achieve these goals, we have identified five focus areas with associated challenges and opportunities. These guide Adbri's sustainability decision-making and provide a holistic, strategic framework for our activities.

Stakeholders expect us to operate responsibly, so we strengthen Adbri's social licence by prioritising our efforts. To assess our performance, we have set five-year targets that are due for completion in 2024, using a baseline of 2019 metrics.

Goal	Focus area	5-year targets	Progress (against 2019 baseline)	SDG alignment and commitments
Engaged people and communities	 Healthy, safe and engaged people	10% reduction in TRIFR every year Innovate Reconciliation Action Plan (RAP) approved	2021: 6.3 (12% increase from 2020) Overall: 41% reduction against baseline	3 Good health and wellbeing 8 Decent work and economic growth Enhance Adbri's diverse and inclusive culture. Protect our people from harm through our commitment to 'Work Safe, Home Safe'. Promote mental health and wellbeing. Respect and support the rights of our employees.
		30% female Non-executive Directors	2021: 38%	
		20% female employees	2021: 16% Overall: 1% increase against baseline	
		Digital platform established to improve communications	2021: Updated platform implemented, averaging 500 active users per month over the first five months	
Engaged people and communities	 Positive contribution to communities	Maintain regular external communications	Ongoing communication activities	8 Decent work and economic growth Through maintaining economic vitality and sustainable growth, make a positive contribution to the communities where we operate. Mitigate the risk of modern slavery in our supply chain. Measure the economic value Adbri generates.
		Community investment aligned with community engagement strategy	2021: Investment aligned, with \$264k invested	
Sustainable and responsible business	 Reduce adverse environmental impacts	50% kiln fuel to be sourced from alternative fuel in South Australia	2021: 25% (same as 2020) Overall: 2% increase against baseline	9 Industry, innovation and infrastructure 12 Responsible consumption and production Introduce efficiencies into our processes to reduce our impact on the environment from production and our final products. Progressively rehabilitate land disturbed by our operations.
		25% reduction in process waste to landfill	2021: 1% increase from 2020 Overall: 12% decrease against baseline	
	 Responding to climate change	7% GHG emissions reduction	2021: 2% reduction Overall: 4% reduction against baseline	13 Climate action Take action to reduce GHG emissions for a low carbon future by improving our production processes, building resilience, setting ambitious targets, investing in emerging technologies and ensuring our stakeholders are engaged.
		24% supplementary cementitious materials as a proportion of final cementitious product ¹	2021: 20% (1% decrease from 2020) Overall: 1% decrease against baseline	9 Industry, innovation and infrastructure 12 Responsible consumption and production Develop and invest in product quality and research low carbon technologies to build sustainable and resilient products and manufacturing processes. Collaborate to develop technology solutions. Promote sustainable choices for consumers.

1. In 2021, we replaced our target of 20% increase in the tonnage of raw materials used with this target (see page 54 for further details).

The Framework is supported by Adbri’s four company strategic pillars of safety, customer focus, inclusivity and sustainable growth. Our focus areas within the Framework align with the global objectives of the United Nations’ Sustainable Development Goals (SDGs), as indicated by the SDGs numbering within the Framework. This Report includes examples of how our business and our people support these goals.

In 2021 we made progress against our five-year targets, with the exception of TRIFR which did not achieve a 10% reduction and our waste target which increased by 1%. In addition, our new supplementary cementitious material (SCMs) target saw a minor decrease of 1% against 2020.

2021 material topics	Challenges	Opportunities
<ul style="list-style-type: none"> - Workforce health, safety and wellbeing - Diversity and inclusion - Employee development and engagement - Business conduct and ethics 	<ul style="list-style-type: none"> - Visible safety leadership during a global pandemic with restricted travel - Reduce harm to our people (mental and physical health) - Increase diversity and inclusivity, beyond gender, in our operations 	<ul style="list-style-type: none"> - Expand leading safety indicators - Virtual connectivity - Establish Adbri brand identity
<ul style="list-style-type: none"> - Managing community expectations and social licence to operate - Customer experience - Meeting growing stakeholder expectations - Indigenous engagement - Sustainable procurement 	<ul style="list-style-type: none"> - Engage with our local communities - Meet demands caused by increasing stakeholder expectations - Engage Indigenous suppliers 	<ul style="list-style-type: none"> - Measure our contribution to communities where we operate - Improve customer experience platform - Eliminate modern slavery risks from supply chains - Build local prosperity in towns and cities where we operate - Engage with Aboriginal and Torres Strait Islander communities
<ul style="list-style-type: none"> - Circular economy and waste resources - Energy management - Environmental compliance and data management 	<ul style="list-style-type: none"> - Emissions-intensive core products - Waste (excess concrete, packaging, using recycled materials) - Plant design not all to current best practice - Managing emissions to air - Water consumption in production and site management practices 	<ul style="list-style-type: none"> - Further alternative fuel use to reduce waste to landfill and reduce our reliance on fossil fuels - Improve environmental risk management through technology - Develop beneficial uses for waste generated onsite - Responsible management of buffer land
<ul style="list-style-type: none"> - Climate response and decarbonisation - Energy management 	<ul style="list-style-type: none"> - Hard-to-abate cement and lime production processes which will require breakthrough technologies that are not yet commercially available at scale to fully decarbonise 	<ul style="list-style-type: none"> - Implement our Net Zero Emissions Roadmap (due for release in 2022); Improve operational energy efficiency through plant upgrades, increase uptake of alternative fuels, fuel switching to use lower emissions-intensity supply options - Partnerships and collaboration with industry and other businesses to develop decarbonisation solutions
<ul style="list-style-type: none"> - Sustainable products and innovation 	<ul style="list-style-type: none"> - Regulatory impediments to replacing Portland clinker cement - Lack of scalable demand for lower carbon products today 	<ul style="list-style-type: none"> - Grow a portfolio of lower carbon/carbon neutral products for the built environment - Participate in partnerships and research to develop technologies to produce construction materials - Produce cement with up to 20% limestone content - Provide environmental product disclosures (EPDs) to inform more sustainable consumer choices - Acquire businesses providing sustainable products and solutions

Economic vitality and technology solutions

Adbri's pillar of sustainable growth guides our investment in Australia's people, communities and economy. Our products help build the homes and infrastructure that are essential for a thriving society. Protecting Adbri's economic vitality by being a low-cost, lower carbon, high-quality Australian producer is integral to delivering on our sustainability strategy. We invest in research and partnerships to support our future operational plans, while developing sustainable products that meet consumer demands.

Our management approach

We operate our assets efficiently and responsibly using a risk-based approach. Through organic growth, acquisitions, joint ventures and greenfield projects, Adbri is pursuing an agenda of sustainable growth and transformation. The Board regularly reviews capital needs to preserve Adbri's ability to deliver stable shareholder returns while remaining agile enough to respond to investment opportunities.

Adbri's business and improvement and growth strategy is based on five key areas for 2021 and beyond:

- operational efficiency
- lime business transformation
- vertical integration
- actively manage land holdings
- enhancing our capabilities in the infrastructure sector.

For every \$1 Adbri spends, we generate another \$1.30 for the Australian economy.

2021 achievements

Adbri delivered a reported NPAT attributable to members of \$116.7 million in 2021, an increase of 25% on the prior year. Our profit performance was driven by strong volume growth across all product lines, excluding lime. For full details about Adbri's financial performance, see our *2021 Financial Statements*.

Our economic performance will allow Adbri to reinvest in the business through capital investment upgrades, innovation, capacity expansion and major capital projects such as the Kwinana Upgrade.

Strategic investments supported Adbri's competitive advantage of being a vertically integrated business with diverse products and markets and an Australia-wide footprint. In the long term, these are expected to lead to increased operational and financial performance and deliver a return on capital invested to shareholders.

To ensure we remain competitive, our company-wide efficiency and continuous improvement programs seek out opportunities for short and long-term cost savings. Our cost reduction program delivered \$26.1 million in gross cost savings.

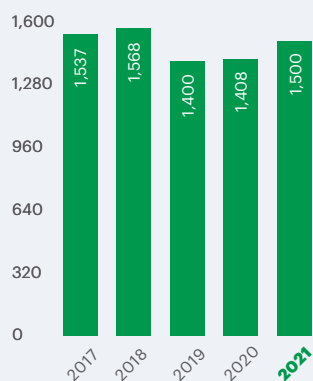
The Managing Director & CEO's review and operational reports in our *2021 Annual Report* describe these activities in detail.

Throughout the year, Adbri contributed to Australia's economic success in multiple ways, with national benefits. In 2021, we used a third party to model our economic impact on Australia for the period of 1 July 2020 – 30 June 2021, which included:

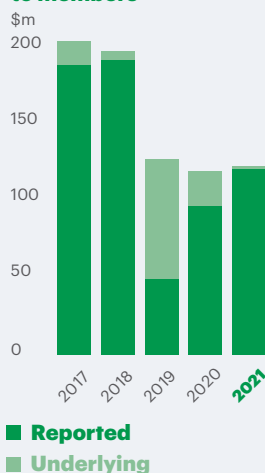
- **\$3.2 billion** – Adbri's gross value add to the Australian economy in 2020/21
- **\$626.4 million** – Our contribution to the South Australian economy (direct and indirect)
- **11,520** – Number of full-time equivalent positions we indirectly supported across Australia.

For further details about Adbri's financial performance and contribution to the Australian economy, see our *2021 Financial Statements* and *Tax Transparency Report*.

Employee numbers



NPAT attributable to members



Healthy, safe and engaged people

Adbri's vision of Work Safe, Home Safe drives our business to improve. Our safety first culture, effective management system and promotion of healthy lifestyles have delivered improvements in our safety performance and work environment since 2019. Developing a diverse workforce and inclusive culture supports high performance by providing a positive organisational culture where everyone can thrive. We seek to create workplaces that reflect the diversity of our customers and communities and welcome people from all backgrounds.

Engaged people and a strong workplace culture underpin Adbri's four strategic pillars and our company's success.

Our management approach

Our commitment to workforce health, safety and wellbeing is supported by Adbri's HSEMS. To mitigate safety and wellbeing risks, we identify critical risk controls and conduct annual safety audits, as well as offering health assessments and lifestyle management programs to employees.

Adbri's health, safety and environment (HSE) software system, Cintellate, collects and analyses data so we can monitor and respond to real time HSE trends and risk management obligations. Increasingly, we focus on lead indicators such as hazard reports and near misses so we can improve our injury prevention programs.

Our 2020-25 Diversity and Inclusion Strategy supports our goals to increase female representation and create a more inclusive environment. We continue to challenge ourselves to find innovative ways to progress our targets.

In 2022, to progress these objectives we will submit an Innovate RAP to Reconciliation Australia. This RAP will set targets for Aboriginal and Torres Strait Islander peoples employment.

Metrics

	2021	2020	2019
Fatality	0	0	0
Total recordable injury frequency rate (TRIFR) OFSC¹ methodology²	6.3	5.6	10.6
TRIFR (Employee) OFSC¹ methodology²	6.8	7.7	14.6
TRIFR (Contractor) OFSC¹ methodology²	6.2	3.5	5.1
Lost time injury frequency rate²	2.3	1.7	2.5
High potential incidents	50	54	37
High potential incident frequency rate	9.6	10.9	7.4
HSE near misses	529	486	874
HSE hazards	3,199	2,922	3,211
Critical control verifications in field	1,210	699	-
Critical control audits	87	109	48
Visible leadership reviews/walks	611	218	217
Female Non-executive Directors %	38	50	43
Female employees %	16	15	15

1. Office of the Federal Safety Commissioner.

2. Measured as per million person-hours worked.

Healthy, safe and engaged people continued

2021 achievements

Protected our people

Thanks to Adbri's Safety Step Change Program (see case study) and the efforts of all our workforce, we continue to achieve good health and safety performance and have made significant strides in critical risk management, visible leadership, safe transport and wellbeing. Despite pandemic restrictions, the program remained a priority, achieving a 41% reduction in TRIFR since 2019 (pre-pandemic). However in 2021, our TRIFR was 6.3, up 12% on 2020 and as such, we did not meet our target. We are resolved to continue to improve our safety performance.

We enhanced our reporting efficiency by using Adbri's mobile application, ROAM, in the field, enabling a 9% increase in hazard and near miss reporting. Heavy vehicle incidents are a key risk area and more than 50% of drivers completed safe driving programs, including rollover prevention training.

We continued to support the wellbeing of our people, including providing an ongoing Employee Assistance Program. During the year we held site-based events to encourage open discussion of mental health topics, as well as holding a webinar with an ambassador from R U OK Day?

Supported fair labour practices

Adbri continues to maintain an inclusive relationship with our people and unions, including a positive experience with Enterprise Agreements (EAs). During 2021, 20 Adbri Enterprise Agreements were successfully negotiated. At the end of the year, 59% of Adbri workers were employed under EAs.

Improved attraction

The Australian skills shortage is a challenge faced by many businesses. To mitigate this risk, we aim to be a candidate's preferred employer. To attract and retain the best people, we want to be known for developing our employees, maintaining a positive organisational culture and being a fair employer.

During 2021, we established an in-house recruiting team to increase our external market presence and define Adbri's employee value proposition, with a primary focus on attraction and positioning Adbri as an employer of choice in a competitive labour market.

Strengthened diversity and inclusion

One of our people aspirations is that the next generation of talent wants to work at Adbri because we are known for offering an inclusive workplace culture that thrives on diversity. We are delivering this through our 2020-25 Diversity and Inclusion Strategy, which was designed with feedback from our people on what is working well and where we can improve.

In 2021, Adbri made positive steps towards our 2025 target of 20% female representation by employing 85 new female hires, representing 24% of all hires in the period. For more information, refer to the *Diversity Report* in the 2021 Adbri Corporate Governance Statement.

www.adbri.com.au/who-we-are/corporate-governance/

Expanded employee engagement

The need for more frequent engagement was a key outcome of our last employee survey, so we implemented several initiatives in 2021.

Designed to acknowledge outstanding contributions to our four strategic pillars, the inaugural Adbri's Champion Awards attracted 137 nominations. Between them, the winners helped Adbri to: increase onsite pedestrian safety; diversify our quarry product range; welcome an autistic community member to our site; and improve our debtor days.

Providing new ways for people to communicate is important for fostering collaboration and increasing engagement. In August, we rolled out the social networking app Yammer and are averaging around 500 active users each month. In 2022, we will expand its usage to non-computer user employees.

There was no employee engagement survey in 2021 as we reviewed the current tool. The survey will recommence in early 2022, using a new employee experience platform that links insights to actions and includes practical tools for building employee commitment and driving retention.

Invested in learning and development

To support Adbri's sustainable growth pillar, we rolled out several people development programs, including a cloud-based learning management system, iLearn@Adbri. This platform standardises learning across the business and tracks employee progress to improve outcomes.

Our two-year graduate program provides Adbri with a pipeline of future leaders and technical experts, and participants with invaluable practical experience. In February, we welcomed four (50% female) more graduates, all with an engineering background. Two current graduates will transfer from the program to permanent roles with Adbri next year.

Collaborated on sustainable workplace initiatives

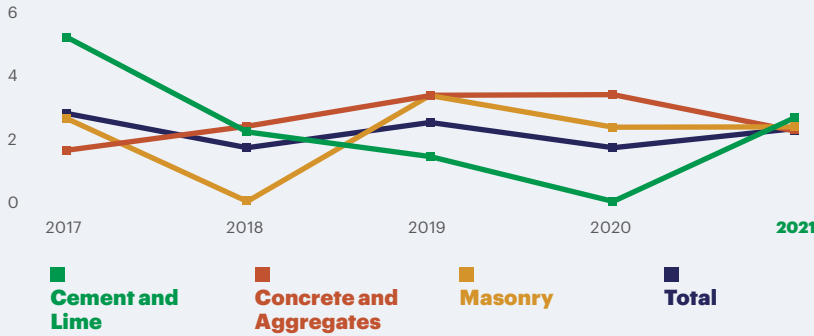
The 360 members of Adbri's Green Team, our voluntary employee sustainability action group, achieved the following this year:

- coordinating Adbri's first Group-wide celebration of Planet Ark's National Tree Day in June, starting with a joint planting with Adelaide High School students of 1,350 native trees at our Penrice quarry site
- asking each Adbri site to nominate one recycling initiative for National Recycling Week, which provided some great local ideas and highlighted how operations can learn from each other
- organising and helping to deliver climate change online learning sessions, which were attended by more than 160 people.

To keep the broader workforce informed, Adbri launched a staff environmental newsletter.

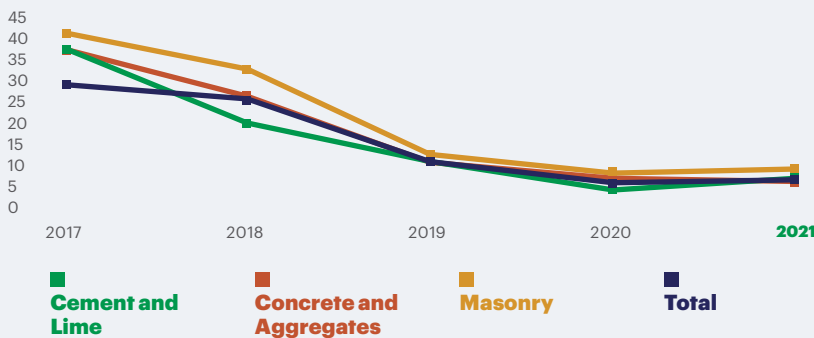
Lost time injury frequency rate by divisions

Total lost time injuries per million hours worked

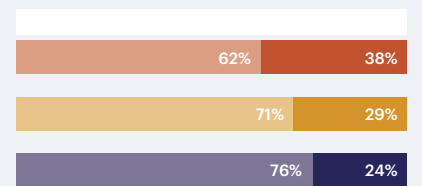
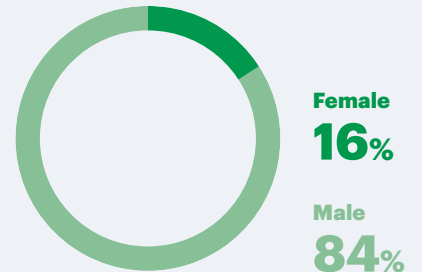


Total reportable injury frequency rate by divisions

Total recorded injuries per million hours worked



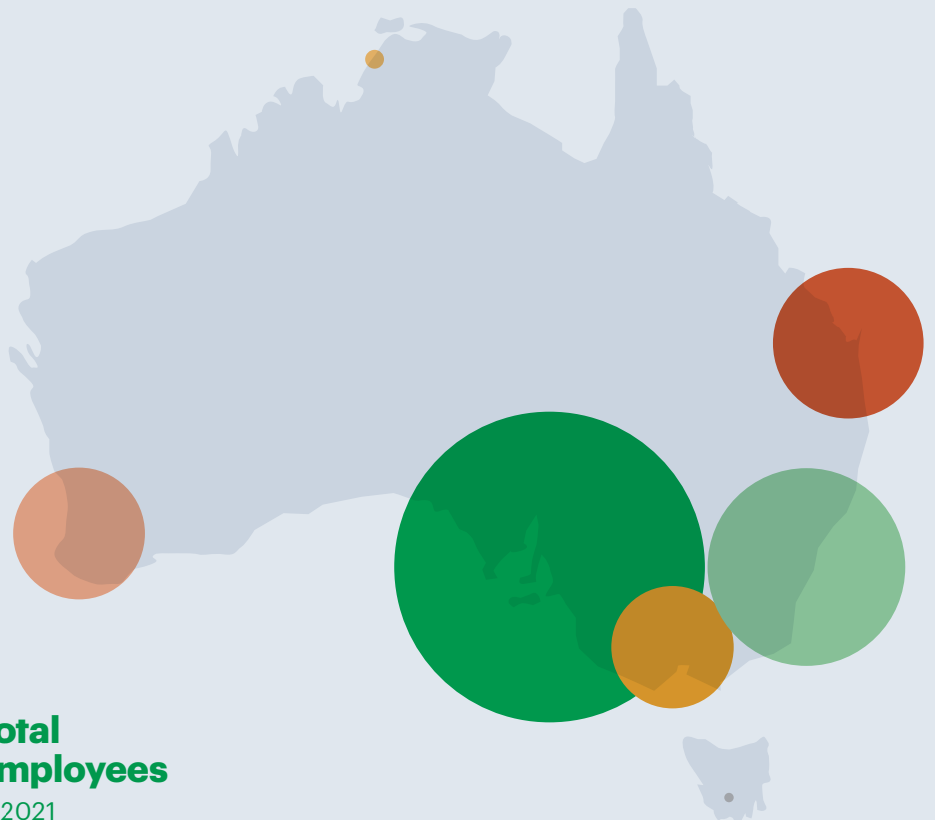
Gender diversity



- Total workforce (Male)
- Total workforce (Female)
- Board (Male)
- Board (Female)
- Senior executives (Male)
- Senior executives (Female)
- Senior management (Male)
- Senior management (Female)

Employment by geography

- South Australia **32%**
- New South Wales **21%**
- Queensland **17%**
- Western Australia **14%**
- Victoria **13%**
- Northern Territory **2%**
- Tasmania **1%**



1,500 Total employees in 2021

Healthy, safe and engaged people continued

Case study

Strengthening our COVID response

When planning Adbri's response to the Delta variant in 2021, and Omicron in the latter part of 2021, we built on our 2020 crisis management and business continuity experience. Our primary goal remains protecting our people's physical and mental health while maintaining supply to customers.

As well as remote working, site protection, toolbox talks and control room duplication measures introduced in 2020, we deployed a Rapid Antigen Testing program as a successful screening control, we strengthened individual support by introducing COVID in 2021 supplementary pay, isolation leave and vaccination leave, and provided dining vouchers for staff impacted by extended lockdowns.

By aligning with government guidelines, including compliance with vaccination mandates, we are not aware of any employee contracting COVID in 2021 where an Adbri site was the source of transmission.

With COVID predicted to become endemic, we began exploring opportunities to keep everyone safe, including considering compulsory vaccination as a condition of workplace entry for employees, contractors and suppliers who are not medically exempt. An employee survey indicated mixed views on mandating, with vaccination rates across Adbri consistent with community vaccination rates. In 2022, the Group will continue to adopt a risk-based approach to managing COVID based onsite and role requirements.

Our primary goal is to protect our people's physical and mental health while maintaining supply to customers.

◀ Rapid antigen tests are used in high risk areas of our operations to reduce transmission of the COVID virus



Case study

Keeping our people safe

In two years, Adbri has inducted over 3,000 people in a Safety Step Change program with the aim to reduce the potential for fatality or serious harm to our people. A key element is the Critical Risk and Visible Leadership program. Mandatory infield critical risk controls minimise or eliminate high potential risks, combined with expected behaviours for Adbri’s employees, contractors and visitors to keep each other safe.

To evaluate our safety performance we measure more than 30 lead and lag indicators on a monthly basis, including visible leadership, critical risk control verifications, high potential near-miss incidents, safety communications, and ensure learnings from critical employee reviews are shared across the Group.

In 2021, the Safety Step Change program won the South Australian Cement, Concrete and Aggregates Australia (CCAA) Health and Safety Innovation Award and the South Australian Premier’s Award in Energy and Mining for Health and Safety in the Resources Sector. The Cockburn Cement Kwinana team won the Health and Safety Innovation Award at the Western Australia CCAA awards for their mobile plant alert system.

3,000+

people inducted through Adbri’s Safety Step Change program

41% 

reduction in TRIFR since 2019

◀ Steven Marshall, Premier of South Australia, with Adbri’s Group Manager – Health, Safety & Environment, Kellie Collins at the 2021 Premier’s Awards



Positive contribution to communities

In 2022, Adbri will celebrate 140 years of being part of Australian communities. Being a socially responsible company requires us to manage community and government expectations actively and effectively. Through continuous engagement, we aim to understand their aspirations and concerns, provide timely and appropriate responses, and invest in community projects that matter.

Responding to our stakeholders' concerns and making meaningful contributions to our communities helps to deliver on our commitment to be a socially responsible company.

Our management approach

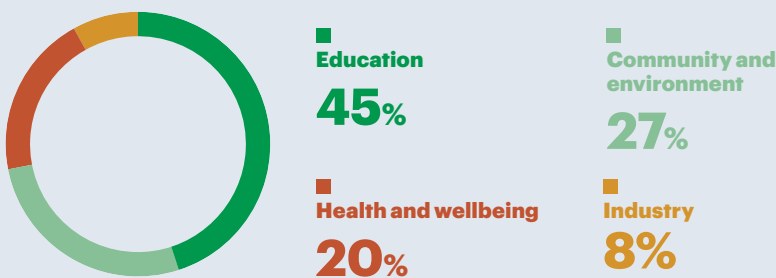
We engage with our neighbours in many ways, including community websites, providing news and information, and holding group and one-on-one meetings. We analyse the data from neighbourhood feedback hotlines to identify and map operational areas for improvement. Local community engagement plans guide activities at our Birkenhead and Munster sites. The plans are reviewed every year and updated in response to community feedback.

Our partnerships, sponsorships, in-kind support and donations help schools, sporting clubs, care agencies and community services to improve local people's quality of life. We contribute to regional development by supporting and facilitating programs that link our industry with local schools and universities.

Buying goods from regional suppliers and employing local people are also important as a direct demonstration of our community commitment. We apply a sustainable procurement approach to supplier sourcing policies and practices so we can assess the impact of our choices across the supply chain.

Ultimately, our approach is to address any concerns early, be a valued regional employer and purchaser, and make meaningful contributions to our communities.

Community investment spend by focus area



	2021	2020	2019
Community investment	\$246,161	\$203,204	\$263,221

2021 achievements

Engaged frequently with our communities

To provide our local communities with easy-to-access information and community engagement platforms, Adbri launched new community websites in 2021: Adelaide Brighton Cement, Cockburn Cement, Angaston and Morgan Cement. All four contain information about our operations and environmental performance, invite feedback and allow users to subscribe to regular electronic mail-out updates.

Representing six stakeholder groups, the Birkenhead Community Liaison Group (CLG) has been an important two-way communication channel for a decade. During 2021, it held five virtual and in-person meetings, with a focus on alternative fuels and raw materials, Birkenhead's Environmental Improvement Plan, and day-to-day operational updates.

Munster in Western Australia is a key operational site for Adbri's cement and lime businesses. During 2021, we engaged with the local community and key stakeholders by providing regular updates on key projects for Munster, including removing the redundant clinker kiln chimney stacks to improve visual amenity, and the future consolidation of the cement milling manufacturing to Kwinana. For further details on our Munster operation refer to page 47.

The Munster and Kwinana sites partnered with the Kwinana Industries Council to deliver a range of educational programs to students, which included educational operational site tours throughout the year for over 100 local high school students.

Progressed our reconciliation journey

Engaging with Aboriginal and Torres Strait Islander peoples is an important part of our approach to diversity and inclusion. In 2020, we released Adbri's *Reflect Reconciliation Action Plan* (RAP) which focuses on building opportunities for Aboriginal and Torres Strait Islander communities in employment, education, empowerment and economic development. Reconciliation Australia extended the RAP deadline by six months in 2021 so we could complete actions that were delayed by pandemic restrictions. Our RAP is available at www.adbri.com.au/sustainability/people/.

Adbri continued to support Aboriginal and Torres Strait Islander students through a scholarship at St Peter's College in Adelaide and by contributing to the Aurora Education Foundation's culturally immersive High School Program, as well as supporting an Indigenous program in a local primary school in Western Australia. Adbri also donated to Curtin University in Western Australia to support the five-year Moorditj Yorga Scholarship. The scholarship helps First Nations women to enter and succeed at the university so they can return to their communities as strong leaders and role models.

As part of our Indigenous procurement strategy and commitment to economic development, we established a panel of Aboriginal and Torres Strait Islander suppliers during 2021. This aligned with Adbri's 'buy local' strategy and our RAP.

Yira Yarkiny ('Standing Tall') is one supplier that applied successfully following a formal process based on competitive pricing and qualitative criteria such as compliance. A 100% Aboriginal owned and operated company in Western Australia, Yira Yarkiny was appointed in May to supply Adbri's on-demand requirements for static security guards at our Munster and Kwinana sites.

To improve our people's cultural awareness at work and in the community, we invested in additional training during NAIDOC week.

Embedded modern slavery commitments

Adbri is committed to helping our regional small and medium business partners become responsible employers so they can positively impact their communities. Strengthening their key governance areas also mitigates supply chain risks for Adbri.

With the *Modern Slavery Act 2018* increasing expectations and obligations around corporate behaviour, we began consulting with the majority of our joint venture partners in 2021. We aimed to raise awareness, outline our approach, and discuss how we can work together to meet these commitments.

We also extended our modern slavery training to include operational employees, integrated it into the induction program for new employees, and provided regular employee updates about key activities. We want to ensure everyone at Adbri understands what modern slavery is and feels empowered to report breaches. Our commitments are detailed in Adbri's *2020 Modern Slavery Statement* www.adbri.com.au/sustainability/sustainable-future/.

Enhanced customer experience measurement

Outstanding service is integral to Adbri's brand promise. We actively identify and manage global and national supply chain risks, tailoring our operations to changing circumstances. To ensure Adbri's high-quality customer experience keeps improving, we invested in a major engagement and satisfaction measurement program with robust tools and performance metrics.

Positive contribution to communities continued

Case study

Supporting future scientists and engineers

Adbri is involved in several community programs that address the chronic shortage of people with science, technology, engineering and maths (STEM) skills across the industry.

In June, Adelaide Brighton Cement was the major sponsor for the South Australian 2021 Science and Engineering Challenge. Held every year, the Challenge aims to increase student numbers and success rates for tertiary level science and engineering courses by changing perceptions of these subjects. More than 1,200 students and 104 teachers from 51 schools attended to experience aspects of these disciplines they would not see at school.

Our Kwinana site team hosted 30 students from the Kwinana Industries Council (KIC) iSCIENCE program in November. The program is a Senior Secondary Pathway for Year 10 students who intend to follow ATAR STEM subjects in Years 11 and 12 and are considering applying to university. The students learned about cement and lime manufacturing and gained an insight into local STEM-based career opportunities.

1,200

students

104

teachers

51

schools

attended the South Australian 2021 Science and Engineering Challenge

◀ Encouraging students to build STEM skills will assist in growing our industry's future talent



Case study**Meeting a community need**

Rapid Bay on the Fleurieu Peninsula in South Australia is a popular diving, fishing and camping destination. As local landowners, Adbri has a long association with the community.

In 2021, the District Council of Yankalilla partnered with us to apply for funding under the Australian Government's Building Better Regions Fund (BBRF) to develop Rapid Bay's first purpose-built public amenities block. The BBRF aligns strongly with Adbri's commitment to build a better Australia as it helps to create jobs, drive economic growth and strengthen regional communities.

The Fund provided a grant of \$210,000 and in October, we announced Adbri would match that contribution. With a unique design that reflects the coastal location, the amenities block will provide visitors with family friendly changing rooms, toilets, showers, benches, storage and fish-cleaning facilities.

The District Council of Yankalilla partnered with us to apply for funding under the Australian Government's Building Better Regions Fund

\$420k

total cost of the project

\$210k

contribution from Adbri in 2022

◀ Rapid Bay is internationally known as a dive site to view the rare Leafy Sea Dragon



Reduce adverse environmental impacts

Adbri has a strategic goal to reduce adverse environmental impacts. We do this in a number of ways, including adopting a circular economy approach to minimise waste generation and diverting waste from landfill. We seek ways to use industrial by-products as alternative fuels and SCMs to reduce our reliance on natural resources and reduce our carbon footprint.

As a significant landholder, we adopt sustainable short-term and long-term land use strategies and identify opportunities for protecting and enhancing the biodiversity our land supports. We also recognise our role in the responsible consumption and discharge of water. Details on the risks and opportunities associated with climate change are covered in the *Responding to climate change* section of this report. See page 49.

Our responsible use of water and land resources and circular economy approach to waste management will reduce adverse environmental impacts.

Our management approach

Environmental management is an essential part of maintaining our social licence to operate. We adopt a systematic approach to mitigate risk and identify management strategies to ensure that our operations do not result in unacceptable environmental impacts. Our Obligation Management System and HSEMS supports the environmental commitments outlined in our Health, Safety and Environment Policy. This policy outlines the responsibilities of employees and contractors, and our HSE objectives including to avoid, reduce or control waste and pollutants to reduce adverse environmental impacts.

We embed environmentally sustainable awareness and practices throughout our business, invest in continual improvement, and collaborate with government, academia and our industry on solutions. To ensure our people understand Adbri's obligations, commitments and expectations, we provide regular training.

Metrics

	2021	2020	2019
Alternative fuel use in South Australia ¹ %	25	25	23
Process waste to landfill ² (t)	179,335	177,703	204,723
Mains potable water usage (Ml)	1,091	1,206	1,327
Number of reportable environmental incidents	0	1	1
Number of fines in relation to environmental licences Penalties	0 Nil	1 \$15,000	1 \$15,000

1. Alternative fuels used at clinker and lime production facilities are sourced from recovered materials that displace a portion of traditional virgin fossil fuels and reduce waste to landfill.

2. Process wastes are wastes produced through clinker and lime production that are sent to a final disposal destination.

2021 achievements

Diverted waste from landfill

A \$2 million investment in 2021 means we now have the capacity to recover 75% of cement kiln dust at our Birkenhead plant and repurpose it for products and offsite civil works. In Western Australia, our Dongara team diverted 9% of lime kiln dust (LKD) from disposal to reuse in agriculture, while we also conducted trials with Munster LKD with the road construction industry.

Investing a further \$8 million allowed us to fully recover hot clinker process dust and redirect it back into production. We can now reuse 20,000 tonnes of this valuable resource a year that would otherwise be directed to landfill.

Rehabilitated quarries

We progressively undertake landscaping and planting to rejuvenate the natural landscape around our quarries to protect native flora and fauna and improve visual amenity. During 2021, we progressively rehabilitated approximately 2.6 hectares of land at Penrice and Austen quarries with tree planting. We also continued to evaluate the visual amenity and flora/fauna health of previously rehabilitated sites against required rehabilitation criteria.

Limestone from Adbri's Klein Point quarry in South Australia that does not meet the chemical specification for clinker production is used in the quarry's rehabilitation. The area is then covered with topsoil to return the terminal areas to a landform that supports future agriculture.

Our Batesford quarry joint venture is also well advanced in land rehabilitation with the quarry to be converted to a 30m deep lake covering 164 hectares. The 5km lake perimeter will become part of a link to three significant local waterways and a future recreational asset for the community. We are progressing the planting of 120,000 plants and spreading 120,000m³ of mulch. When completed, over 168,000 plants will cover the 30 hectares of green space.

Similarly, when quarrying began at our South Australian Moculta site in 1981, agricultural land clearing had removed the original vegetation. In 2021, we updated the extensive native vegetation rehabilitation plan for the quarry and its surrounds and began implementing Stage 1. This will enhance tracts of remnant native vegetation and improve opportunities for fauna habitat.

Reduced potable water in industrial processes

Industrial water is a major contributor to the manufacturing of concrete. Efficient water use is therefore a focus area for all our concrete plants, with the aim of creating a closed water loop onsite. During the year, Adbri's Queensland concrete team designed site processes that capture and reuse recycled water for all concrete batching, with minimal loads requiring fresh potable water. To support our efforts in improving water efficiency we continually look for ways to achieve savings. This has seen us implement a range of initiatives including using non-water alternatives for dust suppression and designing our site layout and operations to minimise wind erosion and dust generation.

Across the Group, Adbri's use of potable water decreased by 9.5% compared to 2020 and by 17.6% compared to 2019.

Cockburn Cement, Munster operations

Our Cockburn Cement Ltd (CCL) facility at Munster was established in 1955 to supply cement and lime to the Western Australian market. Today, residential growth means the Kwinana industrial area, where CCL's Munster site is located, operates in close proximity to the communities of Munster, Beeliar and Yangebup. This presents unique challenges; with emissions, dust and energy source key areas of interest for the community.

In 2019, to help understand odour concerns we undertook independent investigations. These identified that an odour can be generated in the stacks when shell sand, the raw material for lime production, is heated between 400°C and 600°C. We have since developed an engineering solution that has shown approximate odour removal efficiencies of between 70–90% in laboratory scale trials. In February 2021, we applied to DWER for approval to trial the solution at full-scale, with a Works Approval obtained in August 2021. Global supply chain challenges and subsequent impact on the supply of components, combined more recently with defects with supplied manufactured components discovered when being installed onsite, have delayed the trial. We look forward to commencing the trial in Autumn 2022 and sharing the results with the community.

Disappointingly, on 29 July 2020 DWER commenced a prosecution against CCL relating to alleged unreasonable odour emissions from our Munster plant between January and April 2019. CCL asserts that it operates within applicable requirements, denies the charges and has entered a plea of not guilty to each of the 15 charges pursuant to section 49(5) of the *Western Australian Environmental Protection Act 1986* (WA) of causing an unreasonable emission (odour) from CCLs operations at Munster. On 24 January 2022, CCL received a second prosecution notice charging it with six charges of the same offence, alleged to have occurred in the period from 21 January 2020 to 3 April 2020. Refer to the *Directors' Report* for details.

At our 2020 AGM, we announced our intention to phase out coal at Munster by early 2021. In our *2020 Sustainability Report*, we noted significant progress in reducing the amount of coal we use at Munster and complete transition from coal to gas had been delayed following the loss of the Alcoa lime contract and subsequent changes in our production profile at the Munster kilns. In the 2021 calendar year, coal represented approximately 50% of our fuel mix at Munster, a significant reduction from 2017 when it peaked at above 80%. The use of coal is close to the minimal technical limit of our kiln when using the dual fuel mix.

In early 2022, we secured a one-year agreement to supply some of the previously lost Alcoa volume. In light of this we are reassessing our fuel mix and continue to assess options to reduce and phase out coal in line with our aspiration to have net zero emissions by 2050.

We remain committed to engaging with the community; keeping them informed on our progress and ensuring we are a considerate neighbour. We also remain committed to working constructively with DWER on delivering practical outcomes for the community.

Reduce adverse environmental impacts continued

Case study

Trialling hybrid plant

With the anticipated growth of sustainable transport options in Australia and our commitment to reducing Adbri's energy consumption, we are identifying opportunities to improve transport efficiency and decarbonise our fleet. Finding alternatives to diesel, such as hydrogen and renewable electricity, is a major priority to reduce our reliance on fossil fuels.

In 2021, our Tinda Creek quarry in regional New South Wales invested in a hybrid electric Komatsu excavator. Designed to reduce fuel consumption and consequently lower CO₂ emissions, it combines a diesel internal combustion engine with a generator and electric motors.

Compared to a traditional excavator the hybrid used 3.4 l/h less fuel on average over a six-month period while operating under more difficult conditions. Following this success, we are further evaluating Adbri's fleet options.

We are identifying opportunities to improve transport efficiency and to decarbonise our fleet.

3.4 l/h
less fuel than a traditional excavator



◀ The Tinda Creek quarry team trialling a new hybrid excavator

Responding to climate change

Adbri operates two emissions-intensive and hard-to-abate processes – the integrated manufacture of clinker and cement and lime production. We have demonstrated a strong performance over the past decade in reducing our operational emissions. In 2021 we announced our aspiration to achieve net zero emissions by 2050, with our NZE Roadmap to be released prior to our 2022 Annual General Meeting.

The key challenge is associated with our process emissions as a result of the calcination process required to produce both cement and lime. The technologies needed to decarbonise our process emissions are not yet commercial at scale. We are committed to focusing in the near-medium term on using conventional approaches to abate our fuel-related emissions, while we work in collaboration with key partners to demonstrate emerging technologies to reduce our process emissions.

Our approach

Our Position on Climate Change outlines our acceptance of the climate change science, the role of lime, cement and concrete in the transition to a low carbon economy and our commitment to collaborative action. Collaboration is the key to commercialise at scale breakthrough technologies that are required to decarbonise our value chain by 2050 in line with the Paris Agreement goals.

We are a supporter of the Task Force on Climate-Related Financial Disclosures (TCFD) and are working to align our disclosures with the TCFD's recommendations across the four areas of Governance, Strategy, Risk Management and Metrics & Targets. We are reviewing the TCFD changes made in October 2021 and plan to address additional requirements in future disclosures.

Adbri's Position on Climate Change

Adbri accepts the Intergovernmental Panel on Climate Change's evidence that warming of the planet is unequivocal, that human influence is the main driver and physical impacts are unavoidable.

We believe:

- The world must pursue the Paris Agreement goals with increased collective ambition to accelerate action to limit the impacts of climate change
- Business has a critical role to play in responding to scientific evidence and addressing the risks and uncertainties of climate change
- The challenge of significantly cutting global emissions will require transformations across the economy, including the built environment
- Cement, concrete and lime products have a critical role to play in the transition to a low carbon economy
- Lime and cement manufacturing are both hard-to-abate processes, however there are energy-related abatement actions available in the short and medium-term
- Technologies required for our net zero emissions goal are not yet commercial at scale, but we anticipate can be developed through innovation, investment and cooperative partnerships
- Government policies will play a critical role in enabling action aligned to the Paris Agreement.

We actively engaged with investors and stakeholders on our approach to climate change, including industry organisations and Climate Action 100+. We also provided support to the Cement Industry Federation and Manufacturing Australia in the development of their roadmaps.

Governance

The Adbri Board has accountability for determining the strategic direction of the Company and oversees our response to climate change, including strategy discussions, investment decisions, risk management and performance against our commitments. To ensure a focused approach, climate change is a standing item for the Board's SHES Committee meetings. For the first time this year's Directors' skill matrix includes climate change.

Climate change is one of our most material risks, and includes risks associated with physical climate change impacts and the transition to a low carbon future. The Audit, Risk & Compliance Committee supports the Board with the oversight of climate-related risk management, although the Board retains overall accountability for Adbri's risk profile. Our Corporate Governance Statement outlines more information about our Board Committees.

During 2021, the Board engaged on climate change issues including:

- Board readiness check to self-assess current and intended target state for climate change risk governance and identify actions required to be a leader across its value chain
- discussions on energy supply, technology developments and investor, shareholder, industry association and government views on climate change issues as presented by expert advisers to inform Board decision making
- regular briefings and engagement on the NZE Roadmap
- considered sustainability impacts on strategy and investment decisions.

We are committed to:

- Identifying and integrating commercial responses to climate change into our strategies as we plan for sustainable growth
- Reducing our operational greenhouse gas emissions in line with our public targets as we transition to a low carbon future
- Listening to our employees and communities and collaborating with our suppliers, JV partners and customers
- Producing lower carbon products for our customers to support their sustainability goals
- Adapting to the potential physical impacts of climate change by working with experts to build our knowledge and enhance the resilience of our assets
- Partnering with others to develop technologies and solutions to ensure our business remains profitable and market leading
- Building our capacity and resourcing across the business through training and skills development to support our journey to net zero emissions
- Engaging with governments to adopt appropriate policies to support sustainable manufacturing in Australia
- Transparently reporting our performance against our commitments using international frameworks, including the Task Force on Climate-Related Financial Disclosures.

Responding to climate change continued

The Managing Director & CEO is responsible for converting Board strategy into implementation plans. Management is accountable for implementing these plans, with a linkage between targets and executive remuneration.

Climate strategy

In May 2021, we announced our aspiration to achieve net zero greenhouse gas (GHG) emissions by 2050 and committed to releasing our NZE Roadmap prior to the 2022 Annual General Meeting.

During 2021, we made good progress and have benchmarked ourselves against NZE roadmaps in other regions, including the United Kingdom, European Union and United States of America, as well as contributing our expertise to local association roadmaps developed by the Cement Industry Federation and Manufacturing Australia. The Intergovernmental Panel on Climate Change's (IPCC) Sixth Assessment Report has also helped inform our thinking. We also referenced the Science Based Target initiative (SBTi) guidelines in our approach to target setting.

As an energy-intensive business, our NZE Roadmap will build on our track record of reducing GHG emissions and outline interim targets on the pathway to net zero emissions by 2050. Collaboration, research partnerships and future developments in technology will all have a role to play in Adbri's transition to a lower carbon future.

Scenario analysis

A key element of the TCFD Strategy recommendations is to describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a scenario based on an average global temperature increase of 2°C or lower.

Adbri disclosed its first climate change scenario analysis in our 2020 Sustainability Report, including an assessment of three scenarios, drawing on scenario analysis from the IPCC and the International Energy Agency (IEA):

- No action scenario - 4.0°C
- Stated Policy Scenario - 2.7°C
- Sustainable Development Scenario - 1.7°C.

We have continued to review the IEA's reports to understand developments in the World Energy Outlook and technology pathways which inform the core scenario analysis. IEA's flagship report Net Zero by 2050 - A Roadmap for the Global Energy Sector, released in 2021, has also been very helpful in assessing international trends impacting on the transition to net zero emissions in line with the Paris Agreement goals.

Risk management

Adbri has identified climate change as a strategic risk and opportunity for our business. Our risk assessment is aligned with the TCFD approach and includes an analysis of transitional and physical risks.

Transition risks

Policy and legal

- Regulations for Australian carbon pricing schemes
- Regulatory changes which limit our strategic choices
- Lack of policy harmonisation across governments
- Slow progress on the approval of new standards for lower carbon cement and concrete products
- More stringent resource regulations, such as the use of alternative fuels
- Greater competition for water
- Tighter limits on regulatory permits

Technology

- Electricity market rules and/or lack of infrastructure build-out of transmission create congestion in the pipeline of new renewable generation which limits the availability of competitive renewable Power Purchase Agreements
- Rate of progress and investment in technology to support the transition to a low carbon economy
- Risks associated when integrating new technologies with existing systems
- High investment costs today of carbon capture and storage technologies and alternative fuels such as hydrogen

Market

- A substitute for Portland clinker-based cement becomes commercially viable
- Supply risks associated with SCMs including slag and fly ash
- Energy market conditions lead to higher fuel costs
- Slow customer uptake for lower carbon products

Reputation

- We cannot prove alignment with Paris Agreement goals and meet stakeholder expectations
- Shareholder actions if investors lose confidence
- Limits on external funding and insurance
- Inability to attract and retain employees

Physical risks

Acute

- More intense weather events, e.g. storms, flooding, fires and extreme heat days

Chronic

- Slow-onset climate risks (rising sea levels, changing rainfall patterns) that can impact on our assets

To manage our climate change transition risks, we are developing our NZE Roadmap, investing in the development of lower carbon products and advancing research in lower carbon cement and lime through key partnerships. We will continue to work to better understand our exposure to physical risks.

Metrics and targets

Our five-year targets from a FY19 baseline are a 7% reduction in GHG emissions; and for 50% kiln fuel to be sourced from alternative fuel in SA. In FY21, Adbri further reduced our total operational GHG emissions, Scope 1 and Scope 2, by 43,104 tonnes CO₂e (2%) vs our FY20 performance. This represents a total of 4% reduction against our FY19 baseline. Since FY10, Adbri has reduced our Scope 1 and Scope 2 GHG emissions by 32%.

Our overall energy consumption in FY21 reduced year-on-year against FY19 and FY20. Our improved thermal efficiency and electrical efficiency in our integrated clinker/cement manufacturing has been a positive factor in our lower energy use. Lower emissions from our Birkenhead site (9% below FY20)

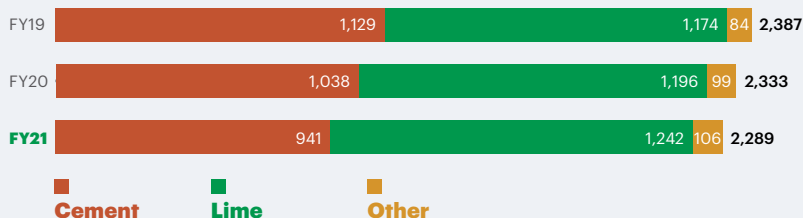
were largely offset by the increased emissions at our Munster site (6% above FY20). Overall, our clinker and cement production was slightly down, while lime production was up slightly in FY21 compared with FY20.

Clinker and lime production generated 92% of Adbri's total operational emissions, with the remaining 8% attributed to electricity and diesel usage downstream in cement, concrete and lime activities.

	FY21	FY20	FY19
Total operational GHG emissions (Scope 1 and 2) †CO₂e¹	2,289,449	2,332,553	2,387,020
Scope 1 GHG emissions †CO₂e¹	2,092,331	2,125,121	2,156,481
Scope 2 GHG emissions †CO₂e¹	197,118	207,432	230,539
Scope 3 GHG emissions †CO₂e	1,012,808	N/A	N/A
Total energy consumption (GJ)¹	14,175,950	14,286,867	14,782,120

1. GHG emissions and energy consumption are measured and reported in line with the Australian National Greenhouse and Energy Reporting Act 2007.

CO₂e emissions by product¹ (kt)



Emission intensity by product^{2,3}

	FY21	FY20	FY19
Cement	0.64	0.62	0.68
Lime	1.13	1.14	1.06

Clinker to cement ratio



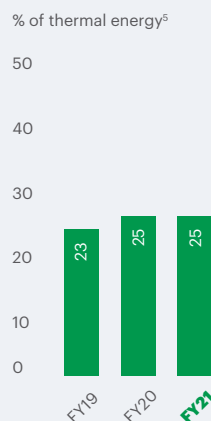
Thermal efficiency



Electrical intensity



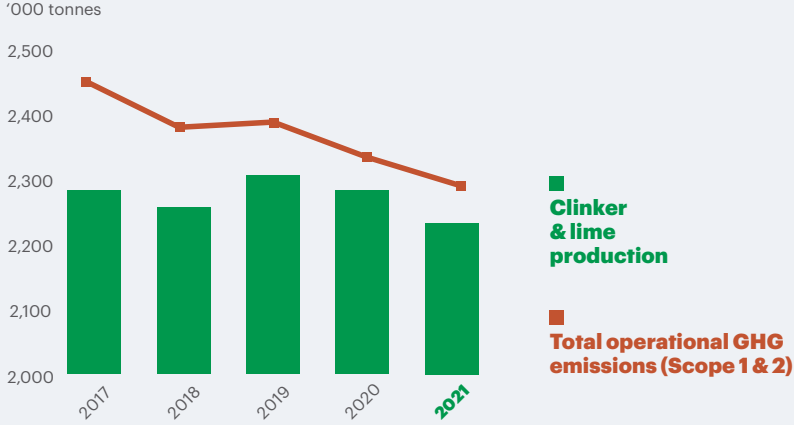
Alternative fuel usage



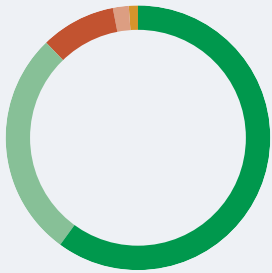
1. Scope 1 and Scope 2 kt CO₂e.
 2. Scope 1 + Scope 2 tonnes CO₂e/tonne product.
 3. Emissions intensity of cement from locally produced clinker.
 4. South Australian integrated clinker/cement plants only.
 5. South Australia clinker and lime kilns.

Responding to climate change continued

Operational GHG emissions (Scope 1 + Scope 2)



Operational GHG emissions (Scope 1 + Scope 2) by source



■ **Process emissions**
(lime and clinker)

60%

■ **Kiln fuels**

28%

■ **Electricity**

9%

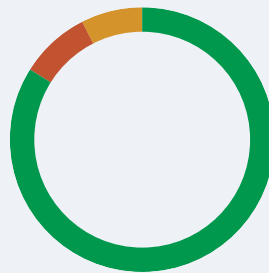
■ **Non-kiln onsite fuels**

2%

■ **Transport fuels**

1%

Scope 3 GHG emissions



■ **Purchased goods**

84%

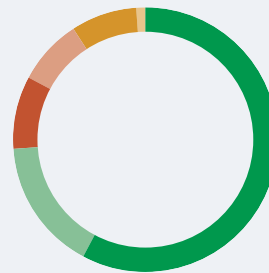
■ **Upstream fuel & energy-related activities**

9%

■ **Upstream transportation & distribution**

7%

Energy consumption by source (TJ)



■ **Natural gas**

58%

■ **Coal**

16%

■ **Electricity**

9%

■ **Refuse derived fuel**

8%

■ **Liquid fuels**

8%

■ **Recovered waste oil**

1%

2021 achievements

Advanced towards net zero emissions goals

In 2021 we announced our aspiration to achieve net zero emissions by 2050. We progressed our NZE Roadmap and developed Adbri's Position on Climate Change.

Improved energy and process efficiency

As outlined in the *Cement and Lime update* we are reviewing our end-to-end cement manufacturing process in South Australia. This involves accessing international experts to benchmark our operations globally to reduce the cost per tonne of cement, as well as GHG emissions.

In October we also turned the ceremonial sod for our new cement facility in Kwinana, Western Australia which will provide greater efficiencies in our Western Australian cement operations, with reduced electricity and diesel use, and lower greenhouse gas emissions, compared to the existing operations.

Entered technology research partnerships

Partnering on technology development is key to unlocking decarbonisation solutions. In March 2021, Adbri entered into a Heads of Agreement with industrial process technology company Calix. The agreement covers the co-development of a Calix calciner for lime production with CO₂ capture.

We also became a core partner of the Heavy Industry Low-carbon Transition Cooperative Research Centre (HILT CRC) which is a leading collaboration to transform the heavy industry sector for a low carbon economy. We also joined the Material and Embodied Carbon Leaders Alliance (MECLA) in NSW which brings together a wide range of industry, government, research and NGO representatives. These initiatives support and build on our existing SmartCrete CRC partnership to deliver breakthrough advancements in the cement and concrete products market.

Reduced our GHG emissions

Throughout 2021, we sought new ways to reduce operational emissions. For example, the Group's Hy-Tec business replaced two smaller secondary plant generator set units with a single larger engine unit that uses less fuel. This saves 100,000 litres of diesel a year and reduces annual CO₂ emissions.

Aligned with our short-term target to reduce our operational emissions, we have now invested \$942,000 in solar PV installations behind the meter at six Masonry and five Concrete sites. The total installed capacity at the end of 2021 was 7.9MW. These investments reduce our Scope 2 emissions, as well as energy costs.

Accounting for Scope 3 emissions

Scope 3 emissions include all indirect emissions across our value chain (excluding emissions from purchased electricity which are considered as Scope 2), including imported clinker and cement, upstream emissions associated with production and supply of energy (e.g. production and transportation of gas to our sites), embedded carbon in the inputs to our operations, and transportation of our inputs and outputs.

We are disclosing our known Scope 3 emissions for the first time in this report. This reporting forms part of our commitment to increased disclosures in line with TCFD recommendations. We continue to work through the process of Scope 3 emission data collection and have not yet achieved our aspirational level of engagement with our suppliers and customers. As a result, the Scope 3 emissions data reported for FY21 contains the material sources of emissions but is not comprehensive. The biggest gaps are Scope 3 categories: purchased goods – sourced within Australia; capital items; JV contributions; and downstream transportation and distribution associated with contractors who deliver products to our customers.

Our total Scope 3 emissions for FY21 were 1,012,808 tonnes CO₂e. The main contribution was from the emissions from purchased goods, dominated by the importation of clinker. We have also included the upstream transportation and distribution emissions for imported products. The remaining category that we have included for FY21 was the upstream fuel and energy-related activities, with the main contributions from upstream activities associated with natural gas production and fossil fuel electricity generation.

We will continue to collaborate with our suppliers and customers as they seek opportunities to reduce their emissions and we strive to improve our data management systems to capture the full range of Scope 3 categories. This work will lay the foundation for us to set Scope 3 targets in the future.

Lower carbon products

Innovation in our production processes enables Adbri to produce lower carbon products that help our customers to meet their decarbonisation targets. Customer demand for lower carbon products is increasing, driven by industry, consumer and government expectations.

Our management approach

Technology developments and innovative thinking, as well as industry, government and research partnerships are all playing a critical role in our ability to meet customer demand for lower carbon choices. Adbri is investing in research and development for lower carbon raw materials, product substitutes and alternative fuel sources.

Metrics

Adbri’s Sustainability Framework has previously set a target to increase the tonnage of alternative raw materials used in our products. However, we acknowledge the overall target will not be met by 2024 as it requires significant technological advances and market acceptance. These have not yet been forthcoming, and therefore our ability to increase the use of these materials has been limited without risking our ability to deliver the highest quality products.

In recognition of the available opportunities and current efforts to decarbonise our product range, Adbri has developed a replacement target of 24% SCMs as a proportion of final cementitious product sales. This includes sales of both cement products which incorporate SCMs as part of their composition, as well as stand-alone ‘ready to use’ SCM sales such as fly ash and ground-granulated blast furnace slag.

Case study

Lower carbon cement shows promise

General purpose limestone cement (Type GL) is an AS3972 compliant product that is manufactured with up to 20% of limestone mineral addition substituting for clinker, the emissions-intensive component of cement. Type GL cement can be used as an alternative to Type GP (general purpose) and Type SL (shrinkage limited) cements for most forms of construction. It is being used extensively in Europe and North America.

In 2021, Adbri trialled GL cement in pre-mix concrete products to see if we could meet growing market expectations without compromising product performance or AS3972 standards compliance.

Laboratory tests on a batch of Adbri-produced GL cement showed it performed similarly to our GP and SL cement products. For in-field trials, we supplied ready-mixed concrete containing our GL cement in varying strength grades to 40 construction customers who were open to product innovation. These were used to build driveways, kerbs, piling works and other common applications as our researchers observed and undertook various tests. The workability, pumpability, placement and finishability were equal to that of our SL and GP cements and customer feedback was uniformly positive.

Using the learnings of these initial trials, we are planning further field trials to determine the performance of Type GL cement in more demanding concrete applications such as precast and post tensioned concrete.



◀ Lower carbon GL cement trials were held during the year

Metrics

	2021	2020	2019
Supplementary cementitious materials as a proportion of final cementitious product ¹	20%	21%	21%

1. This replaces the ‘Alternative raw materials’ metric used in 2019 and 2020. In 2021, we achieved a 1% improvement against the discontinued metric.

2021 achievements

Focused on lower carbon products

Research, technology and collaboration are central to lower carbon product development in our industry. During 2021, Adbri continued to be an engaged partner in the SmartCrete Cooperative Research Centre (CRC), which facilitates research for the concrete supply chain, including sustainable concrete development. Adbri is reviewing several potential projects of interest that will provide the opportunity for active involvement during 2022.

We built on our geopolymers capability during the year and its potential application in producing lower carbon binders, investigating specific applications and lodging one provisional patent.

Comprehensive tests and trials during October proved that Type GL cement has great potential for our lower carbon product portfolio – see the case study on page 54.

Progressed our SCM ambitions

Adbri uses SCMs as an alternative to emissions-heavy Portland clinker in cement and concrete production. Adbri has continued to bolster its supply chain of these materials from post-industrial recycled content such as ground-granulated blast furnace slag and fly ash, as well as investigating new novel SCM sources. In 2021, we refreshed our SCM strategy, which is designed to meet our Company's needs through to 2030.

Influenced standards

As one of the lead authors, Adbri made a significant contribution in 2021 to the formation of a new Australian Standard (AS3582.4) that allows the use of new and emerging SCMs. In addition, we continued to invest significant resources into the research and application of these new materials.

Built our sustainability credentials

To provide greater transparency to our customers regarding the environmental impacts of our products, we progressed work on EPDs. We will continue to advance this work in 2022.

During the year, Adbri applied to join the Australian Packaging Covenant Organisation and register all our brands. This will help Adbri to meet our National Environment Protection Measure obligations and Australia's 2025 national packaging targets. We also investigated some new sustainable packaging initiatives to action in 2022.

Adbri was the first company to use RDF for Australian cement manufacturing to reduce our reliance on traditional fossil fuels. We further improved our RDF usage rate after gaining additional approvals from SA EPA.

Case study

Proud to be a RDF pioneer

Refuse derived fuel (RDF) is produced by a third party who processes industrial waste products to produce an alternative fuel source. As well as reducing demand for fossil fuels, it diverts waste from landfill. RDF use has the added benefit of being a key efficiency driver by reducing fuel costs and providing recyclable by-products.

Adbri started using RDF at our Birkenhead plant in 2003. Since then, we have used 1.3 million tonnes of RDF, which has significantly reduced the Group's GHG emissions and the cost per tonne to produce cement.

The SA Environment Protection Authority (SA EPA) licence allows Adbri to use 25 tonnes per hour of RDF, which displaces on average 40% of the total Birkenhead plant clinker manufacturing process natural gas requirement across the calciner and the kiln. From 2020 to 2021, our RDF substitution rate at Birkenhead increased from about 28% to about 35% in 2021. In 2022, our target is up to 40% kiln fuel replacement at Birkenhead and we have a target of 50% alternative fuel by 2024.



▲ RDF has been used at our Birkenhead plant since 2003

Building a better Australia

In 2022, we will be half-way through delivering Adbri's Sustainability Framework. We have a solid foundation to build on as Adbri continues making a positive economic and social contribution to Australia and its people.

The health and safety of our people will remain our priority as we continuously **embed our 'Work Safe, Home Safe' culture**. We will increase our activities to support mental health and shape a workplace that values inclusivity.

The Framework and our material risks – particularly climate change and decarbonisation – will shape Adbri's future sustainability activities.

Stakeholder expectations will also play an increasingly significant role, with customers and other key groups being included in our materiality survey in 2022 so we can capture their views.

As we progress towards building a consistent way of doing business, we will focus on **creating a shared culture and values across the Group** that aligns with our purpose and pillars.

Reducing our GHG emissions will be a major driver as Adbri works towards medium and long-term targets in the **NZE Roadmap**. To be released in 2022, it will build on the emissions reduction target in our Framework. We will also continue to enhance our environmental management systems as we work towards ISO 14001 accreditation.

As part of Adbri's local employment focus priority, and to mitigate modern slavery risks in our supply chain, we will **work with suppliers to strengthen relationships** and define our 'local' spend to track our performance. This will include identifying opportunities for more Indigenous businesses to join the Adbri supplier panel. We will also **progress our reconciliation journey** by submitting an Innovate RAP to Reconciliation Australia for endorsement.

The **Kwinana Upgrade project** will move to the major construction stage, representing a significant step in our core strategy of improving operational efficiency and lowering GHG emissions, compared to our existing operations. We will continue to consider sustainability impacts when making investment and capital decisions.

Throughout 2022, we will continue to assess our sustainability risks and opportunities across our operations and make progress against our targets. Our people are key to generating and implementing ideas that make a difference to our operations. We will continue to foster our employee-led Green Team as one of the ways we harness ideas that can make an impact on our operations, with solutions shared across Adbri.

Key focus areas

Embed our 'Work Safe, Home Safe' culture.

Create a shared culture and values across the Group.

Release our Net Zero Emissions Roadmap.

Work with suppliers to strengthen relationships.

Progress our reconciliation journey.

Kwinana Upgrade project construction.

Feedback

Adbri welcomes all feedback on the 2021 Sustainability Report. If you have any questions or comments, please email info@adbri.com.au. For more information about specific topics, see the Adbri website at www.adbri.com.au.



Helping to close the gap

Located near Adbri's Munster plant on Whadjuk country, Beeliar Primary School has one of Perth's highest populations of primary-school-aged Aboriginal students. In 2021, Cockburn Cement helped the school to launch Mooditch Koolingar Wadi ('Strong Children Club') to provide after-school homework and activities sessions for Noongar children. The Club engages the students through cultural activities, reading, homework support, outdoor play and healthy afternoon snacks. It is a priority activity for Adbri's RAP as it is connecting Aboriginal students with the wider school community.

Tax transparency report

This report is prepared in accordance with Adbri's voluntary adoption of the Tax Transparency Code and provides information regarding Adbri's tax contribution, its approach to tax strategy and governance, and its international related party dealings during the year ended 31 December 2021. Adbri publishes this report on a voluntary basis as part of its commitment to tax transparency.

Disclosure – Part A

Effective company tax rate

The Australian company tax rate for entities of the size of Adbri is currently 30% of taxable income. Taxable income represents gross income minus amounts that are treated as deductible or exempt under the tax law.

The effective tax rate (ETR), being tax expense divided by profit before tax, for Adbri's Australian operations is 25.4% for the year ended 31 December 2021.

The ETR differs to the company tax rate due to non-temporary differences, which represent amounts that are recognised as assessable or deductible for accounting purposes or tax purposes, but not both.

Income tax expense is an accounting concept that is different to income tax payable. Income tax expense reflects the amount of income that is assessable for tax purposes regardless of the timing. In contrast, income tax payable reflects the amount of income that is assessable in the current year.

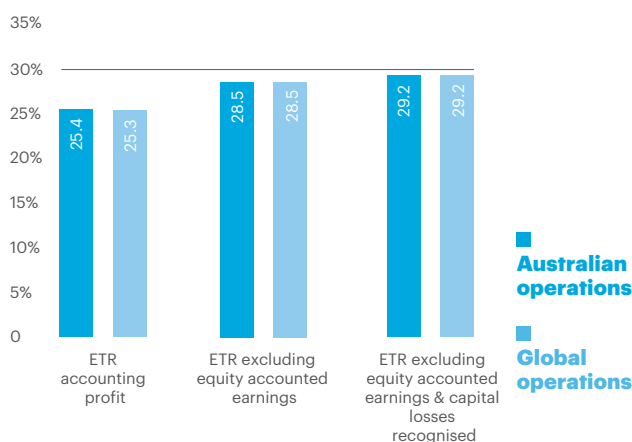
The ETR is presented under three scenarios below: accounting profit; accounting profit excluding equity accounted earnings; and accounting profit excluding equity accounted earnings and income tax expense excluding capital losses recognised. The reason for this is to provide maximum transparency.

In accordance with accounting standards, the share of after-tax profits generated by Adbri's joint ventures and associates is recognised by the Group in the income statement. Adbri also maintains a balance of capital losses that may be recouped to offset capital gains incurred for tax purposes. During the year ended 31 December 2021, \$0.9m of capital losses were recognised to offset capital gains. The inclusion of equity accounted earnings in accounting profit, and the inclusion of capital losses recognised in income tax expense, may distort the ETR and removing these items from the ETR provides a more transparent representation.

The global ETR recognises the accounting profit attributable to Adbri's minority interest in our Malaysian based associate. Additional information in relation to Adbri's international related party dealings is provided under Part B of this report.

	2021 %	2020 %
Australian operations	25.4	26.9
Australian operations – excluding equity accounted earnings	28.5	29.5
Australian operations – excluding equity accounted earnings and capital losses recognised	29.2	29.5
Global operations	25.3	26.7
Global operations – excluding equity accounted earnings	28.5	29.5
Global operations – excluding equity accounted earnings and capital losses recognised	29.2	29.5

2021 effective tax rate



Adjusting for equity accounted earnings and capital losses not previously recognised, Adbri has an effective tax rate of 29.2% for the year ended 31 December 2021.

Reconciliation of accounting profit to income tax expense and income tax payable

The reconciliation of accounting profit to income tax expense and income tax payable contained in this report is published in a summarised form in Note 7 in the 2021 Financial Statements.

	2021 \$m	2020 \$m
Accounting profit before tax	155.8	127.2
Prima facie tax payable (at 30%)	46.7	38.2
<i>Tax effect of non-temporary differences (at 30%):</i>		
Non-allowable expenses	0.2	0.3
Non-assessable income	(4.9)	(3.2)
Rebateable dividends	(1.7)	(1.2)
Other deductions	–	(0.2)
Previously unrecognised capital losses	(0.9)	–
Income tax expense	39.4	33.9
<i>Tax effect of temporary differences (at 30%):</i>		
Higher tax depreciation compared to accounting depreciation	(7.6)	(0.2)
Differences in net losses on disposals and write-offs recognised for accounting compared to tax	(1.7)	–
Accounting impairment of fixed assets	0.3	6.0
Income recognised earlier for tax purposes	(1.6)	–
Timing of deduction for consumables	(0.3)	(0.6)
Timing of deduction for provisions	(3.4)	1.2
Deduction for accruals on payment	0.6	0.4
Timing of deduction on prepayments	0.4	1.0
Timing of deduction for right-of-use leases	(1.4)	(1.4)
Other timing differences	0.6	(0.3)
Income tax payable	25.3	40.0
Income tax expense – current year	39.4	33.9
Under/(over) provision in prior years	(0.3)	(0.3)
Total income tax expense recognised	39.1	33.6

Identification of material temporary and non-temporary differences

Material adjustments for non-temporary items that reduce income tax expense relate primarily to differences in the accounting and tax treatment of income derived from joint ventures and associated entities as outlined above.

Adjustments for temporary differences relate to differences in the timing between an amount being derived/incurred for accounting purposes and the amount being assessable/deductible for tax purposes. During the year, temporary differences related primarily to differences in the timing of deductions for expenses such as depreciation, provisions, accruals, prepayments and consumables.

Disclosures – Part B

Tax strategy and governance

Adbri is committed to the highest standards of corporate governance and its approach to taxation aligns with its Tax Risk Management and Governance Policy and Code of Conduct. Adbri is committed to being a responsible corporate citizen and actively seeks to contribute to the wellbeing of shareholders, customers, the economy and the community.

Adbri reflects these commitments in its approach to taxation, with a high focus on meeting its various tax obligations. Strong internal expertise and internal processes, combined with engagement of expert advisers, ensures Adbri is fully compliant with its taxation obligations. Adbri also seeks to maintain a professional and transparent relationship with taxation authorities.

Adbri was reviewed by the Australian Taxation Office as part of the Top 1,000 Streamlined Assurance Review program. In their final report, dated May 2019, the Australian Taxation Office awarded Adbri a 'High' level of assurance (being the highest assurance rating achievable) overall and for each of the key areas reviewed (namely, 'Significant and new transactions', 'Specific tax risks' and 'Alignment between accounting and tax results'). Adbri has continued to maintain this 'High' level of assurance.

International related party dealings

Adbri has limited international related party dealings. The Group holds a 30% equity interest in Aalborg Portland Malaysia Sdn Bhd (APM), a manufacturer of white clinker and cement based in Ipoh, Malaysia. The majority 70% owner of APM is Aalborg Portland A/S, a Danish subsidiary of Italian multinational cement and concrete producer, Cementir Holding N.V. Adbri is not related to Cementir Holding N.V.

As Adbri holds a minority interest in APM, it does not have effective control of APM nor is it involved in the day-to-day management of the Company. In addition, the Shareholders' Agreement specifically requires that any related party agreements, arrangements or dealings must be on arm's length terms as if conducted by two independent parties. As a result of these measures, Adbri's dealings with APM, which are limited to the purchase of clinker, are conducted on a commercial arm's length basis.

Tax contribution summary

Adbri paid/will pay in excess of \$39.8 million in Commonwealth, state and territory taxes in respect of the 2021 year.

	2021 \$m	2020 \$m
Taxes borne by Adbri		
Fringe benefits tax	0.6 ¹	1.2
Payroll tax	9.2 ²	9.3
Corporate income tax ³	25.3	40.9 ⁴
Property tax	4.7	4.1
Total	39.8	55.5
	2021 \$m	2020 \$m
Taxes collected by Adbri		
Goods and services tax (GST)	157.6 ⁵	145.7
PAYG withholding (employees)	45.3	44.3
Total	202.9	190.0

1. Fringe benefits tax paid in respect of the year ended 31 March 2021.

2. Payroll tax paid in respect of the year ended 30 June 2021.

3. Corporate income tax paid is based on the year end provision and will be finalised when the income tax return for the year ended 31 December 2021 is due for lodgement in mid-2022.

4. Prior year income tax paid has been updated from the amount shown in the 2020 Tax Transparency Report to reflect the final income tax liability per the income tax return which was due and lodged in mid-2021 (after the 2020 Tax Transparency Report was published).

5. Net GST collected \$47.3 million (2020: \$47.1 million) after input tax credits on behalf of taxation authorities.



**In 2021 we sold
4.6 million tonnes of
cementitious materials.**



Executive Leadership Team

Nick Miller

**Managing Director
& Chief Executive
Officer**



Theresa Mlikota

Chief Financial Officer



Brett Brown

**Chief Operating Officer -
Cement & Lime**



Andrew Dell

**Chief Operating Officer -
Concrete, Aggregates
& Masonry**



Rebecca Irwin
Chief Sustainability &
People Officer



Michael Miller
Chief Strategy Officer



Marcus Clayton
General Counsel &
Company Secretary



Board of Directors

Raymond Barro
BBus, CPA, FGIA, FCIS



Chairman

Raymond was appointed Chairman in May 2019. He has over 30 years' experience in the premixed concrete and construction materials industry.

As well as his significant industry insights, Raymond brings extensive leadership experience and financial expertise to the role. Raymond is Managing Director of Barro Group Pty Ltd.

Board member since

August 2008

Member

Safety, Health, Environment and Sustainability Committee

Dr Vanessa Guthrie AO
PhD, BSc (Hons), FAICD, FTSE



Deputy Chair and Lead Independent Director

Vanessa is a highly experienced Non-executive Director who has worked in mining and resources for 30 years.

Her career includes multiple leadership roles across operations and sustainability, including environment, community, Indigenous affairs, corporate development and sustainability.

Vanessa's understanding of the resources sector and its operational environment is underpinned by qualifications in geology, environment, law and business management. She was awarded an Honorary Doctor of Science from Curtin University in 2017 for her contribution to sustainability, innovation and policy leadership in the resources industry and was awarded an Officer of the Order (AO) in 2021. Vanessa is a Fellow of the Australian Academy of Technological Sciences and Engineering and Australian Institute of Company Directors, former Chair of the Minerals Council of Australia, and actively promotes gender diversity in the resources sector.

Board member since

February 2018

Chair

People and Culture Committee; Nomination and Governance Committee

Member

Safety, Health, Environment and Sustainability Committee

Current directorships

- Santos Limited
Appointed July 2017
- Lynas Rare Earths Limited
Appointed October 2020

Former directorships

- Vimy Resources Limited
Appointed October 2017, ceased November 2018

Nick Miller
NZCE (Civil), BE (Hons),
FIPENZ, GAICD



Managing Director & Chief Executive Officer

Nick joined Adbri as Chief Executive Officer in January 2019. In October 2021, he was appointed Managing Director & Chief Executive Officer and joined the Board.

Nick has more than 30 years' experience in the construction and resources sectors. He is a former Managing Director of Fulton Hogan, a large resource-based contractor specialising in construction materials, infrastructure services and civil construction activities. Prior to joining Adbri, Nick was Managing Director & Chief Executive Officer of Broadspectrum, which provides operations, maintenance and construction services to the resources, infrastructure and property sectors.

Nick's commercial expertise, operational excellence, strategic insight, people leadership and safety focus are major assets for the Adbri Board.

Board member since

October 2021

Member

Safety, Health, Environment and Sustainability Committee

Former directorships

- Broadspectrum Limited
Appointed May 2018, retired December 2018
- Fulton Hogan Limited
Appointed July 2009, ceased October 2017

Ken Scott-Mackenzie
BE (Mining), Dip Law



Independent Non-executive Director

Ken has extensive experience in the financial, legal and commercial aspects of delivering multi-billion-dollar projects. He has worked in the infrastructure, construction and mining services industries for 40 years across Australia and Africa.

Ken has held Chief Executive Officer roles of major construction companies in Australia, including Bilfinger Berger Australia and Abigroup. He is a former Vice President of the Australian Constructors Association.

The combination of commercial management capability and leadership experience in large and diversified organisations means Ken adds considerable depth to the Adbri Board.

Board member since

July 2010

Chair

Safety, Health, Environment and Sustainability Committee

Member

Nomination and Governance Committee; Audit, Risk and Compliance Committee; People and Culture Committee, ceased as member in October 2021

Geoff Tarrant
BBus



Non-executive Director

Geoff has extensive experience in the finance industry across Australia, the United Kingdom and Asia. He has particular expertise in mergers and acquisitions and capital markets.

During his career, Geoff has held senior finance roles with Citigroup, National Australia Bank, Price Waterhouse and Deutsche Bank, where he was Vice Chairman Australia New Zealand for 17 years.

As Executive Chairman and co-founder of a global construction and building operations software company Payapps Limited, he also brings valuable technology knowledge and experience to his directorship.

Board member since

February 2018

Member

Audit, Risk and Compliance Committee

Rhonda Barro



Non-executive Director

Rhonda has over 45 years' experience in the construction materials industry and executive management, in both line and functional areas. She is a Director of Barro Group Pty Ltd.

She offers significant expertise in customer and stakeholder relations to the Board.

Rhonda has held numerous leadership roles in community organisations. She is a Fellow of the Williamson Leadership Program, which promotes a broader and deeper understanding of approaches to leadership and its relationship to societal challenges.

Board member since

May 2019

Member

People and Culture Committee

Emma Stein
BSc (Physics Hons), MBA,
FUWS, FAICD



Independent Non-executive Director

Emma has held board and executive positions in Australia, NZ, the United Kingdom and Europe. Over her career, she has worked across the renewable and traditional energy, water catchment and assets, waste and the circular economy, mining services and resources, engineering, industrial & building materials sectors. Emma was awarded an Honorary Fellow by Western Sydney University for her service to the university.

Having held senior roles, including Chief Executive Officer, Emma is well-versed in capital investment decisions, mergers and acquisitions and risk management frameworks. She is particularly experienced balancing ESG perspective with profitable outcomes, including finding optimum decarbonisation pathways for hard-to-abate industries and companies moving away from their traditional energy domains. Sustainability in renewables also requires careful asset selection including energy firming.

Board member since

October 2019

Chair

Audit, Risk and Compliance Committee

Member

People and Culture Committee; Nomination and Governance Committee

Current directorships

- Worley Limited
Appointed December 2020

Former directorships

- Alumina Limited
Appointed February 2011, ceased May 2021
- Cleanaway Waste Management Limited
Appointed August 2011, retired December 2020
- Infigen Energy Limited
Appointed September 2017. Delisted from ASX on 5 November 2020.

Michael Wright
B Eng (Civil), Master Eng
Science, Harvard AMP



Independent Non-executive Director

Michael is an experienced director and executive with over 30 years' experience across the global resources and industrial sectors in Australia, Asia, Africa and the Americas.

He has held senior leadership and Chief Executive Officer positions in multinational mining services and contracting businesses covering multiple disciplines, including mining, construction, general engineering, environmental services and utility operations.

He is currently Executive Chairman and CEO of Thiess and was formerly Chief Executive Officer of ASX-listed CIMIC Group.

Michael sits on the boards of the Sustainable Minerals Institute and the Minerals Council of Australia, where he chairs the Safety and Sustainability Committee and the Safety & Health Subcommittee.

His extensive industry expertise, skillset and focus on safety and sustainability complement the mix of experience, skills, and knowledge of other Adbri Board members.

Board member since

June 2021

Member

Safety, Health, Environment and Sustainability Committee; People and Culture Committee; Nomination and Governance Committee.

Former directorships

- Cimic Group Limited
Appointed December 2017, ceased February 2020

Financial statements



Our people deliver for shareholders

As an ASX-listed leader, we employ people who understand Adbri's responsibility to shareholders. Our people continually add value through their dedication to productivity, efficiency and improvement. Thanks to their can-do attitude and nimble approach, Adbri finished 2021 as a profitable, resilient and more sustainable company, with strong long-term growth prospects.

Financial statements 2021

Directors' report	68	Capital structure and risk management	132
Remuneration report	81	17. Borrowings	132
People and Culture Chair's letter	81	18. Share capital	132
1. Key management personnel	84	19. Dividends	133
2. Remuneration governance	85	20. Reserves and retained earnings	134
3. Executive remuneration policy and framework	85	21. Financial risk management	135
4. 2021 Executive remuneration approach	87	Group structure	145
5. Linking executive remuneration to company performance	94	22. Joint arrangements and associate	145
6. Non-executive Directors' fees	98	23. Subsidiaries	147
7. Executive service agreements and statutory remuneration tables	100	24. Deed of cross guarantee	147
8. Additional statutory disclosures	101	25. Parent entity financial information	149
Consolidated income statement	102	26. Retirement benefit obligations	150
Consolidated statement of comprehensive income	103	27. Share-based payments plans	154
Consolidated balance sheet	104	28. Related party	155
Consolidated statement of changes in equity	105	29. Events occurring after the reporting period	157
Consolidated statement of cash flows	106	30. Commitments for capital expenditure	157
Notes to the financial statements	107	31. Remuneration of auditors	157
1. Summary of significant accounting policies	107	32. Contingency	158
Financial performance overview	111	Directors' declaration	159
2. Segment reporting	111	Auditor's independent declaration	160
3. Critical accounting estimates and assumptions	112	Independent auditor's report to the members of Adbri Limited	161
4. Earnings per share	113	Financial history	164
5. Revenue from contracts with customers and other income	114	Information for shareholders	166
6. Expenses	115		
7. Income tax	116		
8. Note to statement of cash flows	119		
Balance sheet items	121		
9. Trade and other receivables	121		
10. Inventories	122		
11. Assets held for sale	122		
12. Property, plant and equipment	123		
13. Leases	125		
14. Intangible assets	127		
15. Impairment tests	128		
16. Provisions	130		

Directors' report

The Directors present their report on the consolidated entity (the Group) consisting of Adbri Limited (the Company) and the entities it controlled at the end of, or during, the year ended 31 December 2021.

Directors

The Directors of the Company, at any time during or since the end of the financial year and up to the date of this report, are:

- RD Barro (Chairman)
- Dr VA Guthrie AO (Deputy Chair and Lead Independent Director)
- ND Miller (appointed as Managing Director on 5 October 2021)
- RR Barro
- KB Scott-Mackenzie
- ER Stein
- GR Tarrant
- MJM Wright (appointed on 25 June 2021)

Principal activities

During the year the principal activities of the Group consisted of the manufacture and distribution of cement, and cementitious products, lime, premixed concrete, aggregates, sand and masonry.

Review of operations

Information on the principal activities, operations and financial position of the Group and its business strategies and prospects is set out in the Chairman's report, Managing Director & Chief Executive Officer's review, operational and financial reports on pages 6–25 of this Annual Report.

A summary of the financial results for the year ended 31 December 2021 is set out below:

	Consolidated	
	2021 \$M	2020 \$M
Statutory results		
Revenue from contracts with customers	1,569.2	1,454.2
Earnings before interest, tax, depreciation, amortisation and impairment	270.8	262.7
Depreciation, amortisation and impairments	(95.9)	(115.1)
Earnings before interest and tax (EBIT)	174.9	147.6
Net finance cost ¹	(19.1)	(20.4)
Profit before tax	155.8	127.2
Income tax expense	(39.1)	(33.6)
Net profit after tax	116.7	93.6
Attributed to:		
Members of Adbri Ltd (NPAT)	116.7	93.7
Non-controlling interests	-	(0.1)
Basic earnings per share (cents)	17.9	14.4
Ordinary dividend per share (cents)	12.5	12.0
Franking (%)	100.0	100.0
Net debt ² (\$million)	437.4	372.1
Net debt/equity (%)	34.5	30.5
Net debt/net debt + equity	25.6	23.3

1. Net finance cost is the net of finance costs shown gross in the income statement and interest income included in other income.

2. Net debt is calculated as total borrowings (net of capitalised borrowing costs), less cash and cash equivalents and excludes lease liabilities.

The results were impacted by a number of significant items. The table below sets out the underlying financial results for the year ended 31 December which have been adjusted for significant items. An explanation of the significant items and reconciliation of reported results to underlying results is provided on page 69-70.

	Consolidated	
	2021 \$M	2020 \$M
Underlying results		
Revenue from contracts with customers	1,569.2	1,454.2
Earnings before interest, tax, depreciation, amortisation and impairments	274.2	272.3
Depreciation and amortisation	(95.9)	(93.4)
Earnings before interest and tax (EBIT)	178.3	178.9
Net finance cost ¹	(19.1)	(20.4)
Profit before tax	159.2	158.5
Income tax expense	(40.1)	(43.0)
Net profit after tax (NPAT)	119.1	115.5
Attributed to:		
Members of Adbri Ltd	119.1	115.6
Non-controlling interests	–	(0.1)
Basic earnings per share (cents)	18.3	17.7
Leverage ratio ² (times)	1.6	1.4

1. Net finance cost is the net of finance costs shown gross in the income statement and interest income included in other income.

2. Leverage ratio is calculated as net debt/trailing 12 months underlying EBITDA and excludes lease liabilities.

Net profit after tax

Full year reported NPAT increased 25% on 2020 to \$116.7 million.

Underlying NPAT increased 3.0% from \$115.6 million in 2020 to \$119.1 million.

Property profits contributed \$6.1 million to NPAT in the year, compared to \$0.5 million in 2020.

(a) Reconciliation of underlying profit

Underlying measures of profit exclude significant items of revenue and expenses, such as the costs related to restructuring, rationalisation and acquisitions, to highlight the underlying financial performance across reporting periods. Profits from the Group's long-term land sales program are included in underlying profit despite the timing being difficult to predict.

The following table reconciles underlying earnings measures to statutory result.

	2021			2020		
	Profit before tax \$M	Income tax \$M	Profit after tax \$M	Profit before tax \$M	Income tax \$M	Profit after tax \$M
FULL YEAR ENDED 31 DECEMBER						
Statutory profit attributable to members	155.8	(39.1)	116.7	127.3	(33.6)	93.7
Minority interest	–	–	–	(0.1)	–	(0.1)
Statutory profit	155.8	(39.1)	116.7	127.2	(33.6)	93.6
Impairment	–	–	–	21.7	(6.5)	15.2
Change in loss provision	(3.3)	1.0	(2.3)	2.7	(0.8)	1.9
Corporate restructuring costs	5.9	(1.8)	4.1	6.9	(2.1)	4.8
Acquisition costs	0.8	(0.2)	0.6	–	–	–
Underlying profit	159.2	(40.1)	119.1	158.5	(43.0)	115.5
Minority interest	–	–	–	0.1	–	0.1
Underlying profit attributable to members	159.2	(40.1)	119.1	158.6	(43.0)	115.6

Directors' report continued

Review of operations continued

(a) Reconciliation of underlying profit continued

Impairment

In the prior corresponding period, the Group recognised a pre-tax non-cash impairment charge of \$21.7 million, primarily associated with the cessation of the long-term Alcoa contract.

Change in loss provision

In late 2017, Adbri became aware of certain financial discrepancies which related to transactions whereby it had been underpaid for products supplied. The Group completed its analysis with the assistance of forensic accountants KPMG and recognised a provision for doubtful debts and costs in its 2017 results. The Group recovered funds following successful litigation resulting in cash receipts of \$8.4 million (net of GST) and recognising a net credit of \$3.3 million to profit before tax after deducting the carrying value of the related debtors balance and recovery costs.

Corporate restructuring costs

Redundancies and one-off corporate costs of \$5.9 million were recognised in the period (\$6.9 million in prior comparative period which included a provision of \$5.0 million in response to the closure of kiln 5 at Munster).

Acquisition expenses

During the year the Group incurred \$0.8 million in assisting with the Mawsons joint venture acquisition for Milbrae.

Dividends paid or declared by the Company

During the 2021 financial year, the following dividends were paid:

- A final ordinary dividend in respect of the year ended 31 December 2020 of 7.25 cents per share (fully franked) was paid on 22 April 2021. This dividend totalled \$47,315,515; and
- An interim dividend in respect of the year ended 31 December 2021 of 5.5 cents per share (fully franked) was paid on 6 October 2021. This dividend totalled \$35,894,542.

Since the end of the financial year, the Directors have approved the payment of a final ordinary dividend of 7.0 cents per share (fully franked). The final dividend is to be paid on 11 April 2022. The record date for the final ordinary dividend is 28 March 2022.

Business risks and mitigation

Adbri's risk management framework, as outlined in the Corporate Governance Statement, incorporates effective risk management into all facets of the business. Planning processes, including budgets and strategic plans, incorporate a risk management component. These are integrated into reports to the Board and respective Board Committees throughout the year. The key risks to the Adbri Group and mitigation actions are outlined below. The risks are not set out in any particular order and do not comprise every risk we encounter in conducting our business. Rather, they are the most significant risks that we believe we should be monitoring and seeking to mitigate or otherwise manage at this point in time.

Risk details mitigation

Risk description	Risk scenario	Mitigation
<p>Climate change</p>	<p>Greenhouse gas (GHG) emissions are driving climate change. The potential impacts on the environment, economy, and communities, underpin international agreements to accelerate the transition to a low carbon economy. A range of actions are being undertaken by governments, regulators, the corporate sector and individuals, consistent with global agreements, including the Paris Agreement. One potential response is the re-introduction of a regulated price on carbon in Australia. Adbri's manufacturing includes the process of calcination of limestone to produce clinker and lime. This chemical reaction produces carbon dioxide. No current technology is commercially available at scale to eliminate these process emissions which account for over half of Adbri's total operational GHG emissions. For this reason, clinker and lime manufacturing are considered hard-to-abate industrial processes.</p> <p>The transition to a low carbon economy could potentially impact the cost of production, useful lives of assets, research and development and capital expenditure aligned to the Company's NZE Roadmap, financial expenses, provisions and contingent liabilities and a reduction in demand from customers if Adbri's products do not meet the market's expectations in terms of innovation and emissions intensity.</p> <p>Apart from the transition impacts, Adbri also has physical assets that could be impacted by more intense, acute weather events or slow onset events such as rising sea levels or changes to rainfall patterns.</p> <p>In addition, there is the potential that Adbri's actions or inactions may not meet stakeholder expectations resulting in regulatory action and/or fines and/or a drop in share price/class action.</p> <p>Adbri's actions in response to climate change may also impact on its ability to retain and attract employees.</p>	<p>Adbri has been taking action to reduce its energy consumption and GHG emissions and we regularly review our approach.</p> <p>We have invested in the innovative use of alternative fuels in our kilns to reduce the consumption of fossil fuels such as gas. We also use low carbon materials such as slag and fly ash to substitute for emissions-intensive clinker in our cement and as additions in concrete manufacturing.</p> <p>Our 2019 Sustainability Framework set a number of short-term targets focused on emissions reduction. The five-year targets, set on 2019 baselines include:</p> <ul style="list-style-type: none"> - 7% carbon emissions reduction - 50% kiln fuel to be sourced from alternative fuel in South Australia - 25% reduction in process waste to landfill. <p>In May 2021, Adbri announced its aspiration to achieve net zero carbon emissions by 2050 as part of its commitment to a low carbon future, and committed to releasing a NZE Roadmap ahead of the 2022 AGM.</p> <p>Adbri has also contributed to the Cement Industry Federation Roadmap and we are working with Manufacturing Australia on their roadmap. Collaboration with industry partners, governments and research institutes is a key step in developing options to reduce emissions, especially for our hard-to-abate sector.</p>

Risk details mitigation continued

Risk description	Risk scenario	Mitigation
<p>Environmental, Social and Governance (ESG) considerations</p>	<p>There are growing regulatory pressures and stakeholder demands for businesses to be accountable for their ESG performance. ESG factors include conservation of the natural world, air and water pollution, climate change and GHG emissions, social aspects such as gender and pay equality, Indigenous rights and reconciliation, data protection and privacy and boardroom governance.</p> <p>Adbri's operational footprint and activities are often near residential areas and the general community.</p> <p>There is a risk that Adbri may not meet community and/or other stakeholder expectations regarding its business activities or other ESG performance, potentially leading to stricter licencing conditions, higher compliance costs and/or a loss of investor confidence.</p> <p>Non-compliance with licence conditions and negative community sentiment may impact the Company's ability to continue to operate near the community it services. It may also expose the Company to the risk of fines.</p>	<p>Adbri is committed to meeting societal expectations with respect to modern slavery law, environmental and community matters and actively seeks to reduce or negate any negative impacts upon the community in which it operates.</p> <p>Adbri works closely with its communities and seeks to limit any adverse impacts of its operations through process improvements, environmental improvement plans and operating within the limits of our licences with respect to matters such as emissions, odour and other potential environmental impacts.</p> <p>Priorities and key focus areas have been established by Adbri within its sustainability framework to drive action and mitigation of ESG risks including:</p> <ul style="list-style-type: none"> - Reducing any adverse environmental impacts - Developing lower carbon products - Circular economy approach to use of refuse derived fuel replacing fossil fuels - Engaging our people and being an inclusive employer - Building strong relationships with local communities - Implementing a Reconciliation Action Plan - Engaging with the finance and investment community. <p>Maintaining sound practices to avoid financial related risks and delivering a return on invested capital for shareholders.</p>
<p>Macro-economic conditions</p>	<p>Adbri operates mainly in residential, non-residential and infrastructure construction markets, as well as supplying product to the resources sector. Its financial performance is closely tied to the performance of those markets that are cyclical and affected by various factors beyond the Group's control including: commodity price performance and investment into mining projects; the performance of the Australian federal and state economies; the application of fiscal and monetary policies and regulatory compliance; the allocation and timing of government funding for public infrastructure and other building programs; the level of demand for building products and construction materials and services generally; and the availability and cost of labour, raw materials and transport services, as well as the price and availability of fuel and energy. Adbri supplements its local Australian production with imported materials. The supply of imported materials is therefore dependent upon economic conditions in countries outside of Australia, particularly in Japan, Indonesia and other South-East Asian countries.</p>	<p>Adbri has diversified its business both geographically and by sector within Australia and through vertical integration. This diversity has balanced the exposure of the business to fluctuations across the regions and its customer base of construction, infrastructure and mining sectors.</p> <p>Adbri maintains long-term contracts with major customers and raw material suppliers to minimise loss of business and earnings through market cycles.</p> <p>During 2021, Adbri made or participated in two business acquisitions: our Mawsons joint venture acquired the Milbrae concrete and quarry business in NSW, and Adbri and Barro acquired Metro Quarry Group in Victoria via a 50/50 joint venture. On 4 November 2021, Adbri also announced that it had signed an agreement to acquire the Zanows' Concrete and Quarries business in Queensland. This acquisition is scheduled to complete in the first quarter of calendar year 2022.</p> <p>These acquisitions progress the Company's vertical integration strategy.</p>

Risk description	Risk scenario	Mitigation
Competitive landscape/ loss of customer	<p>Australia, with its relatively open access to global participants, is a competitive market. Heightened competition combined with fluctuations in the macroeconomic environment can lead to product price volatility and impact upon the financial performance of the Group.</p> <p>There are also risks of increased competition by overseas suppliers directly entering local markets or customers moving to a self-supply model through imports.</p>	<p>Through a focus on cost control and productivity improvement, the Group's production facilities are efficient and competitive. These facilities are supported by a distribution network throughout Australia, ensuring that Adbri can provide a competitive value offering to customers.</p> <p>The Group engages proactively with its customer base to ensure their operational needs are fully met. The Group is also invested in customer relationship management (CRM) software and is moving to increase its customer engagement using metrics such as a net promoter score (NPS).</p> <p>We continue to develop our product range to address the changing needs of our customers and the increased focus on delivering products with a lower carbon footprint.</p>
Regulatory compliance	<p>With production and distribution sites across all states and territories of Australia, Adbri is subject to significant regulatory requirements in areas such as environment, licences to operate, employment, occupational health and safety, and taxation laws.</p> <p>Non-compliance or changes to regulatory requirements could lead to substantial penalties and cost impositions on operations.</p>	<p>The Group employs a range of initiatives to meet or exceed regulatory compliance including:</p> <ul style="list-style-type: none"> - employment of specialists to support operational staff in areas such as human resources, and health, safety, environment and sustainability; - the use of engineering solutions to improve operations; and - regular training and competency testing of employees. <p>Inclusion of regulatory compliance within the internal audit scope; and systems, policies and procedures are designed to instil and foster a proactive and preventative compliance culture.</p>
Key equipment failure	<p>The production of cement and lime involves large scale manufacturing sites, to obtain economies of scale. The business also relies on portside infrastructure and dedicated vessels for the storage and transportation of raw materials. The failure of key equipment in the manufacturing and logistics process can disrupt production.</p>	<p>Predictive and preventative asset management activities and business continuity planning identify risks with key equipment and ensure strategies are in place to prevent or mitigate risks including holding 'critical spares' of key equipment and contractual arrangements to supplement domestic production with imported product where required. For insurable events, to the extent that production is disrupted for periods exceeding 20 days, the Group maintains business interruption insurance which responds.</p>

Risk details mitigation continued

Risk description	Risk scenario	Mitigation
<p>Change of control</p>	<p>Adbri's major shareholder, the Barro Group, currently hold a beneficial interest in 43% of the Company's shares. The Barro Group can also increase their shareholding by 3% every 6 months, under the Corporations Law 'creep provisions'.</p> <p>As a substantial shareholder in Adbri, Barro currently holds three Adbri Board positions.</p> <p>Adbri is at considerable risk of a change of control event, should the Barro Group choose to increase their shareholding to exceed 50%.</p> <p>A change in control could have material impacts on the business, including increased Directors' and Officers' insurance costs, joint venture agreements, sales contracts, self-insurance status and potential market disclosures.</p>	<p>The Board maintains strong governance protocols to ensure any conflicts of interest are managed appropriately.</p> <p>The Board seeks to maintain a majority of independent Directors and seeks to ensure that Board committee chair positions are held by independent Directors.</p> <p>Board composition, including a majority of independent Directors, a Lead Independent Director/Deputy Chairman, and the Board's Governance Framework were revised as announced to the ASX on 26 March 2019. Adbri is actively recruiting a further independent Director to restore majority independent representation, following the appointment of the CEO as Managing Director during 2021.</p> <p>The Group's funding facilities specifically accommodate a change in control brought about by the Barro Group increasing its shareholding, ensuring that it will not constitute an event of default or review event requiring repayment.</p> <p>The Australian Competition and Consumer Commission (ACCC) has concluded that the Barro Group's 43% shareholding will not substantially lessen competition. Major rival cement, aggregates and premixed concrete suppliers will continue to provide competition.</p>
<p>Serious injury or fatality</p>	<p>Adbri directly employs approximately 1,500 people and operates across approximately 200 locations, undertaking cement, lime, concrete and concrete product manufacturing and distribution activities.</p> <p>There is a range of potential safety hazards to which Adbri's employee and contractor workforces and visitors are exposed. Where a serious risk results in the worst-case scenario, it can lead to serious injury or fatality to persons while undertaking activities or attending locations in connection with the Adbri business. Apart from the direct workers' compensation expense, this may adversely impact production performance or the Company's ability to continue production. Further, an employer who is found to be engaged in negligent conduct that results in a workplace death, may face penalties, imprisonment, legal costs and reputational impacts.</p> <p>The Company's health and safety performance may also impact a customer's willingness to trade in Adbri's products, which may in turn impact sales volumes. Health and safety performance will also impact the Company's ability to attract and retain key talent.</p> <p>Should a death or very serious injury occur at an Adbri workplace there is also the risk of adverse media attention and loss of reputation, leading to a drop in share price.</p>	<p>Adbri has a strong focus on safety and a track record of safe performance. Continuous improvement and sustaining excellence in safety remain key priorities for the Group. Adbri's Safety Step Change program commenced in 2019 and introduced the Work Safe, Home Safe vision, in combination with critical risk management, lifesaving rules, the early intervention program (InitialCARE), safe transport initiatives and visible leadership each contributing to the ongoing reduction in our recordable injuries.</p> <p>Ongoing consultation, communication, and coordination with workers through HSE committees, business communications, HSE alerts, toolbox meetings, sharing 'what looks good' initiatives, incident notification and investigations are important routine actions to remind personnel of our Work Safe, Home Safe message and to take steps to prevent recurrences.</p> <p>Adbri's Site Pass, an online contractor licence verification and induction system, supports effective communication of Adbri's site safety issues and management to the Group's relevant stakeholders.</p> <p>The Group employs dedicated professionals in the field of health and safety to manage health and safety outcomes and to provide the Group's employees with adequate education and training with respect to health and safety matters in the workplace.</p> <p>Critical incident and crisis management procedures are formalised and rehearsed in case a serious event (safety related or otherwise) occurs, to guide the Company in its response and management.</p> <p>The Group maintains workers' compensation insurance or a self-insured licence in each state and territory which provides financial protection to workers and the organisation against losses which may arise with respect to workplace injuries.</p> <p>The Group's health and safety policies and processes are routinely subject to internal and external audits.</p>

Risk description	Risk scenario	Mitigation
Foreign currency	The Group imports a range of materials to supplement the capacity of local production facilities. These purchases are primarily denominated in United States Dollars and Japanese Yen. The Company is exposed to any fluctuations in these currencies against the Australian Dollar.	The Group manages exposure to foreign exchange risk through a formalised hedging policy. Committed purchases that expose the Group to foreign currency risk are hedged through agreed hedging products up to a period of nine months. In addition, where practical, contractual arrangements with suppliers include provisions to limit foreign currency risk to Adbri.
Production quality	The Group's key products of cement, lime, concrete, aggregates and masonry are sold in accordance with relevant quality standards and customer specifications. Materials used in production are natural products and therefore normal variability of the characteristics could result in fluctuations in quality of the end product. Products that do not meet the relevant quality standard could result in end use customers being financially disadvantaged.	The Group has quality assurance processes across all products, including the monitoring of inputs into the production process and testing of final products to ensure compliance with relevant standards and specifications. The skills of internal quality control personnel are continually updated and supplemented using external experts where required. The Group has product liability insurance which covers the Group's legal liability to pay compensation and costs for personal injury or property damage arising from the supply of non-compliant products.
Cyber attack	Risk of cyber attack or breach of information security leading to unauthorised access and loss of, or disruption to, Adbri data or computer-controlled systems Potential loss of data or records, interruption to operations, adverse reputational impacts, and cost to respond to ransom requests.	Adbri has long-standing systems and procedures to safeguard security of its information. These controls are routinely reviewed and upgraded or reinforced as necessary to ensure their adequacy. Adbri further enhanced its security posture via investing in an external security operating centre to augment security systems, controls and procedures to provide protection against both internal and external parties. Controls are regularly tested by internal and external audit.
Energy pricing	Production of cement and lime are energy intensive and consequently access to reliable, cost-effective energy is required to sustain domestic production. Price and reliability are factors in the selection of suitable energy sources for production.	The Group employs a portfolio approach to energy procurement, looking to diversify the sourcing risk at competitive prices. This portfolio approach has resulted in a mix of contracted arrangements for the supply of energy and spot purchases on gas trading markets.
Access to capital	The Group is capital intensive and relies on banks and other institutions to source its funding needs. A failure to access sufficient liquidity may limit the Company's ability to grow its earnings and may prevent the Company from paying its debts as and when they fall due. Further, where the Company does not maintain access to multiple funding sources across a range of tenors, it may be subjected to increased establishment and interest expenses.	Adbri adopts a conservative approach to capital management and seeks to maintain its investment grade credit metrics, ensuring the balance sheet can withstand market shocks and retain the flexibility to fund capital projects and make investments which deliver earnings growth. Adbri's strong credit profile, its ongoing and proactive engagement with financiers, shareholders and other capital providers provides the business with multiple avenues to meet the ongoing funding needs of the business. As part of its proactive capital management strategies, Adbri completed an extension of its \$950 million finance facilities in January 2022. Accounting for the extension, the average maturity profile was 5.1 years at 31 December 2021.

Risk details mitigation continued

Risk description	Risk scenario	Mitigation
<p>Interest rates</p>	<p>The Group's debt portfolio is exposed to changes in interest rates, which may result in increased interest costs.</p> <p>In addition, should interest rates rise there is likely to be a flow on effect to demand for residential housing, in turn potentially reducing demand for construction materials.</p>	<p>The Group manages exposure to interest rate risk through a formalised hedging program. A portion of the Group's drawn debt is hedged at fixed rates to limit the risk of increases in interest rates to Adbri. Detailed information regarding the Group's interest rate hedging is contained in the Financial Statement note disclosures.</p> <p>Adbri's vertical integration strategy and balanced geographical and sector exposure mitigate any potential reduction in demand from the residential construction sector.</p>
<p>Supply chain</p>	<p>Disruption in the supply of raw materials or other goods could impact Adbri's ability to manufacture and/or deliver its products and meet market demand.</p> <p>Adbri relies on imported product for both domestic processing and supply direct to its joint venture companies and other customers.</p> <p>Adbri is also reliant on its overseas suppliers' export capacity, availability of suitable vessels and the timely delivery of product to meet its own and its customers' requirements.</p> <p>To support continuity of supply, firm supply and freight contracts are in place.</p> <p>There are risks of loss of cargo in transit, shipping delays, supplier production issues or local natural disasters that may lead to an inability to supply on time. Adbri may need to quickly source alternative product or put other supply arrangements in place to meet its commitments. There is also a risk of payment for minimum volumes where a demand shortfall occurs.</p> <p>These supply chain risks can also apply to procurement more generally, such as pallets, spare parts, plant and equipment for upgrades, maintenance and everyday production needs.</p> <p>Linked to the current skills shortages arising from COVID impacts and increasing demand in infrastructure and mining sectors, is increasing driver unavailability for distribution of goods resulting in potential supply chain disruption and increased costs.</p>	<p>Adbri has a centralised procurement function and international shipping function with resources expert in sourcing and supply chain risk management.</p> <p>Adbri is able to purchase clinker, cement and slag from their respective spot markets.</p> <p>Adbri aims to ensure the optimal operation of its manufacturing and distribution supply chain, including optimal inventory holdings and minimising manufacturing and distribution costs. This includes identifying and onboarding as many suitable vendors (e.g. freight companies) as possible to be able to maintain competitive tension and to meet our goods and services requirements.</p> <p>To support continuity of supply, long-term supply contracts are in place with overseas suppliers for clinker, cement and slag, matched with dedicated shipping arrangements.</p>

Risk description	Risk scenario	Mitigation
Trade credit	<p>Contractual arrangements with customers include the provision of short-term trade credit for products supplied. The Group is therefore exposed to the credit risk for a portion of its sales.</p> <p>Changes in macroeconomic conditions and customer-specific issues impacting cash flows available to settle purchases, are factored into the level of risk associated with trade credit outstanding.</p>	Trade credit risk is managed through the assessment of individual customer credit limits in accordance with delegated authority levels approved by the Board, which is monitored along with the ageing of balances outstanding.
Fraud, bribery and corruption	The Group operates in an environment that exposes it to the risk of loss from fraud, bribery and corruption. Operating in a commercial environment with the movement of information and funds into and out of the Company gives rise to the risk that economic benefits can be obtained through inappropriate acts by employees, suppliers, customers or third parties.	<p>The Group's Code of Conduct outlines the key principles that governs the Company's behaviour and actions which make clear there is zero tolerance for practices considered as bribery, fraud or corruption. Employees and contractors are required to adhere to this code as part of their ongoing employment.</p> <p>Process controls are periodically reviewed to incorporate enhanced fraud, bribery and corruption prevention measures, which are tested through the internal audit program.</p>

State of affairs

Other than set out in the Chairman's Report, Managing Director & Chief Executive Officer's Review, operating and financial report on pages 6 to 25 of this Annual Report, no significant changes occurred in the state of affairs of the Group during the financial year.

Events subsequent to the end of the financial year

No matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

The Chairman's Report, Managing Director & Chief Executive Officer's Review, divisional and financial report on pages 6 to 25 of this Annual Report refer to likely developments in Adbri's operations in future financial years and the expected results of those operations.

Environmental performance

The Group's operations are subject to various Commonwealth, state and territory environmental regulations.

Environmental performance is monitored by site and business division, and information about the Group's performance is reported to and reviewed by the Group's senior management, the Board's Safety, Health, Environment and Sustainability Committee, and the Board.

The Group's major operations have ongoing dialogue with the relevant authorities responsible for monitoring or regulating the environmental impact of Group operations. Group entities respond as required to requests made by regulatory authorities, including requests for action to be taken, for information to be provided, and for site inspections.

During 2021, Group entities received regulatory notices issued by government authorities responsible for environmental matters. Group companies responded to regulatory notices as required and addressed issues raised by regulatory authorities.

Directors' report continued

Environmental performance continued

Cockburn Cement Limited

On 5 November 2019, Cockburn Cement Limited (Cockburn Cement) was informed that the Western Australian Department of Water and Environmental Regulation (DWER) was conducting an investigation into alleged offences against the *Western Australian Environmental Protection Act 1986* (the Act). DWER informed Cockburn Cement that it was investigating alleged unreasonable odour emissions from Cockburn Cement's Munster plant between January and April 2019. Cockburn Cement denied the allegations and denied that it had committed any offence.

On 29 July 2020, DWER commenced a prosecution against Cockburn Cement. Cockburn Cement has been charged with 15 charges pursuant to s49(5) of the Act of causing an unreasonable emission (odour) from Cockburn Cement's operations at Munster, Western Australia. Cockburn Cement asserts that it operates within applicable requirements, denies the charges and has entered a plea of not guilty to each charge. The trial is listed for hearing from 25 July to 12 August 2022.

On 22 March 2021, DWER notified Cockburn Cement about a further investigation. On 24 January 2022, Cockburn Cement received a second prosecution notice charging it with six charges of the same offence, alleged to have occurred in the period from 21 January 2020 to 3 April 2020. This prosecution is first before the Magistrates Court of Western Australia on 1 March 2022.

All charges will be determined by the Western Australian Courts.

Cockburn Cement maintains that it operates within applicable requirements. Further information about the Group's environmental performance is set out in the *2021 Sustainability Report*.

Director profiles

Qualifications, experience, and other directorships and special responsibilities of Directors are set out on pages 64–65 of the Annual Report.

Directors' meetings

The number of Directors' meetings and meetings of committees of Directors held during the financial year and the number of meetings attended by each Director is as follows:

Director	Board Meetings		Audit, Risk & Compliance Committee		People & Culture Committee		Safety, Health, Environment & Sustainability Committee		Nominations & Governance Committee	
	A	H	A	H	A	H	A	H	A	H
RD Barro	14	14	–	–	–	–	4	4	–	–
Dr VA Guthrie AO ¹	13	14	–	–	4	4	4	4	4	4
RR Barro	14	14	–	–	4	4	–	–	–	–
KB Scott-Mackenzie ²	14	14	6	6	3	3	4	4	4	4
ER Stein ³	13	14	6	6	4	4	–	–	4	4
GR Tarrant	14	14	6	6	–	–	–	–	–	–
MJM Wright ⁴	9	9	–	–	1	1	2	2	–	–
ND Miller ⁵	3	3	–	–	–	–	1	1	–	–

A Number of meetings attended.

H Number of meetings held during period of office.

1. Dr Guthrie AO was unable to attend a Board meeting due to personal reasons.

2. Mr Scott-Mackenzie ceased being a member of the People and Culture Committee on 25 October 2021.

3. Ms Stein was unable to attend a Board meeting scheduled at late notice due to personal reasons.

4. Mr Wright was appointed to the Board on 25 June 2021, he was also appointed to the Safety, Health, Environment and Sustainability Committee on 26 July 2021, the People and Culture Committee on 25 October 2021 and the Nomination and Governance Committee on 25 October 2021.

5. Mr Miller was appointed as Managing Director on 5 October 2021 and was appointed to the Safety, Health, Environment and Sustainability Committee on 25 October 2021.

Directors' interests

	Ordinary shares
RD Barro	279,178,329
Dr VA Guthrie AO	105,000
RR Barro	278,787,781
KB Scott-Mackenzie	20,000
ER Stein	53,403
GR Tarrant	30,000
MJM Wright	-
ND Miller ¹	150,424

1. As set out in the Company's announcement of 5 October 2021, the Board approved the grant of Performance Rights to Mr Miller with a value of \$1,524,000, subject to shareholder approval at the Company's 2022 Annual General Meeting. Mr Miller also has awards of 1,227,357 that are subject to performance conditions, issued under Adelaide Brighton Limited's Executive Performance Share Plan.

Full details of the interests in share capital of Directors of the Company are set out in the Remuneration Report on pages 81-101 of this Annual Report.

Director and Executive remuneration

Details of the Company's remuneration policies and the nature and amount of the remuneration of the Directors and certain senior executives are set out in the Remuneration Report on pages 81-101 of this Annual Report.

Company Secretaries

The Company's principal Company Secretary is Marcus Clayton, who has been employed by the Company in the two separate offices of General Counsel and Company Secretary since 24 February 2003. He is a Fellow of the Governance Institute of Australia Ltd and a legal practitioner admitted in South Australia in 1987.

The Group's General Manager Corporate Finance and Investor Relations, Darryl Hughes, was appointed as an additional Company Secretary on 11 December 2019, to assist with secretarial duties should the principal Company Secretary be absent. Mr Hughes resigned as an additional Company Secretary on 10 December 2021 when he took up a position within Adbri's Mawsons joint venture.

Indemnification and insurance of officers

Rule 9 of the Company's constitution provides that the Company indemnifies each person who is or who has been an 'officer' of the Company on a full indemnity basis and to the full extent permitted by law, against liabilities incurred by that person in their capacity as an officer of the Company or of a related body corporate.

Rule 9.1 of the constitution defines 'officers' to mean:

- Each person who is or has been a Director, alternate Director or Executive officer of the Company or of a related body corporate of the Company who in that capacity is or was a nominee of the Company; and
- Such other officers or former officers of the Company or of its related bodies corporate as the Directors in each case determine.

Additionally, the Company has entered into Deeds of Access, Indemnity and Insurance with all Directors of the Company and its wholly-owned subsidiaries. These deeds provide for indemnification on a full indemnity basis and to the full extent permitted by law against all losses or liabilities incurred by the person as an officer of the relevant Company. The indemnity is a continuing obligation and is enforceable by an officer even if he or she has ceased to be an officer of the relevant Company or its related bodies corporate.

The Company was not liable during 2021 under such indemnities.

Rule 9.5 of the constitution provides that the Company may purchase and maintain insurance or pay or agree to pay a premium for insurance for 'officers' (as defined in the constitution) against liabilities incurred by the officer in his or her capacity as an officer of the Company or of a related body corporate, including liability for negligence or for reasonable costs and expenses incurred in defending proceedings, whether civil or criminal.

During the year, the Company paid the premiums in respect of Directors' and Officers' Liability Insurance to cover the Directors and Secretaries of the Company and its subsidiaries, the Executives and any other officers of each of the divisions of the Group, for the period 1 May 2021 to 30 April 2022. Due to confidentiality obligations under that policy, the premium payable and further details in respect of the nature of the liabilities insured against cannot be disclosed.

Directors' report continued

Proceedings on behalf of the Company

No person has applied for leave of the Court to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's experience and expertise with the Company and the Group are important.

Details of the amounts paid or payable to PricewaterhouseCoopers for audit and non-audit services provided during the year are set out in Note 31 to the Financial Statements on page 157 of this report.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit, Risk and Compliance Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in Note 31, did not compromise the auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit, Risk and Compliance Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 160.

Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 relating to the 'rounding off' of amounts in the Directors' Report. In accordance with that instrument, amounts in the Financial Statements and Directors' Report have been rounded off to the nearest one hundred thousand dollars, unless otherwise stated.

Shares under option

Unissued ordinary shares under option relate to Awards associated with the Company's Executive Performance Share Plan. Outstanding Awards at the date of this report are as follows:

Date awards granted	Expiry date	Number of awards
1 January 2018	30 September 2022	80,126
1 January 2019	30 September 2023	481,086
1 January 2020	30 September 2024	869,476
1 January 2021	30 September 2025	993,655
Total		2,424,343

The exercise price for these Awards is nil. Further details of Awards are set out in Note 27 and the Remuneration Report.

Registered office

The registered office of the Company is Level 1, 157 Grenfell Street, Adelaide, South Australia 5000.

Corporate governance statement

The Corporate Governance Statement is available on the Adbri Limited website and may be accessed via the following: www.adbri.com.au/who-we-are/corporate-governance/

Signed in accordance with a resolution of the Directors.



Raymond Barro
Chairman

Dated: 24 February 2022

Remuneration report

People and Culture Chair's letter

Dear Shareholders

On behalf of the Board and as Chair of the People and Culture Committee, I am pleased to present the Adbri Limited 2021 Remuneration Report.

A year of new opportunities and challenges

The 2021 financial year has been one of continued responsiveness for the Adbri Group, particularly in the context of the direct challenges presented by the COVID pandemic. Over this period, the Group has demonstrated great flexibility to deliver a robust financial performance and continued supply of products to all our customers, while concurrently managing the impacts to operations created by the uncertainty of Australia's COVID response. Despite these impacts, Adbri reported an underlying net profit after tax including property (NPAT) of \$119.1 million for the year ended 31 December 2021, 3% higher than the prior period, and a reported net profit after tax of \$116.7 million which was 25% higher than the prior period.

This financial performance was robust, particularly given the prevailing challenging conditions. The Group's underlying and reported NPAT results exceeded stretch targets, with strong EBIT performance for the Concrete and Aggregates and Masonry divisions. The Executive team continued to meet the challenges of the unstable and dynamic operating environment, with continued government-imposed COVID lockdowns impacting our operations, our supply chain networks and our shipping channels. This imposed unexpected costs on the business, which to a large degree were offset by exceptional management efforts to deliver increased revenue in our cement, concrete, aggregate and masonry businesses and to hit our cost savings program targets.

The Board is also conscious of the growing focus on strategy and sustainability metrics, and their importance in measuring and rewarding executive performance. While the Group has recognised the significance of sustainability measures through our short-term incentive measures to date, the publication of our Net Zero Emissions Roadmap in 2022 will provide us with an improved understanding of our pathway to net zero emissions and how this can be embedded in our business going forward.

Executive movements in 2021

On the back of what has been a challenging two years for the business and an increasingly tight labour market, retention of talent is a key risk for the Group. Keeping our workforce safe, healthy and motivated is increasingly difficult given the physical and mental health impacts COVID is having on the Australian community. Coupled with the highly competitive nature of the employment market which has been exacerbated by the low level of migration of overseas talent entering the Australian workforce during COVID border restrictions, the retention of talent is critical. A flexible approach to work and market competitive pay is a key factor in attracting and retaining the best people for our Company.

In January 2021, Brett Brown and Andrew Dell were appointed into the newly created roles of Chief Operating Officer – Cement and Lime and Chief Operating Officer – Concrete, Aggregates & Masonry respectively, following a restructure to better match the changing business needs. Details of their remuneration arrangements for 2021 are outlined in later sections.

In October 2021, the Board appointed Nick Miller, the Company's Chief Executive Officer (CEO), to the Board as Managing Director, recognising that Nick has been instrumental in driving the transformational agenda for the Company since commencing as CEO in January 2019. His appointment to the Board strengthens the alignment of the Managing Director to the execution of the Group's strategy to deliver sustained long-term business growth. Changes to the Managing Director and CEO's remuneration package and executive services agreement are outlined in later sections.

Remuneration in 2021

Executive fixed remuneration

Robust benchmarks were used to review executive remuneration in line with the Group's remuneration policy and market competitiveness. Recognising the tough business challenges that have arisen throughout 2021, the Board determined that no executive fixed remuneration increases should be made during 2021, except those relating to the changes in roles as announced in the December 2020 restructure.

In making this determination, the Board has continued to balance the need for an equitable executive remuneration framework that is aligned with shareholder interests while maintaining a motivated executive team and workforce in an increasingly competitive employment environment.

Short-Term Incentive (STI) outcomes

The Group's financial targets for 2021 were set in late 2020, with STI targets set slightly above industry growth forecasts to challenge the team to improve performance across the business. In 2021, the non-financial performance conditions for the Executive STI were also revised, with the intention of heightening executive focus on the strategic business priorities of safety, inclusivity, customer focus and sustainable growth.

In assessing financial performance for the STI, the Board reviews all significant items, both positive and negative, and considers whether it is appropriate to adjust for their impact on STI outcomes. In assessing financial performance for the 2021 STI, the Board determined that a range of factors impacted Company performance including COVID-related supply chain constraints, the delivery of major capital projects including the refurbishment of the Accolade and the Birkenhead operations, the sale of surplus land and the considerable progress reported on strategic projects including several key acquisitions. These are discussed in further detail on pages 12 to 16 of this Annual Report.

The Board's overall assessment against targets resulted in the level of award for all executives, including the Managing Director and CEO, in the range of 79% to 87%, of the potential maximum STI. However, the Board has considered the significant items that affected performance and has moderated the overall result to 80% for all Executives. This better aligns Executive outcomes with the shareholder experience, including dividends and value creation in the asset base.

Long-Term Incentive (LTI) outcomes

Executive alignment with shareholder interests is an important component of the Company's remuneration policy, with long-term improvement in shareholder value embedded in the design of the LTI Plan.

During 2021, the 2017 LTI Awards were tested for both the Total Shareholder Return (TSR) and Earnings Per Share (EPS) performance conditions. Results against both performance conditions failed to meet the threshold for vesting, and as a result, all Awards lapsed, without any vesting to Executives. No Board discretion was applied given the lack of growth in the share price over the full year period.

Other Executive arrangements

In 2018, a retention payment was granted to Andrew Dell, the full details of which were disclosed in the 2018 Remuneration Report. The payment was structured to bring forward the vesting of future STI and LTI. In subsequent years, STI and LTI Awards have been adjusted downwards to reflect the prepayment of the retention payment, including the value of Andrew's 2020 STI which was adjusted downwards to zero. In September 2021, the Board determined to reduce the balance of Andrew's outstanding retention downwards to zero, in recognition of his ongoing service and strong performance.

Non-executive Director fees

Given the exceptional economic circumstances during the year, in line with Executive fixed remuneration, no increases were made to Directors' fees payable in 2021.

Managing Director and CEO Performance Award (MD Performance Award)

The appointment of the CEO to the Board as Managing Director in October 2021, included a review of the Managing Director and CEO's remuneration arrangements. The Board determined a remuneration adjustment for the Managing Director and CEO was appropriate to maintain market competitiveness, and to recognise the Managing Director and CEO's vital role in setting the transformational agenda for Adbri and executing on Adbri's long-term strategy. The remuneration adjustment provides continuity and greater certainty for our shareholders in a rapidly changing environment as well as the CEO's expansion of responsibilities that come with the appointment as Managing Director.

To ensure alignment with shareholders' interests and the focus on strategic growth of the Group, the Board considered that the most effective remuneration adjustment would be a one-off LTI equity grant under the Executive Performance Share Plan rather than adjustments to the fixed remuneration or other elements of the Managing Director and CEO's remuneration arrangements. The equity grant is proposed in addition to the 2022 LTI and will be subject to the achievement of strategic and sustainable growth initiatives over a three-year period. The Performance Award vests in full on 31 December 2024 provided that the Managing Director and CEO remains in the role at that time. The performance measures that are required to be delivered align the Managing Director and CEO's incentives with strategic and specific growth ambitions of the Company above and beyond the existing LTI Plan financial measures.

Recognising the importance of this grant to shareholders, the Board determined that the MD Performance Award be subject to shareholder approval at Adbri's 2022 Annual General Meeting. Please see Section 4 for further detail on the MD Performance Award.

Conclusion

The Board remains focused on maintaining a remuneration framework which attracts, motivates and retains a high performing Executive team and a diverse and inclusive workforce. Remuneration structures are designed to align employee outcomes with the shareholder experience over the long term. Governance structures are in place to ensure integrity and transparency around the establishment of sound remuneration frameworks and the measurement of performance and remuneration outcomes.

As Chair of the People and Culture Committee, I am committed to ensuring that we can respond to the challenges of the changing employment environment to retain the best talent, that our remuneration framework and decisions consider the perspectives of our key stakeholders, and that the Company is appropriately resourced with a highly motivated and incentivised workforce to deliver value to our shareholders.

Thank you for your interest in our Remuneration Report.

**Dr Vanessa Guthrie AO**

Chair of People and Culture Committee

Remuneration report continued

The Directors of Adbri Limited (the Company) present the Remuneration Report (Report) for the Company and the Group for the financial year ended 31 December 2021. The Report outlines the remuneration arrangements in place for the key management personnel (KMP) of the Company and is prepared in accordance with section 300A of the *Corporations Act 2001* (Cth). This Report, which forms part of the Directors' Report, has been audited by PricewaterhouseCoopers.

1 Key management personnel

The KMP of Adbri comprise all Directors and those Executives who have authority and responsibility for the planning, directing, and controlling the activities of the Group. In this Report, 'Executives' refers to members of the Group Executive team identified as KMP.

Unless otherwise indicated, the following people were KMP for the full 2021 financial year:

Name	Position
Executives	
Nick Miller ¹	Managing Director and Chief Executive Officer
Theresa Mlikota	Chief Financial Officer
Brett Brown	Chief Operating Officer – Cement and Lime
Andrew Dell	Chief Operating Officer – Concrete, Aggregates & Masonry
Non-executive Directors	
Current	
Raymond Barro	Chairman
Dr Vanessa Guthrie AO	Deputy Chair and Lead Independent Director
Rhonda Barro	Non-executive Director
Ken Scott-Mackenzie	Independent Non-executive Director
Emma Stein	Independent Non-executive Director
Geoff Tarrant	Non-executive Director
Michael Wright ²	Independent Non-executive Director

1. Nick Miller was appointed to Managing Director and CEO on 5 October 2021.

2. Michael Wright was appointed as an Independent Non-executive Director on 25 June 2021.

2 Remuneration governance

The governance of remuneration outcomes is a key focus of the Board and the People and Culture (P&C) Committee. Remuneration policies are regularly reviewed to ensure that remuneration for Executives continues to remain aligned to shareholder value.

Our governance framework for determining Executive and Non-executive Director remuneration is outlined below:

Our governance framework		
<p>Board</p> <p>The Board reviews and approves:</p> <ul style="list-style-type: none"> - The overall remuneration policy; - Non-executive Director remuneration; and - The remuneration of the Managing Director and CEO, including the Managing Director & CEO's participation in the short-term and long-term incentive schemes. - Recommendation from the Managing Director and CEO on remuneration for Executives (other than the Managing Director and CEO), including their participation in incentive schemes; and Awards under incentive schemes performance targets, assessment of the extent to which performance conditions have been satisfied. 	<p>P&C Committee</p> <p>The P&C Committee review and make recommendations to the Board on:</p> <ul style="list-style-type: none"> - The remuneration policies and framework for the Group; - Non-executive Director remuneration; and - Executive incentive arrangements including setting targets and assessing performance. 	<p>Management</p> <p>Provides information relevant to remuneration decisions and makes recommendations to the P&C Committee.</p> <p>Obtains remuneration information from external advisors to assist the P&C Committee (i.e. factual information, legal advice, accounting advice, tax advice).</p>
<p>Consultation with shareholders and other stakeholders</p>		<p>Remuneration consultants and other external advisors</p> <ul style="list-style-type: none"> - Provide independent advice, information and recommendations relevant to remuneration decisions. - In performing their duties and making recommendations to the Board, the Chairman of the P&C Committee seeks independent advice from external advisors on various remuneration-related matters. - Any advice or recommendations provided by external advisors is used to assist the Board – it is not a substitute for the Board and P&C Committee process.

3 Executive remuneration policy and framework

3.1 Remuneration policy

The Board ensures the remuneration policy is clearly aligned with the Group strategy, which is focused on maintaining and growing long-term shareholder value. In determining Executive remuneration, the Board has adopted a policy that is guided by the following principles.

Remuneration principles		
<p>Attract and retain</p> <p>Provide competitive rewards to attract and retain a highly capable Executive team.</p>	<p>Pay-for-performance</p> <p>Reflect the level of responsibility, potential and achievement for delivering business strategy and results.</p>	<p>Behaviours and culture</p> <p>Differentiate reward for behaviour and performance to reinforce our vision, strategy and operational objectives.</p> <p>Have regard to market practice and market conditions to attract the necessary skill sets, enabling the organisation to strategically foster the 'One Adbri' culture of Transformation, Growth and Delivery.</p>
<p>Shareholder alignment</p> <p>Encourage sustainable long-term growth and value aligned to the interests of shareholders.</p>	<p>Market competitive</p> <p>Salary with benefits appropriately assessed and positioned against key national markets and peer comparator companies.</p>	<p>Transparent</p> <p>Provide transparency and clarity on what, to whom and on what basis remuneration has been paid.</p> <p>Ensure rewards are appropriate for actual performance delivery and outcomes.</p>

Remuneration report continued

3 Executive remuneration policy and framework continued

3.2 Total remuneration framework

Adbri's remuneration strategy is designed to attract, motivate and retain high-calibre individuals for achieving high performance and delivering solid, sustainable long-term results for shareholders, while conforming to rigorous governance and risk management principles.

The Managing Director and CEO along with Executives, are rewarded based upon a Total Remuneration Framework. The design of the framework is based upon our reward principles comprised of three components: fixed annual remuneration (FAR), short-term incentive (STI) and long-term incentive (LTI) as set out below.

Executives are also eligible for the receipt of shares issued in accordance with Adbri's Tax Exempt Employee Share Plan (TEES Plan). See Note 27 of the Financial Statements for further details.

	FAR	STI	LTI
Purpose	Provide competitive base pay to attract and retain the skills needed to manage the business.	To reward achievement of financial and non-financial performance targets linked to the Group's annual business objectives.	To focus Executives on the Group's long-term business strategy to create and protect shareholder value over a four-year performance period.
Link to Adbri's strategy and performance	<ul style="list-style-type: none"> Determined by the role's scope and complexity, and the incumbent's skills, experience, knowledge and capability. Set with reference to market benchmarks in the relevant and comparable industry sectors in Australia. 	<ul style="list-style-type: none"> Performance is assessed against a balanced scorecard, comprising financial and non-financial performance measures. Financial performance measures are set with reference to market conditions, relevant industry performance, exchange rates and associated costs. 	<ul style="list-style-type: none"> Seeks to align executive remuneration with the company's strategic direction, thereby creating long-term shareholder value.

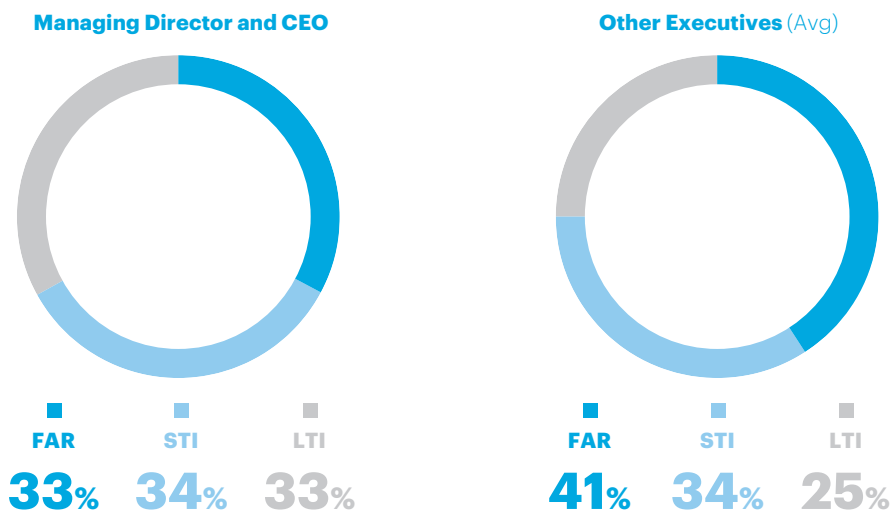
3.2.1 Remuneration structure

The following diagram sets out the remuneration structure and timing for delivery for the Managing Director and CEO and Executives.

		Year 1	Year 2	Year 3	Year 4
FAR	100% cash	Base salary, statutory superannuation and other benefits/allowances			
STI <i>Subject to financial (80%) and non-financial performance (20%)</i>	50% in cash 50% in deferred rights	50% cash	25% deferred rights <i>Shares allocated on exercise subject to a disposal restriction</i>		
			25% deferred rights <i>Shares allocated on exercise subject to a disposal restriction</i>		
LTI <i>Subject to financial performance</i>	100% performance rights (Awards)	50% subject to Total Shareholder Return (TSR)	25% subject to Earnings Per Share (EPS)	25% subject to Return on Capital Employed (ROCE)	

3.2.2 Remuneration mix

The following charts outline the target remuneration mix for Executives.



4 2021 Executive remuneration approach

4.1 Fixed annual remuneration

FAR is reviewed annually having regard to relevant factors including performance, market conditions (both generally and in the markets in which the Group operates), growth and comparable roles within peer companies and similar roles across a comparator group comprising those companies in the ASX 51-150.

Brett Brown and Andrew Dell were appointed on 1 January 2021 to newly created roles of Chief Operating Officer – Cement and Lime and Chief Operating Officer – Concrete, Aggregates & Masonry respectively, following a restructure. Details of their 2021 remuneration are in Section 7 of this Report.

No other Executive remuneration increases were made in 2021. Following the 2021 annual remuneration review, a modest average increase of around 3% will be made for Executives in 2022, in recognition of the competitive and challenging employment market and to align with market remuneration levels.

4.2 Short-term incentive

Adbri's STI is the Company's 'at risk' component of the Total Remuneration Framework for Executives.

A summary of the key features of the 2021 STI is as follows:

Feature	Description
General	
Eligibility	The Managing Director and CEO and Executives who are able to have a direct impact on the Group's performance against the relevant performance hurdles.
Opportunity	Managing Director and CEO: 100% of FAR Other Executives: 80% of FAR
Vehicle	50% of STI awards will be delivered in cash and 50% of STI awards will be deferred into rights (Deferred Rights) (unless otherwise determined by the Board).

Remuneration report continued

4 2021 Executive remuneration approach continued

4.2 Short-Term Incentive continued

Feature	Description																				
Performance conditions																					
Overview	<p>The STI is assessed against a mix of financial (80%), strategy and sustainability measures (20%), and is subject to a safety gateway.</p> <p>Financial measures are intended to align the interests of Executives with shareholders, ensure they are rewarded on the Group's annual business objectives and create sustainable value for shareholders from both earnings and cash flow.</p> <p>In approving financial targets under the STI, the Board considers a number of factors, including the industry in which we operate and the extraneous factors such as market conditions that impact our financial performance and those of our competitors. These include the dynamics of the construction and resources industries, exchange rates and cost considerations.</p> <p>Strategy and sustainability measures are based on stretch targets across a range of areas agreed with the Executive in order to drive performance outside of pure financial results that contribute to long-term value creation for shareholders.</p> <p>Stretch targets provide incentives beyond budget to enhance shareholder returns.</p> <p>All performance conditions are set by the Board.</p>																				
Performance conditions and weightings	<p>The weightings of financial and strategy and sustainability performance conditions vary by role, as outlined below.</p> <table border="1"> <thead> <tr> <th></th> <th>Performance condition</th> <th>Group Executive</th> <th>Divisional Executive</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Financial (80%)</td> <td>Group and divisional net profit after tax (NPAT)</td> <td>50%</td> <td>35%</td> </tr> <tr> <td>Divisional earnings before interest and tax (EBIT)</td> <td>N/A</td> <td>20%</td> </tr> <tr> <td>Group operational cash flow</td> <td>30%</td> <td>25%</td> </tr> <tr> <td>Strategy and Sustainability (20%)</td> <td>Strategy and sustainability measures</td> <td>20%</td> <td>20%</td> </tr> </tbody> </table> <p>In addition, a modifier applies to the STI, which provides the Board discretion to manage the performance on a range of factors, including fatalities.</p> <p>See Section 5.2.1 for further information on the 2021 STI performance conditions.</p>		Performance condition	Group Executive	Divisional Executive	Financial (80%)	Group and divisional net profit after tax (NPAT)	50%	35%	Divisional earnings before interest and tax (EBIT)	N/A	20%	Group operational cash flow	30%	25%	Strategy and Sustainability (20%)	Strategy and sustainability measures	20%	20%		
	Performance condition	Group Executive	Divisional Executive																		
Financial (80%)	Group and divisional net profit after tax (NPAT)	50%	35%																		
	Divisional earnings before interest and tax (EBIT)	N/A	20%																		
	Group operational cash flow	30%	25%																		
Strategy and Sustainability (20%)	Strategy and sustainability measures	20%	20%																		
Calculation of awards																					
Vesting schedule	<p>The portion of the STI subject to financial measures will vest progressively in accordance with the following scale:</p> <table border="1"> <thead> <tr> <th>Financial target achieved</th> <th>STI % for financial target</th> </tr> </thead> <tbody> <tr> <td>Below 95%</td> <td>Nil</td> </tr> <tr> <td>95%</td> <td>50%</td> </tr> <tr> <td>Between 95% and 110%</td> <td>Pro rata</td> </tr> <tr> <td>110% or above</td> <td>100%</td> </tr> </tbody> </table> <p>The portion of the STI subject to strategy and sustainability measures is set at a stretch level of performance.</p> <table border="1"> <thead> <tr> <th>Strategy and sustainability target achieved</th> <th>STI % for strategy and sustainability target</th> </tr> </thead> <tbody> <tr> <td>Below threshold</td> <td>80%</td> </tr> <tr> <td>Between threshold and target</td> <td>Pro rata</td> </tr> <tr> <td>At target</td> <td>100%</td> </tr> <tr> <td>Stretch</td> <td>120%</td> </tr> </tbody> </table>	Financial target achieved	STI % for financial target	Below 95%	Nil	95%	50%	Between 95% and 110%	Pro rata	110% or above	100%	Strategy and sustainability target achieved	STI % for strategy and sustainability target	Below threshold	80%	Between threshold and target	Pro rata	At target	100%	Stretch	120%
Financial target achieved	STI % for financial target																				
Below 95%	Nil																				
95%	50%																				
Between 95% and 110%	Pro rata																				
110% or above	100%																				
Strategy and sustainability target achieved	STI % for strategy and sustainability target																				
Below threshold	80%																				
Between threshold and target	Pro rata																				
At target	100%																				
Stretch	120%																				

Feature	Description
Timing of the award	<p>Assessment of performance against the performance conditions will occur following finalisation of the Group's full year results. If performance is below the threshold/ranking level for any performance condition, no portion of the STI subject to that condition will vest.</p> <p>The cash component is paid following the release of the Company's full year results in February each year. The remainder of the award (the Deferred Rights) is made available as reasonably practicable after the announcement of the Company's full year result based on the 10-day VWAP following release of the Company's annual results.</p>
Deferred rights – disposal restrictions and dividends	<p>Deferred Rights awarded as part of the 2021 STI are divided into two equal tranches:</p> <ul style="list-style-type: none"> – The Deferred Rights in Tranche 1 and the shares acquired on their exercise may not be sold or otherwise disposed of until after 31 December 2023 (two-year disposal restriction); and – The Deferred Rights in Tranche 2 and the shares acquired on their exercise may not be sold or otherwise disposed of until after 31 December 2024 (three-year disposal restriction). <p>No dividends (or voting rights) are received on the Deferred Rights during the disposal restriction period.</p> <p>On exercise, the Deferred Rights are converted to fully-paid ordinary shares in Adbri. The shares issued may not be sold or otherwise disposed of until the restriction period ends. During the restriction period, shares are eligible to receive dividends and attract voting rights.</p>
Governance	
Board discretion	The Board has absolute discretion in relation to assessing performance and determining the amount, if any, of STI awards.
Clawback	<p>The STI Plan Rules provide the Board with a broad ability to clawback awards if considered appropriate.</p> <p>In addition to the STI Plan Rules, the Board also has a formal Clawback Policy which provides the Board with the ability to reduce, forfeit or require repayment of incentives which vest (or may vest) in the case of a material misstatement in Company financial results, serious misconduct by a participant or in circumstances where incentive awards or vesting is based on incorrect information not of a financial nature.</p>
Cessation of employment or a change of control	
Cessation of employment	<p>Where an Executive resigns or is terminated for cause, all STI entitlements will be forfeited. In all other circumstances, a pro-rata portion of the STI (based on the proportion of the performance period elapsed) will remain on foot and may be paid at the end of the performance period, to the extent that the applicable performance conditions are satisfied at that time.</p> <p>The Board retains discretion to determine a different treatment.</p>
Change of control	<p>On a change of control, a pro-rata portion of the STI (based on the proportion of the performance period elapsed) may be paid, to the extent the applicable performance conditions are satisfied at that time.</p> <p>The Board retains discretion to determine a different treatment.</p>

Remuneration report continued

4 2021 Executive remuneration approach continued

4.3 Long-term incentive

Adbri's Executive Performance Share Plan (LTI) seeks to reward executives for creating strong shareholder value over the medium and longer term relative to the market. A summary of the key features of the 2021 LTI are as follows:

Feature	Description																																			
General																																				
Eligibility	The LTI is offered to Executives whose behaviour and performance have a direct impact on the Group's long-term performance.																																			
Opportunity	Managing Director and CEO: 100% of FAR Other executives: 50% – 70% of FAR																																			
Vehicle	Rights to receive fully paid ordinary shares in Adbri (Awards).																																			
Performance conditions, vesting and exercise																																				
Performance conditions and weightings	<p>Awards will only vest to the extent the following performance conditions are met over the four-year period from 1 January 2021 to 31 December 2024:</p> <ul style="list-style-type: none"> – Total Shareholder Return (TSR) – 50% weighting; – Earnings Per Share (EPS) – 25% weighting; and – Return on Capital Employed (ROCE) – 25% weighting. <p>The 2021 LTI performance conditions are outlined below. Following the annual company results announcement concerning the final year of the performance period, the Board will evaluate and test performance against each performance condition to determine the extent to which the 2021 LTI vests.</p> <table border="1"> <thead> <tr> <th>Condition</th> <th>Detail and vesting schedule</th> </tr> </thead> <tbody> <tr> <td>TSR (50% weighting)</td> <td> <p>The Company's TSR growth over the performance period to equal or exceed the growth in the median company in a bespoke comparator group, being a select group of 21 companies on the S&P/ASX that Adbri competes with for capital and talent.</p> <p>TSR has been chosen because it provides a link between Executive remuneration and changes in value experienced.</p> <p>The peer group for the TSR performance condition is comprised of the following companies:</p> <table border="1"> <tbody> <tr> <td>Boral Limited</td> <td>Iluka Resources Limited</td> <td>Orica Limited</td> </tr> <tr> <td>Brickworks Limited</td> <td>Incitec Pivot Limited</td> <td>Orora Limited</td> </tr> <tr> <td>CSR Limited</td> <td>James Hardie Industries plc</td> <td>Oz Minerals Limited</td> </tr> <tr> <td>Downer EDI Limited</td> <td>Lendlease Group</td> <td>Regis Resources Limited</td> </tr> <tr> <td>Evolution Mining Limited</td> <td>Mineral Resources Limited</td> <td>Reliance Worldwide Corporation Ltd</td> </tr> <tr> <td>Fletcher Building Limited</td> <td>Northern Star Resources Limited</td> <td>Sims Metal Management Limited</td> </tr> <tr> <td>IGO Limited</td> <td>Nufarm Limited</td> <td>St Barbara Limited</td> </tr> </tbody> </table> <p>TSR growth will be measured using average share price over the three months ending 31 December 2020 and 31 December 2024 respectively.</p> <table border="1"> <thead> <tr> <th>TSR rank in bespoke peer group</th> <th>Awards subject to TSR condition that vest (%)</th> </tr> </thead> <tbody> <tr> <td>Less than 50th percentile</td> <td>0%</td> </tr> <tr> <td>Equal to 50th percentile</td> <td>50%</td> </tr> <tr> <td>Between 50th and 75th percentile</td> <td>Pro-rata between 50% and 100%</td> </tr> <tr> <td>At or above 75th percentile</td> <td>100%</td> </tr> </tbody> </table> </td> </tr> </tbody> </table>	Condition	Detail and vesting schedule	TSR (50% weighting)	<p>The Company's TSR growth over the performance period to equal or exceed the growth in the median company in a bespoke comparator group, being a select group of 21 companies on the S&P/ASX that Adbri competes with for capital and talent.</p> <p>TSR has been chosen because it provides a link between Executive remuneration and changes in value experienced.</p> <p>The peer group for the TSR performance condition is comprised of the following companies:</p> <table border="1"> <tbody> <tr> <td>Boral Limited</td> <td>Iluka Resources Limited</td> <td>Orica Limited</td> </tr> <tr> <td>Brickworks Limited</td> <td>Incitec Pivot Limited</td> <td>Orora Limited</td> </tr> <tr> <td>CSR Limited</td> <td>James Hardie Industries plc</td> <td>Oz Minerals Limited</td> </tr> <tr> <td>Downer EDI Limited</td> <td>Lendlease Group</td> <td>Regis Resources Limited</td> </tr> <tr> <td>Evolution Mining Limited</td> <td>Mineral Resources Limited</td> <td>Reliance Worldwide Corporation Ltd</td> </tr> <tr> <td>Fletcher Building Limited</td> <td>Northern Star Resources Limited</td> <td>Sims Metal Management Limited</td> </tr> <tr> <td>IGO Limited</td> <td>Nufarm Limited</td> <td>St Barbara Limited</td> </tr> </tbody> </table> <p>TSR growth will be measured using average share price over the three months ending 31 December 2020 and 31 December 2024 respectively.</p> <table border="1"> <thead> <tr> <th>TSR rank in bespoke peer group</th> <th>Awards subject to TSR condition that vest (%)</th> </tr> </thead> <tbody> <tr> <td>Less than 50th percentile</td> <td>0%</td> </tr> <tr> <td>Equal to 50th percentile</td> <td>50%</td> </tr> <tr> <td>Between 50th and 75th percentile</td> <td>Pro-rata between 50% and 100%</td> </tr> <tr> <td>At or above 75th percentile</td> <td>100%</td> </tr> </tbody> </table>	Boral Limited	Iluka Resources Limited	Orica Limited	Brickworks Limited	Incitec Pivot Limited	Orora Limited	CSR Limited	James Hardie Industries plc	Oz Minerals Limited	Downer EDI Limited	Lendlease Group	Regis Resources Limited	Evolution Mining Limited	Mineral Resources Limited	Reliance Worldwide Corporation Ltd	Fletcher Building Limited	Northern Star Resources Limited	Sims Metal Management Limited	IGO Limited	Nufarm Limited	St Barbara Limited	TSR rank in bespoke peer group	Awards subject to TSR condition that vest (%)	Less than 50th percentile	0%	Equal to 50th percentile	50%	Between 50th and 75th percentile	Pro-rata between 50% and 100%	At or above 75th percentile	100%
Condition	Detail and vesting schedule																																			
TSR (50% weighting)	<p>The Company's TSR growth over the performance period to equal or exceed the growth in the median company in a bespoke comparator group, being a select group of 21 companies on the S&P/ASX that Adbri competes with for capital and talent.</p> <p>TSR has been chosen because it provides a link between Executive remuneration and changes in value experienced.</p> <p>The peer group for the TSR performance condition is comprised of the following companies:</p> <table border="1"> <tbody> <tr> <td>Boral Limited</td> <td>Iluka Resources Limited</td> <td>Orica Limited</td> </tr> <tr> <td>Brickworks Limited</td> <td>Incitec Pivot Limited</td> <td>Orora Limited</td> </tr> <tr> <td>CSR Limited</td> <td>James Hardie Industries plc</td> <td>Oz Minerals Limited</td> </tr> <tr> <td>Downer EDI Limited</td> <td>Lendlease Group</td> <td>Regis Resources Limited</td> </tr> <tr> <td>Evolution Mining Limited</td> <td>Mineral Resources Limited</td> <td>Reliance Worldwide Corporation Ltd</td> </tr> <tr> <td>Fletcher Building Limited</td> <td>Northern Star Resources Limited</td> <td>Sims Metal Management Limited</td> </tr> <tr> <td>IGO Limited</td> <td>Nufarm Limited</td> <td>St Barbara Limited</td> </tr> </tbody> </table> <p>TSR growth will be measured using average share price over the three months ending 31 December 2020 and 31 December 2024 respectively.</p> <table border="1"> <thead> <tr> <th>TSR rank in bespoke peer group</th> <th>Awards subject to TSR condition that vest (%)</th> </tr> </thead> <tbody> <tr> <td>Less than 50th percentile</td> <td>0%</td> </tr> <tr> <td>Equal to 50th percentile</td> <td>50%</td> </tr> <tr> <td>Between 50th and 75th percentile</td> <td>Pro-rata between 50% and 100%</td> </tr> <tr> <td>At or above 75th percentile</td> <td>100%</td> </tr> </tbody> </table>	Boral Limited	Iluka Resources Limited	Orica Limited	Brickworks Limited	Incitec Pivot Limited	Orora Limited	CSR Limited	James Hardie Industries plc	Oz Minerals Limited	Downer EDI Limited	Lendlease Group	Regis Resources Limited	Evolution Mining Limited	Mineral Resources Limited	Reliance Worldwide Corporation Ltd	Fletcher Building Limited	Northern Star Resources Limited	Sims Metal Management Limited	IGO Limited	Nufarm Limited	St Barbara Limited	TSR rank in bespoke peer group	Awards subject to TSR condition that vest (%)	Less than 50th percentile	0%	Equal to 50th percentile	50%	Between 50th and 75th percentile	Pro-rata between 50% and 100%	At or above 75th percentile	100%				
Boral Limited	Iluka Resources Limited	Orica Limited																																		
Brickworks Limited	Incitec Pivot Limited	Orora Limited																																		
CSR Limited	James Hardie Industries plc	Oz Minerals Limited																																		
Downer EDI Limited	Lendlease Group	Regis Resources Limited																																		
Evolution Mining Limited	Mineral Resources Limited	Reliance Worldwide Corporation Ltd																																		
Fletcher Building Limited	Northern Star Resources Limited	Sims Metal Management Limited																																		
IGO Limited	Nufarm Limited	St Barbara Limited																																		
TSR rank in bespoke peer group	Awards subject to TSR condition that vest (%)																																			
Less than 50th percentile	0%																																			
Equal to 50th percentile	50%																																			
Between 50th and 75th percentile	Pro-rata between 50% and 100%																																			
At or above 75th percentile	100%																																			

Feature	Description																										
<p>Performance conditions and weightings continued</p>	<table border="1"> <thead> <tr> <th data-bbox="421 573 544 600">Condition</th> <th data-bbox="584 573 874 600">Detail and vesting schedule</th> </tr> </thead> <tbody> <tr> <td data-bbox="421 611 544 663">EPS (25% weighting)</td> <td data-bbox="584 611 1493 813"> <p>The compound annual growth in the Company's EPS over the performance period to equal or exceed 5% p.a., based on the actual EPS disclosed in the audited annual accounts of the Company for the financial year ended 31 December 2021 (as the EPS 'base point') and the financial year ended 31 December 2024. The Board retains discretion to adjust earnings across the performance period for individually material items.</p> <p>EPS has been chosen because dividends form a fundamental value proposition to shareholders in the sector in which Adbri operates.</p> <table border="1"> <thead> <tr> <th data-bbox="592 846 639 873">EPS</th> <th data-bbox="1046 824 1437 875">Awards subject to EPS condition that vest (%)</th> </tr> </thead> <tbody> <tr> <td data-bbox="592 887 719 913">Less than 5%</td> <td data-bbox="1046 887 1078 913">0%</td> </tr> <tr> <td data-bbox="592 925 647 952">At 5%</td> <td data-bbox="1046 925 1094 952">50%</td> </tr> <tr> <td data-bbox="592 963 783 990">Between 5% to 10%</td> <td data-bbox="1046 963 1366 990">Pro-rata between 50% and 100%</td> </tr> <tr> <td data-bbox="592 1001 759 1028">At 10% or greater</td> <td data-bbox="1046 1001 1102 1028">100%</td> </tr> </tbody> </table> </td> </tr> <tr> <td data-bbox="421 1055 544 1106">ROCE (25% weighting)</td> <td data-bbox="584 1055 1493 1272"> <p>The average of the Company's ROCE in each year over the performance period to equal or exceed 0.5% p.a. below the average of each annual budget ROCE over the relevant period.</p> <p>The Board will retain absolute discretion to adjust earnings (e.g. due to acquisitions, restructuring, capital expenditure) and funds employed across the performance period when testing ROCE.</p> <p>ROCE has been chosen to ensure that near term decision making delivers benefits to shareholders over the longer term.</p> <table border="1"> <thead> <tr> <th data-bbox="592 1323 655 1350">ROCE</th> <th data-bbox="1046 1301 1461 1352">Awards subject to ROCE condition that vest (%)</th> </tr> </thead> <tbody> <tr> <td data-bbox="592 1361 959 1413">More than 0.5% p.a. below average of annual budget ROCE</td> <td data-bbox="1046 1384 1078 1411">0%</td> </tr> <tr> <td data-bbox="592 1424 863 1476">0.5% p.a. below the average annual budget ROCE</td> <td data-bbox="1046 1447 1094 1473">50%</td> </tr> <tr> <td data-bbox="592 1487 1007 1538">Between 0.5% p.a. below & 0.5% p.a. above the average annual budget ROCE</td> <td data-bbox="1046 1509 1366 1536">Pro-rata between 50% and 100%</td> </tr> <tr> <td data-bbox="592 1550 927 1601">Above 0.5% p.a. or higher than the average of annual budget ROCE</td> <td data-bbox="1046 1572 1102 1599">100%</td> </tr> </tbody> </table> </td> </tr> </tbody> </table> <p data-bbox="421 1659 1445 1742">The Board retains discretion to adjust the performance conditions or vesting schedules in exceptional circumstances to ensure a participant is neither advantaged nor disadvantaged by matters that may materially affect achievement of the performance conditions.</p>	Condition	Detail and vesting schedule	EPS (25% weighting)	<p>The compound annual growth in the Company's EPS over the performance period to equal or exceed 5% p.a., based on the actual EPS disclosed in the audited annual accounts of the Company for the financial year ended 31 December 2021 (as the EPS 'base point') and the financial year ended 31 December 2024. The Board retains discretion to adjust earnings across the performance period for individually material items.</p> <p>EPS has been chosen because dividends form a fundamental value proposition to shareholders in the sector in which Adbri operates.</p> <table border="1"> <thead> <tr> <th data-bbox="592 846 639 873">EPS</th> <th data-bbox="1046 824 1437 875">Awards subject to EPS condition that vest (%)</th> </tr> </thead> <tbody> <tr> <td data-bbox="592 887 719 913">Less than 5%</td> <td data-bbox="1046 887 1078 913">0%</td> </tr> <tr> <td data-bbox="592 925 647 952">At 5%</td> <td data-bbox="1046 925 1094 952">50%</td> </tr> <tr> <td data-bbox="592 963 783 990">Between 5% to 10%</td> <td data-bbox="1046 963 1366 990">Pro-rata between 50% and 100%</td> </tr> <tr> <td data-bbox="592 1001 759 1028">At 10% or greater</td> <td data-bbox="1046 1001 1102 1028">100%</td> </tr> </tbody> </table>	EPS	Awards subject to EPS condition that vest (%)	Less than 5%	0%	At 5%	50%	Between 5% to 10%	Pro-rata between 50% and 100%	At 10% or greater	100%	ROCE (25% weighting)	<p>The average of the Company's ROCE in each year over the performance period to equal or exceed 0.5% p.a. below the average of each annual budget ROCE over the relevant period.</p> <p>The Board will retain absolute discretion to adjust earnings (e.g. due to acquisitions, restructuring, capital expenditure) and funds employed across the performance period when testing ROCE.</p> <p>ROCE has been chosen to ensure that near term decision making delivers benefits to shareholders over the longer term.</p> <table border="1"> <thead> <tr> <th data-bbox="592 1323 655 1350">ROCE</th> <th data-bbox="1046 1301 1461 1352">Awards subject to ROCE condition that vest (%)</th> </tr> </thead> <tbody> <tr> <td data-bbox="592 1361 959 1413">More than 0.5% p.a. below average of annual budget ROCE</td> <td data-bbox="1046 1384 1078 1411">0%</td> </tr> <tr> <td data-bbox="592 1424 863 1476">0.5% p.a. below the average annual budget ROCE</td> <td data-bbox="1046 1447 1094 1473">50%</td> </tr> <tr> <td data-bbox="592 1487 1007 1538">Between 0.5% p.a. below & 0.5% p.a. above the average annual budget ROCE</td> <td data-bbox="1046 1509 1366 1536">Pro-rata between 50% and 100%</td> </tr> <tr> <td data-bbox="592 1550 927 1601">Above 0.5% p.a. or higher than the average of annual budget ROCE</td> <td data-bbox="1046 1572 1102 1599">100%</td> </tr> </tbody> </table>	ROCE	Awards subject to ROCE condition that vest (%)	More than 0.5% p.a. below average of annual budget ROCE	0%	0.5% p.a. below the average annual budget ROCE	50%	Between 0.5% p.a. below & 0.5% p.a. above the average annual budget ROCE	Pro-rata between 50% and 100%	Above 0.5% p.a. or higher than the average of annual budget ROCE	100%
Condition	Detail and vesting schedule																										
EPS (25% weighting)	<p>The compound annual growth in the Company's EPS over the performance period to equal or exceed 5% p.a., based on the actual EPS disclosed in the audited annual accounts of the Company for the financial year ended 31 December 2021 (as the EPS 'base point') and the financial year ended 31 December 2024. The Board retains discretion to adjust earnings across the performance period for individually material items.</p> <p>EPS has been chosen because dividends form a fundamental value proposition to shareholders in the sector in which Adbri operates.</p> <table border="1"> <thead> <tr> <th data-bbox="592 846 639 873">EPS</th> <th data-bbox="1046 824 1437 875">Awards subject to EPS condition that vest (%)</th> </tr> </thead> <tbody> <tr> <td data-bbox="592 887 719 913">Less than 5%</td> <td data-bbox="1046 887 1078 913">0%</td> </tr> <tr> <td data-bbox="592 925 647 952">At 5%</td> <td data-bbox="1046 925 1094 952">50%</td> </tr> <tr> <td data-bbox="592 963 783 990">Between 5% to 10%</td> <td data-bbox="1046 963 1366 990">Pro-rata between 50% and 100%</td> </tr> <tr> <td data-bbox="592 1001 759 1028">At 10% or greater</td> <td data-bbox="1046 1001 1102 1028">100%</td> </tr> </tbody> </table>	EPS	Awards subject to EPS condition that vest (%)	Less than 5%	0%	At 5%	50%	Between 5% to 10%	Pro-rata between 50% and 100%	At 10% or greater	100%																
EPS	Awards subject to EPS condition that vest (%)																										
Less than 5%	0%																										
At 5%	50%																										
Between 5% to 10%	Pro-rata between 50% and 100%																										
At 10% or greater	100%																										
ROCE (25% weighting)	<p>The average of the Company's ROCE in each year over the performance period to equal or exceed 0.5% p.a. below the average of each annual budget ROCE over the relevant period.</p> <p>The Board will retain absolute discretion to adjust earnings (e.g. due to acquisitions, restructuring, capital expenditure) and funds employed across the performance period when testing ROCE.</p> <p>ROCE has been chosen to ensure that near term decision making delivers benefits to shareholders over the longer term.</p> <table border="1"> <thead> <tr> <th data-bbox="592 1323 655 1350">ROCE</th> <th data-bbox="1046 1301 1461 1352">Awards subject to ROCE condition that vest (%)</th> </tr> </thead> <tbody> <tr> <td data-bbox="592 1361 959 1413">More than 0.5% p.a. below average of annual budget ROCE</td> <td data-bbox="1046 1384 1078 1411">0%</td> </tr> <tr> <td data-bbox="592 1424 863 1476">0.5% p.a. below the average annual budget ROCE</td> <td data-bbox="1046 1447 1094 1473">50%</td> </tr> <tr> <td data-bbox="592 1487 1007 1538">Between 0.5% p.a. below & 0.5% p.a. above the average annual budget ROCE</td> <td data-bbox="1046 1509 1366 1536">Pro-rata between 50% and 100%</td> </tr> <tr> <td data-bbox="592 1550 927 1601">Above 0.5% p.a. or higher than the average of annual budget ROCE</td> <td data-bbox="1046 1572 1102 1599">100%</td> </tr> </tbody> </table>	ROCE	Awards subject to ROCE condition that vest (%)	More than 0.5% p.a. below average of annual budget ROCE	0%	0.5% p.a. below the average annual budget ROCE	50%	Between 0.5% p.a. below & 0.5% p.a. above the average annual budget ROCE	Pro-rata between 50% and 100%	Above 0.5% p.a. or higher than the average of annual budget ROCE	100%																
ROCE	Awards subject to ROCE condition that vest (%)																										
More than 0.5% p.a. below average of annual budget ROCE	0%																										
0.5% p.a. below the average annual budget ROCE	50%																										
Between 0.5% p.a. below & 0.5% p.a. above the average annual budget ROCE	Pro-rata between 50% and 100%																										
Above 0.5% p.a. or higher than the average of annual budget ROCE	100%																										
<p>Exercise of Awards</p>	<p>Following testing of the performance conditions, vested Awards will be automatically exercised. One fully paid ordinary share in Adbri (Share) will be allocated for each vested Award.</p> <p>Awards are granted at no cost to the Executive and no amount is payable by the Executive on the exercise of the Awards.</p>																										
<p>Holding period</p>	<p>To strengthen the alignment between the interests of the shareholders and executives, as well as encourage a focus on longer term shareholder value, a holding period will apply to Shares allocated upon vesting of Awards, commencing from the date of allocation to 1 May 2026.</p>																										

4 2021 Executive remuneration approach continued

4.3 Long-term incentive continued

Feature	Description
Governance	
Clawback	<p>The rules of the Plan provide the Board with the ability to clawback Awards or Shares if considered appropriate.</p> <p>In addition to the rules of the Plan, the Board also has a formal Clawback Policy which provides the Board with the ability to reduce, forfeit or require repayment of incentives which vest (or may vest) in the case of a material misstatement in Company financial results, serious misconduct by a participant or in circumstances where incentive awards or vesting is based on incorrect information not of a financial nature.</p>
Other conditions	<p>An Executive's entitlement to shares under an Award may also be adjusted to take account of capital reconstructions and bonus issues.</p> <p>The rules of the Plan contain a restriction on removing the 'at risk' aspect of the instruments granted to Executives. Plan participants may not enter into any transaction designed to remove the 'at risk' aspect of an instrument before it becomes exercisable (e.g. hedging the Awards).</p> <p>Under the Company's Share Trading Policy, Company securities acquired under an incentive plan must never be hedged prior to vesting or while subject to a holding lock or similar dealing restriction. Until the Awards vest, Executives have no legal or beneficial interest in Shares, no entitlement to receive dividends and no voting rights in relation to any securities granted under the 2021 LTI, or any of the other Awards.</p> <p>Any Shares allocated to the Executive following exercise of an Award may only be dealt with in accordance with the Company's Share Trading Policy and are subject to the generally applicable insider trading prohibitions.</p>
Cessation of employment or a change of control	
Cessation	<p>Where an Executive resigns or is terminated for cause, all LTI entitlements will be forfeited. In all other circumstances, a pro-rata portion of the LTI (based on the proportion of the performance period elapsed) will remain on foot and may vest at the end of the performance period, to the extent the applicable performance conditions are satisfied at that time.</p> <p>The Board retains discretion to determine a different treatment.</p>
Change of control	<p>On a change of control, a pro-rata portion of the LTI (based on the proportion of the performance period elapsed) may vest, to the extent the applicable performance conditions are satisfied at that time.</p> <p>The Board retains discretion to determine a different treatment.</p>

4.4 Managing Director and CEO Performance Award (MD Performance Award)

In 2021, a review of the Managing Director and CEO's remuneration arrangements was conducted to understand market competitiveness, and the expansion of responsibilities as a result of being appointed to the Board in October 2021. The review indicated that the Managing Director and CEO's total remuneration was below Adbri's preferred remuneration market positioning.

In addition, the Managing Director and CEO has been instrumental in setting the transformational agenda for Adbri and will remain essential to the delivery of the Company's strategy over the long term.

In light of this, the Board considers a remuneration adjustment is appropriate to maintain market competitiveness and reflect the Managing Director and CEO's critical role in executing Adbri's transformation and growth agenda. To ensure the remuneration adjustment is also aligned to maintaining and growing long-term shareholder value, a one-off LTI equity grant is proposed to be made instead of adjustments to his fixed remuneration or other elements of his remuneration arrangements. This is in addition to the LTI plan and established further strategic performance targets for the Managing Director and CEO.

The following table sets out the key terms of the MD Performance Award. The grant is subject to shareholder approval at Adbri's 2022 Annual General Meeting, and further details are provided in the Company's Notice of Meeting.

Feature	Description
Opportunity	100% of FAR, which will bring the Managing Director and CEO's maximum total remuneration in line with Adbri's remuneration positioning policy.
Vehicle	Rights to receive fully-paid ordinary shares in Adbri (Awards)
Performance measures	<p>Vesting of Awards will be subject to achievement of strategic and sustainable growth initiatives over the three-year period from 2022 to 2024.</p> <p>The proposed performance measures will be aligned with the following strategic initiatives:</p> <ol style="list-style-type: none"> Business transformation: Initiatives related to diversifying, expanding, and optimising the Company's asset and market base. Enhance Adbri market position: Initiatives related to enhancing the Adbri brand, reputation and recognition, as viewed by customers, employees, stakeholders and the government. Climate change response: Achievement of emission reduction targets and initiatives related to emissions reduction technologies. Creating one Adbri: Initiatives related to gender and cultural diversity and enhancing organisation capability. <p>The Board has set meaningful and stretch metrics to support these strategic initiatives and while the performance targets remain commercial in confidence, details of the performance assessment and vesting outcomes will be disclosed in subsequent Annual Reports.</p>

4.5 Other Executive arrangements

In 2018, a retention payment was granted to Mr Dell, the full details of which were disclosed in the 2018 Remuneration Report. The payments were not 'additional' lump sum payments but had been structured such that they bring forward the vesting of part of future STI and LTI. Accordingly, following payment of these amounts, existing or future STI or LTI Awards were adjusted downwards to reflect the prepayment of these incentives, including the value of Mr Dell's 2020 STI being \$198,114 which was adjusted downwards to zero. In September 2021, the Board resolved to reduce the balance of outstanding retention (being \$147,740) for Mr Dell down to zero, on the basis the Company's financial performance in recent years has created a delay in the full offset being realised in the expected timeframe of three financial years.

5 Linking executive remuneration to company performance

5.1 Company performance

The Group delivered a robust profit performance, with underlying net profit after tax (NPAT) of \$119.1 million for the year ended 31 December 2021, 3% higher than the prior year, and a reported NPAT of \$116.7 million, 25% higher than the prior period. This was a good result in light of the challenge of change in the long-term lime contracts, the impact of government-imposed COVID shutdowns across some of our operations and delays to our shipping and logistics channels which increased demurrage and transportation costs.

During the year, and despite significant operational disruption, the Company advanced a number of strategic initiatives to transform the business, which will deliver long-term value for shareholders. These include:

- improvements to operational efficiency, particularly at our Birkenhead operation;
- increased market position in the infrastructure market; and
- value accretive and synergistic acquisitions that build-out our vertically integrated position in supply constrained markets.

The operational cash flow performance condition for the 2021 STI was partially met, primarily due to volume recovery and strong working capital management. The balance sheet remains strong with gearing steady at 34.5% and leverage within the Company's preferred bands of 1 – 2 x EBITDA. A final dividend of 7.0 cents per share has been declared for shareholders, bringing total dividends for the year to 12.5 cents per share.

A five-year summary of key financial performance metrics of the Company is set out below.

		2017	2018	2019	2020	2021	CAGR %
Sales	\$m	1,559.6	1,630.6	1,517.0	1,454.2	1,569.2	0.6
NPAT reported	\$m	182.7	185.3	47.3	93.7	116.7	(10.6)
NPAT underlying	\$m	197.8	190.9	122.9	115.6	119.1	(11.9)
Share price	\$/share	6.52	4.27	3.46	3.35	2.82	(18.9)
Dividends declared	cents/share	24.5	28.0	5.0	12.0	12.5	(15.5)
Franking	%	100.0	100.0	100.0	100.0	100.0	N/A
Operating cash flow	\$m	224.2	244.7	193.2	256.2	195.2	(3.4)
Basic earnings per share	cents	28.1	28.5	7.3	14.4	17.9	(10.7)

5.2 STI

5.2.1 Performance assessment

STI outcomes reflect Executive accountability for performance outcomes delivered throughout the year. In respect of financial targets, the Board compares the actual results against the budget for the reporting year and assesses the degree to which the Group meets targets. For the Managing Director and CEO and the Executive team, the Board considers performance against the agreed strategy and sustainability targets.

The targets for the 2021 STI were set against an uncertain background, particularly due to expected declining building activity and risk with the ongoing COVID pandemic impact. Additionally, the Board considers adjustments for exceptional, abnormal, or extraordinary factors which may affect the Group's performance during the year.

For 2021 results, the Board considered the material improvement in revenue, recovery of lime contract volumes and progress on cost reduction initiatives were offset by the cost overruns related to the delayed return of the *Accolade* and extended shutdown time at our Birkenhead facility. These were taken into consideration when assessing performance against STI operating cash flow and Group NPAT performance conditions.

Performance condition	Reason chosen	Performance assessment	Vesting outcome
Financial performance – 80% weighting			
Group NPAT	NPAT is used as the primary condition for measuring Group financial performance as it closely reflects shareholder experience.	Group NPAT was assessed as meeting the STI stretch target. A key driver of performance was our ability to provide our customers with reliable domestic supply. This was delivered despite key logistics, cost and operational challenges faced by many Australian businesses. It is recognised that the achievement of the stretch target has been aided by market conditions. As such, the profit contribution from the sale of Hilltop land has been excluded from the performance assessment. In addition, the Executives delivered a number of medium and long-term strategic and cost saving initiatives. The underlying profit after tax excluding profit on land was \$113.0 million, meeting stretch targets.	100%
Divisional EBIT	The Chief Operating Officers of the operational divisions have a component of the STI attributed to the contribution of their division, which is assessed using EBIT.	The Cement and Lime team successfully secured lime volumes to supply Alcoa through to January 2023 as well as securing new customers, delivering a significant recovery of lime volumes to the Group and met the STI threshold performance. The Concrete, Aggregates & Masonry team likewise performed well and met stretch targets.	60–100%
Group operational cash flow	Operational cash flow recognises the importance of cash management to drive shareholder value through an ability to return capital to shareholders.	The operational cash flow measure was met primarily due to volume recovery and strong working capital management. Absolute working capital levels have risen mainly due to increased turnover levels in the last months of 2021. Debtor days significantly improved.	69%
Safety and sustainability performance – 20% weighting			
Safety Drive improvements in safety from December 2020	The health and safety of our people is our number one priority. In addition to this performance condition, a safety gateway also applies to the 2021 STI.	Significant improvements have been made in our lead indicator areas, however the 10% improvement in TRIFR required was not met, with TRIFR increasing to 6.3 in 2021.	0%
Inclusivity Increase female participation in the workforce	To support the achievement of the Company's long-term targets with respect to female participation in the workforce.	The KPI for 2021 targeted a 16.3% female participation rate. The Group's actual performance against this target was 16.1% female participation leading to a 92% payout against this STI. Importantly, we have activated a range of initiatives to help reach this target including 50% of all shortlisted candidates for a role being female and partnerships with learning and community organisations and labour hire companies to increase the female candidate talent pool.	92%

Remuneration report continued

5 Linking executive remuneration to company performance continued

5.2 STI continued

5.2.1 Performance assessment continued

Performance condition	Reason chosen	Performance assessment	Vesting outcome
Customer focus Drive value through enhanced customer engagement	This strategic pillar is about maintaining a key focus on customers and their needs. The Executive team has been set a challenge to develop new core systems and customer satisfaction metrics and to deliver market share growth.	STI stretch targets were met through the design and implementation of customer care plans, the successful implementation of a CRM platform (Salesforce) with customer satisfaction now being tracked through Qualtrix (both implemented in November 2021). Future metrics will include customer net promoter scores and customer satisfaction index targets.	120%
Sustainable growth (Birkenhead) Driving better value at Birkenhead through increased use of RDF and cost savings	A focus area for our operational teams is driving value for shareholders through lower cost operations and lower carbon emissions through a benchmarking study at our major cement facility in Birkenhead, South Australia.	STI targets were set with respect to the levels of RDF usage, and cost per tonne improvement initiatives identified. The stretch target of 30% RDF usage was met during the year. STI measures were also set with respect to carbon reduction targets, with the stretch target of a 3.8% reduction for Scope 1 and 2 emissions (2019 base) being met during 2021. Following our aspirational commitment to net zero by 2050 we commenced work on our Net Zero Emissions Roadmap and provided a number of progress reports to the Board. We have committed to release the roadmap ahead of our 2022 AGM.	120%
Sustainable growth (carbon emissions) Reporting of a carbon reduction roadmap to the Board with a reduction in scope 1 and 2 emissions from 2019			120%
Sustainable growth (Managing Director and CEO only) Drive accretive value by implementing agreed strategic direction	The Managing Director and CEO was also set an additional target to drive accretive growth through the delivery of a strategic roadmap and identified strategic projects.	The stretch targets were met through the ongoing delivery of the Company's vertical integration strategy and achievement of 50% of milestone objectives for priority 1 initiatives, which included strategic acquisitions in Victoria, New South Wales and Queensland.	120%

5.2.2 2021 STI outcomes

In 2021, cash flow targets met threshold, the NPAT target was exceeded, and a large number of strategic and cost-saving initiatives were delivered by the Executive, despite imperfect operational performance. The Board considers that appropriate downward adjustments have been made to ensure STI outcomes are aligned to our shareholder experience, while still being reflective of the Executive team's significant contributions in 2021.

The Board's assessment, taking into account achievement of STI measures, moderating factors, and Company performance throughout 2021, was to set the STI outcome at 80% of the potential maximum STI for Executives, to align Executive outcomes with the shareholder experience.

The table below summarises the STI outcomes for Executives for 2021.

	Maximum potential STI opportunity \$	Actual STI as % of STI maximum %	Lapsed STI %	Actual STI total \$	Actual STI paid in the form of		
					Cash STI \$	Equity deferred (2 years) \$	Equity deferred (3 years) \$
Nick Miller	1,645,310	80.0	20.0	1,316,248	658,124	329,062	329,062
Theresa Mlikota	567,216	80.0	20.0	453,773	226,886	113,443	113,443
Brett Brown	449,280	80.0	20.0	359,424	179,712	89,856	89,856
Andrew Dell	449,280	80.0	20.0	359,424	179,712	89,856	89,856

5.3 LTI

In 2021, Adbri tested the 2017 LTI Award for vesting against the TSR and EPS performance conditions and it was determined that performance over the four-year performance period failed to meet the threshold for vesting performance conditions, without any vesting to Executives.

Performance condition	Weighting	Performance assessment	Result
TSR	50%	Adbri's TSR growth was 29.8% placing the Company's percentile at 17.83%, which is below the vesting threshold for TSR of 50%.	0%
EPS	50%	The compound annual growth in EPS over the performance period of 14.2% was below the vesting threshold for EPS of 50%.	0%

No LTI awards vested, and no Board discretion was applied in the assessment of the LTI, which aligns with the shareholder experience given the lower share price.

Executive	Awards					Value of 2021 awards at grant date ⁵ \$	Fair value of 2021 award at grant date \$/Award	Value per share at the date of exercise ⁶ \$
	Held at 1 Jan 2021 Number	Granted during the year ¹ Number	Exercised/ vested during the year ² Number	Lapsed/ forfeited during the year ³ Number	Held at 31 Dec 2021 ⁴ Number			
Nick Miller	745,825	481,532	-	-	1,227,357	876,389	1.82	-
Theresa Mlikota	214,419	150,788	-	-	365,207	283,481	1.88	-
Brett Brown	115,932	85,312	-	-	201,244	162,093	1.90	-
Andrew Dell	149,835	85,312	-	(32,540)	202,607	164,226	1.93	-

1. This represents the maximum number of Awards granted in 2021 that may vest to each Executive. The Awards were granted between 13 July to 23 July 2021. As the Awards granted in 2021 only vest on satisfaction of performance conditions which are to be tested in future financial periods, none of these Awards vested or were forfeited during the year. At the end of the applicable performance period, any Awards that have not vested will expire.

2. During the 2021 year, only the 2017 Awards were eligible for testing. The threshold conditions for vesting of these Awards were not met and all 2017 Awards lapsed. The number of Awards that vested during the period and were exercisable at 31 December 2021 is nil. The number of Awards that vested but were not yet exercisable at 31 December 2021 is nil.

3. This includes the portion of 2017 Awards that reached the end of their performance period on 31 December 2020 that did not meet the performance conditions and were forfeited.

4. Awards subject to performance conditions which remain unvested (2018, 2019, 2020 and 2021 Awards), and which will be tested for vesting during the period 2022 to 2025.

5. Fair value of Awards granted during 2021 as at grant date.

6. The value per share at the date of exercise is the Volume Weighted Closing Price which is the average of the closing price and number of Adbri Limited shares traded on the Australian Securities Exchange for the five trading days before the exercise date, but not including the day of exercise. The aggregate value of Awards that vested during the year is nil.

Remuneration report continued

6 Non-executive Directors' fees

6.1 Policy and approach to setting Director fees

Feature	Description																								
Overview of policy	<p>Non-executive Directors receive a base fee in relation to their service as a Director of the Board, and an additional fee for membership of, or for chairing a committee.</p> <p>In line with the Board's determination in 2020 that no committee fees would be payable for membership of the Nomination and Governance Committee, no fees were paid to Non-executive Directors for service on the Nomination and Governance Committee in 2021.</p> <p>The total amount of fees paid to Non-executive Directors is determined by the Board on the recommendation of its People and Culture Committee within the maximum aggregate amount approved by shareholders. The remuneration of Non-executive Directors consists of Directors' fees, committee fees and superannuation contributions. These fees are not linked to the performance of the Group in order to maintain the independence and impartiality of Non-executive Directors.</p> <p>In setting fee levels, the People and Culture Committee takes into account:</p> <ul style="list-style-type: none"> - Independent professional advice; - Fees paid by comparable companies; - The general time commitment and responsibilities involved; and - The level of remuneration necessary to attract and retain Directors of a suitable calibre. 																								
Aggregate fees approved by shareholders	<p>Total fees, including committee fees, were set within the maximum aggregate amount of \$1,600,000 per annum, approved at the 2017 Annual General Meeting.</p> <p>No Director fee increases were applied in 2021. This followed from the Board's decision in November 2019 that Non-executive Directors' fees for 2020 would remain at the same rates as applied in 2019.</p>																								
Base fees for 2021	<p>Fees for the Chairman and Non-executive Directors are reviewed annually and considered against peer companies. Fees payable to Non-executive Directors are inclusive of contributions to superannuation. The table below provides the annual fees payable to Directors.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Base fees (Board)</th> <th colspan="2" style="text-align: right;">\$</th> </tr> </thead> <tbody> <tr> <td>Chairman</td> <td colspan="2" style="text-align: right;">147,900</td> </tr> <tr> <td>Deputy Chair and Lead Independent Director</td> <td colspan="2" style="text-align: right;">265,200</td> </tr> <tr> <td>Non-executive Director</td> <td colspan="2" style="text-align: right;">132,600</td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Committee fees</th> <th style="text-align: right;">Committee Chair</th> <th style="text-align: right;">Committee Member</th> </tr> <tr> <td></td> <th style="text-align: right;">\$</th> <th style="text-align: right;">\$</th> </tr> </thead> <tbody> <tr> <td>Fee for each committee except Nomination and Governance Committee</td> <td style="text-align: right;">30,600</td> <td style="text-align: right;">15,300</td> </tr> <tr> <td>Nomination and Governance Committee</td> <td style="text-align: right;">0</td> <td style="text-align: right;">0</td> </tr> </tbody> </table> <p>In accordance with the Company's constitution, Directors are also permitted to be paid additional fees for special duties or exertions. Such fees may or may not be included in the aggregate amount approved by shareholders, as determined by the Directors. No such fees were paid during the year.</p> <p>Directors are also entitled to be reimbursed for all business-related expenses, including travel, as may be incurred in the discharge of their duties.</p>	Base fees (Board)	\$		Chairman	147,900		Deputy Chair and Lead Independent Director	265,200		Non-executive Director	132,600		Committee fees	Committee Chair	Committee Member		\$	\$	Fee for each committee except Nomination and Governance Committee	30,600	15,300	Nomination and Governance Committee	0	0
Base fees (Board)	\$																								
Chairman	147,900																								
Deputy Chair and Lead Independent Director	265,200																								
Non-executive Director	132,600																								
Committee fees	Committee Chair	Committee Member																							
	\$	\$																							
Fee for each committee except Nomination and Governance Committee	30,600	15,300																							
Nomination and Governance Committee	0	0																							

6.2 Non-executive Directors' minimum shareholding requirement

Adbri's Non-executive Director Minimum Shareholding Policy enhances Board alignment with shareholder interests and encourages Non-executive Directors to accumulate and maintain a meaningful level of ownership in Adbri.

During their tenure on the Board, Non-executive Directors are expected to acquire (within five years of their appointment or within five years of the policy being adopted, whichever is later) a shareholding equivalent in value to one year's base fees (Minimum Shareholding) and thereafter to maintain at least that level of shareholding throughout their tenure. Non-executive Directors who are in office when this policy was adopted will have five-years from July 2018 to achieve the minimum shareholding requirement.

Details of the current shareholdings for Non-executive Directors as at 31 December 2021 are provided in Section 8 of this report.

6.3 Non-executive Directors' statutory remuneration

Non-executive Director	Year	Fees and allowances			Post-employment benefits superannuation contributions ¹
		Directors' base fees (incl. super-annuation)	Committee fees (incl. super-annuation)	Total	
Current non-executive Directors					
Raymond Barro	2021	132,600	15,300	147,900	12,831
	2020	132,600	15,300	147,900	12,831
Dr Vanessa Guthrie AO	2021	265,200	45,900	311,100	-
	2020	204,927	45,900	250,827	5,424
Rhonda Barro	2021	132,600	15,300	147,900	12,831
	2020	132,600	15,300	147,900	12,831
Ken Scott-Mackenzie	2021	132,600	58,688	191,288	16,988
	2020	132,600	54,246	186,846	16,210
Emma Stein ²	2021	132,600	45,900	178,500	15,547
	2020	132,600	38,946	171,546	14,883
Geoff Tarrant	2021	132,600	15,300	147,900	12,831
	2020	132,600	15,300	147,900	12,831
Michael Wright ³	2021	70,216	7,650	77,866	7,070

1. Superannuation contributions are made on behalf of Non-executive Directors which satisfy the Group's obligations under applicable Superannuation Guarantee Charge legislation.

2. Emma Stein was appointed to the Chair – Audit Risk and Compliance Committee on 14 June 2020 explaining the increase in committee fees from 2020 to 2021.

3. Michael Wright was appointed to Non-executive Director on 25 June 2021. He was appointed to the Safety, Health, Environment and Sustainability Committee on 26 July 2021, the People and Culture Committee on 25 October 2021 and the Nomination and Governance Committee on 25 October 2021.

Remuneration report continued

7 Executive service agreements and statutory remuneration tables

7.1 Executive service agreements

The remuneration and other terms of employment for Executives are set out in formal employment contracts referred to as 'Service Agreements'. Following a review of the Managing Director and CEO's Service Agreement in 2021, a material change clause was included in his Service Agreement to align with market practice.

The key terms of the Executive Service Agreements are outlined below:

	Managing Director and CEO	Other Executives
Notice period	Ongoing term of service with 12 months' notice by either party (or payment in lieu)	Ongoing term of service with six-months' notice by either party (or payment in lieu)
Severance ¹	12 months' fixed annual remuneration where the Company terminates on notice 12 months' fixed annual remuneration where employment is terminated due to a material change in role	Six-months' fixed annual remuneration where the Company terminates on notice

1. In the case of resignation, the Board has discretion as to whether a separation payment is made to the Executive (in addition to other amounts due and payable up to the date of ceasing employment). In the event of termination for serious misconduct, the Managing Director and CEO and Executives are not entitled to any payment on termination other than remuneration and leave entitlements up to the date of termination.

7.2 Executive statutory remuneration

The following statutory table sets out the statutory accounting expense in whole dollars of all remuneration-related items for the Executives (including the Managing Director and CEO) and has been prepared in accordance with the accounting standards and has been audited.

Executive	Year	Short-term benefits			Post-employment benefit Superannuation ³	Equity based benefits			Total	% of remuneration consisting of awards ⁵
		FAR	Cash STI ¹	Other benefits ²		Deferred STI ¹	TEES	LTI ⁴		
Nick Miller	2021	1,497,750	658,124	44,264	26,250	658,124	-	212,839	3,097,351	6.9
	2020	1,455,551	495,300	-	24,185	495,300	-	88,102	2,558,438	3.2
Theresa Mlikota	2021	659,118	226,886	-	22,632	226,886	-	62,803	1,198,325	5.2
	2020	660,339	211,650	-	21,411	211,650	-	22,821	1,127,871	2.0
Brett Brown	2021	517,368	179,712	25,000	22,632	179,712	985	34,023	959,432	3.5
	2020	440,289	156,150	-	21,491	156,150	999	13,220	788,299	1.7
Andrew Dell	2021	514,333	179,712	25,000	22,917	179,712	985	60,816	983,475	6.2
	2020	420,043	-	-	24,000	-	999	11,069	456,111	2.4
Former Executive										
Brad Lemmon ⁶	2020	541,100	110,000	-	25,000	-	999	-	677,099	-

1. STI includes amounts relating to performance accrued at the end of each year but not paid until the subsequent year.

2. Other benefits relate to one-off allowances to cover out-of-pocket expenses incurred by Mr Brown for relocation to South Australia, and by Mr Dell for additional travel to the Company's Sydney office, as a result of their appointments to the new Chief Operating Officer roles, and underpayment of the Managing Director and CEO's salary in 2020.

3. Includes Company contributions to superannuation and allocations by employees made by way of salary sacrifice of fixed remuneration.

4. In accordance with the requirements of the Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year. The notional value of equity instruments is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that the individual Executives may ultimately realise should the equity instruments vest. The notional value of Awards as at the date of their grant has been determined in accordance with the accounting policy Note 27.

5. Percentage of remuneration for the financial year which consists of the amortised fair value of Awards issued under the Adbri Limited Executive Performance Share Plan.

6. Brad Lemmon ceased as KMP in his role as Executive General Manager, Cement and Lime on 31 December 2020 and his employment ceased on 1 July 2021. As part of his termination arrangements, Mr Lemmon received a payment of \$110,000 in March 2021 in respect of the 2020 STI, forfeited all rights in respect of the 2018, 2019 and 2020 LTI Awards and received a redundancy payment of \$283,050 (less applicable tax).

8 Additional statutory disclosures

8.1 Equity holdings of KMP

A summary of KMP current shareholdings in the Company as at 31 December 2021 is set out below. The balances reported include shares held directly, indirectly, or beneficially by each KMP or close members of their family or an entity over which the person or the family member has either direct or indirect control, joint control, or significant influence as at 31 December 2021.

While the Board has introduced minimum shareholding guidelines for Non-executive Directors, the Board considers Executives' interests are aligned to those of our shareholders through the LTI and STI Deferral (as the LTI and STI Deferral are subject to share price fluctuations). The Board continues to review alignment as part of the design of future Executive incentives.

	Balance at beginning of year	Granted as remuneration during the year			Net movement due to other changes	Balance at end of year
		LTI	TEES	Deferred STI		
Current Executives						
Nick Miller	42,000	-	-	150,424	-	192,424
Theresa Mlikota	-	-	-	64,275	-	64,275
Brett Brown	3,408	-	316	47,420	-	51,144
Andrew Dell	10,528	-	316	-	-	10,844
Current Non-executive Directors						
Raymond Barro ¹	279,178,329	-	-	-	-	279,178,329
Dr Vanessa Guthrie AO	105,000	-	-	-	-	105,000
Rhonda Barro ²	278,787,781	-	-	-	-	278,787,781
Ken Scott-Mackenzie	20,000	-	-	-	-	20,000
Emma Stein	30,676	-	-	-	22,727	53,403
Geoff Tarrant	-	-	-	-	30,000	30,000
Michael Wright	-	-	-	-	-	-

1. The balances relating to Mr Barro include shares owned by entities over which Mr Barro has a significant influence, or which he jointly controls, but he does not control these entities himself.

2. The balances relating to Ms Barro include shares owned by entities over which Ms Barro has a significant influence, or which she jointly controls, but she does not control these entities herself.

8.2 Loans and other transactions

There are no loans to KMP outstanding in the current or prior year.

All other transactions with KMP and their related entities and other related parties are conducted on an arm's length basis and made on normal commercial terms and conditions.

Consolidated income statement

For the year ended 31 December 2021	Notes	Consolidated	
		2021 \$M	2020 \$M
Continuing operations			
Revenue from contracts with customers	5	1,569.2	1,454.2
Cost of sales		(1,030.6)	(939.6)
Freight and distribution costs		(305.3)	(278.5)
Change in loss provision	9	7.5	1.2
Gross profit		240.8	237.3
Other income	5	11.7	5.7
Marketing costs		(21.0)	(20.6)
Administration costs		(89.6)	(77.8)
Finance costs	6	(19.4)	(22.6)
Impairment	2(b),15	-	(21.7)
Share of net profits of joint ventures and associates accounted for using the equity method	22(b)	33.3	26.9
Profit before income tax		155.8	127.2
Income tax expense	7(a)	(39.1)	(33.6)
Profit for the year		116.7	93.6
Profit is attributable to:			
Equity holders of the Company		116.7	93.7
Non-controlling interests		-	(0.1)
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	4	17.9	14.4
Diluted earnings per share	4	17.8	14.3

The above consolidated income statement should be read in conjunction with the accompanying notes

Consolidated statement of comprehensive income

For the year ended 31 December 2021	Notes	Consolidated	
		2021 \$M	2020 \$M
Profit for the year		116.7	93.6
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations	20(a)	(0.1)	(0.1)
Changes in the fair value of cash flow hedges	20(a)	13.5	(9.3)
Income tax relating to these items	7(c)	(4.0)	2.7
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gain on retirement benefit obligation	26(b)	3.5	0.1
Income tax expense relating to these items	7(c)	(1.0)	-
Other comprehensive income/(loss) for the year, net of tax		11.9	(6.6)
Total comprehensive income for the year		128.6	87.0
Total comprehensive income for the year is attributable to:			
Owners of the Company		128.6	87.1
Non-controlling interests		-	(0.1)
Total comprehensive income for the year		128.6	87.0

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes

Consolidated balance sheet

As at 31 December 2021	Notes	Consolidated	
		2021 \$M	2020 \$M
Current assets			
Cash and cash equivalents	8(a)	124.7	94.0
Trade and other receivables	9	223.4	200.7
Inventories	10	153.9	152.1
Current tax assets		14.3	5.7
Assets held for sale	11	14.0	-
Total current assets		530.3	452.5
Non-current assets			
Receivables	9	87.7	45.6
Retirement benefit asset	26(b)	7.0	4.1
Investments accounted for using the equity method	22	215.0	197.8
Property, plant and equipment	12	1,088.2	1,059.1
Right-of-use assets	13	72.6	82.7
Intangible assets	14	282.1	281.1
Total non-current assets		1,752.6	1,670.4
Total assets		2,282.9	2,122.9
Current liabilities			
Trade and other payables		187.2	172.0
Lease liabilities	13	4.8	3.9
Provisions	16	36.8	37.7
Other current liabilities		1.3	7.7
Total current liabilities		230.1	221.3
Non-current liabilities			
Borrowings	17	562.1	466.1
Lease liabilities	13	76.7	84.8
Deferred tax liabilities	7(e)	81.3	63.7
Provisions	16	63.7	65.0
Total non-current liabilities		783.8	679.6
Total liabilities		1,013.9	900.9
Net assets		1,269.0	1,222.0
Equity			
Share capital	18	741.2	740.1
Reserves	20(a)	3.7	(6.2)
Retained earnings	20(b)	521.8	485.8
Capital and reserves attributable to owners of the Company		1,266.7	1,219.7
Non-controlling interests		2.3	2.3
Total equity		1,269.0	1,222.0

The above consolidated balance sheet should be read in conjunction with the accompanying notes

Consolidated statement of changes in equity

Consolidated	Notes	Attributable to owners of Adbri Limited				Non-controlling interests \$M	Total equity \$M
		Share capital \$M	Reserves \$M	Retained earnings \$M	Total \$M		
Balance at 1 January 2021		740.1	(6.2)	485.8	1,219.7	2.3	1,222.0
Profit/(loss) for the year		-	-	116.7	116.7	-	116.7
Other comprehensive income (loss)		-	9.4	2.5	11.9	-	11.9
Total comprehensive income/(loss) for the year		-	9.4	119.2	128.6	-	128.6
Transactions with owners in their capacity as owners:							
Dividends provided for or paid	19	-	-	(83.2)	(83.2)	-	(83.2)
Executive Performance Share Plan	20(a)	-	0.5	-	0.5	-	0.5
Employee Equity Participation Share Plan	18(b)	1.1	-	-	1.1	-	1.1
		1.1	0.5	(83.2)	(81.6)	-	(81.6)
Balance at 31 December 2021		741.2	3.7	521.8	1,266.7	2.3	1,269.0
Balance at 1 January 2020		739.0	0.2	455.7	1,194.9	2.4	1,197.3
Profit/(loss) for the year		-	-	93.6	93.6	(0.1)	93.5
Other comprehensive income (loss)		-	(6.7)	0.1	(6.6)	-	(6.6)
Total comprehensive income/(loss) for the year		-	(6.7)	93.7	87.0	(0.1)	86.9
Transactions with owners in their capacity as owners:							
Dividends provided for or paid	19	-	-	(63.6)	(63.6)	-	(63.6)
Executive Performance Share Plan	20(a)	-	0.3	-	0.3	-	0.3
Employee Equity Participation Share Plan	18(b)	1.1	-	-	1.1	-	1.1
		1.1	0.3	(63.6)	(62.2)	-	(62.2)
Balance at 31 December 2020		740.1	(6.2)	485.8	1,219.7	2.3	1,222.0

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Consolidated statement of cash flows

For the year ended 31 December 2021	Notes	Consolidated	
		2021 \$M	2020 \$M
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		1,699.9	1,639.9
Payments to suppliers and employees (inclusive of goods and services tax)		(1,478.4)	(1,365.6)
Joint venture distributions received		19.0	16.5
Interest received		0.3	1.9
Interest paid		(15.3)	(18.7)
Other income		4.4	1.3
Income taxes paid		(34.7)	(50.0)
Income tax refunds		-	31.2
Net cash inflow from operating activities	8(b)	195.2	256.2
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		(140.5)	(136.4)
Proceeds from sale of property, plant and equipment		2.9	4.5
Loans to joint venture entities		(32.2)	(2.0)
Repayment of loans from other parties		-	0.5
Net cash (outflow) from investing activities		(169.8)	(133.4)
Cash flows from financing activities			
Proceeds from issues of shares		1.1	1.1
Drawdown of borrowings	8(d)	135.0	460.0
Repayment of borrowings	8(d)	(40.0)	(535.0)
Lease payments	8(d)	(7.5)	(7.8)
Dividends paid to Company's shareholders	19	(83.2)	(63.6)
Net cash inflow/(outflow) from financing activities		5.4	(145.3)
Net increase/(decrease) in cash and cash equivalents		30.8	(22.5)
Cash and cash equivalents at the beginning of the financial year		94.0	116.8
Effects of exchange rate changes on cash and cash equivalents		(0.1)	(0.3)
Cash and cash equivalents at end of year		124.7	94.0

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Notes to the financial statements

1 Summary of significant accounting policies

Adbri Limited (the Company) is a company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

The financial report was authorised for issue by the Directors on 24 February 2022. The Directors have the power to amend and reissue the financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are either set out below or included in the accompanying notes. Unless otherwise stated, these policies have been consistently applied to all the years presented. Unless otherwise stated, the financial statements are for the consolidated entity consisting of Adbri Limited and its subsidiaries.

(a) Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The Company is a for-profit entity for the purpose of preparing the financial statements.

Comparative information has been restated where appropriate to enhance comparability.

(i) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the circumstances where the fair value method has been applied as detailed in the accounting policies.

(ii) Compliance with IFRS

The consolidated financial statements of the Adbri Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(iii) New and amended standards adopted by the Group

New standards and amendments applied for the first time for the annual reporting period commencing 1 January 2021 did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) New accounting standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the 31 December 2021 reporting period and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(b) Climate-change related impacts

The Group makes estimates and assumptions concerning the future, including climate-related matters. There is considerable uncertainty over assumptions under various climate change scenarios and how they may impact the Group's business operations, and the subsequent impact on cash flow projections. Adbri regularly assesses its assumptions to reflect the market it operates within, the sustainability targets it sets and the commitments made to investors and other stakeholders.

The estimates and assumptions, notably those relating to assets and goodwill impairments, useful lives of assets, capital expenditure and research and development, recovery of deferred tax assets, provisions and contingent liabilities, insurance costs and defined benefit pension plans have been based on the available information and regulations in place as at 31 December 2021, and are aligned with the Group's published 2024 sustainability targets detailed in the 2021 Sustainability Report.

Notes to the financial statements continued

1 Summary of significant accounting policies continued

(b) Climate-change related impacts continued

(i) Risk management

The cement and lime industries are traditionally associated with high, hard-to-abate greenhouse emissions and Adbri is exposed to a variety of regulatory, and voluntary, frameworks to report on and reduce emissions, some of which may be under revision. These frameworks could affect the business activities of Adbri. Based on the Task Force on Climate-Related Financial Disclosures (TCFD) recommendation, within Adbri's risk management system, climate change risk is assessed noting physical and transitional risks.

This work continues to evolve. Sustainability is linked to Adbri's core strategy to make the transition towards net zero emissions by 2050. Adbri has set intermediate targets for 2024. 2030 targets will be set as part of the Group's NZE Roadmap which is expected to be published prior to the Group's 2022 Annual General Meeting.

Adbri notes the significance of many uncertainties which are likely to impact Adbri's achievement of its net zero transition including:

- Government policies
- Effective carbon pricing mechanisms internationally
- Market demand for low-carbon products and solutions
- Availability and cost of alternative fuels and lower emissions energy
- Commercialisation of technologies that lower process emissions.

(ii) Impairment testing

Cash flow projections used in the impairment testing process are based upon financial budgets approved by the Board, external forecasts of market growth rates, and expected operating margins and capital expenditure, including projected expenditure required to meet the Group's 2024 emission reduction targets.

(iii) Useful lives of assets

Useful lives of assets may be affected by climate-related matters. Any changes in useful lives, as a result of climate-related matters, will have a direct impact on the amount of depreciation, and/or amortisation, recognised each year. Management's assessment of useful lives has taken into consideration the impacts of the Group's 2024 emission reduction targets.

(iv) Capital expenditure and research and development

The Group's research and development and capital expenditures are aligned to the Group's strategy focussing on new and alternative technologies and products, in line with the Group's 2024 emission reduction targets, impacting either capital expenditure or the Income Statement.

(v) Taxes

Climate-related matters have been considered in the assessment of the future taxable profits on which the recognition of deferred tax assets are based. Business plans used for the recognition of deferred tax assets have been aligned with the ones used in the impairment testing process taking into account the Group's 2024 emission reduction targets.

(vi) Provisions and contingent liabilities

The Group's provisions and contingent liabilities for the 2021 financial year have taken into consideration the Group's current climate-related 2024 targets.

(vii) Insurance

The change in climate may result in more regular and intense climate events which can have a significant impact on the Group's production with business interruption, accident or damages. This may increase the Group's insurance costs due to higher amounts at stake or the Group's costs with more frequent uninsurable events.

(viii) Defined benefit pension plans

Climate-related risks alongside other risks are regularly reviewed and monitored with the Trustee of the defined benefits plan. Where changes are made to investment or governance approaches to better manage climate-related risk, then the implications for expected returns, and employer costs or contributions are also considered.

(c) Principles of consolidation**(i) Subsidiaries**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries controlled by Adbri Limited as at 31 December 2021 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in this financial report as 'the Group'.

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 1(e)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Employee Share Plan Trust

The Group has formed a trust to administer the Group's employee share schemes. The Company that acts as the Trustee is consolidated as the company is controlled by the Group. The share scheme trusts are not consolidated as they are not controlled by the Group.

(iii) Non-controlling interests

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and the consolidated balance sheet respectively. The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. For changes in ownership interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity.

(d) Foreign currency translation**(i) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian Dollars, which is Adbri Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement or deferred in equity if the gain or loss relates to a qualifying cash flow hedge.

Notes to the financial statements continued

1 Summary of significant accounting policies continued

(d) Foreign currency translation continued

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each consolidated balance sheet presented are translated at the closing rate at the date of the consolidated balance sheet;
- Income and expenses for each consolidated income statement and consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale where applicable.

(e) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving equities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred over the fair value of the Group's share of the acquiree's net identifiable assets is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated income statement.

(f) Rounding of amounts

The Company is of a kind referred to in the ASIC Legislative Instrument 2016/191, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that instrument to the nearest one hundred thousand dollars, unless otherwise stated.

(g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense incurring that GST.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included in other receivables or liabilities in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(h) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and usually paid within the Group's standard terms. Trade and other payables are presented as current liabilities unless payment is not due within the 12-month reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Financial performance overview

2 Segment reporting

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Managing Director and CEO. These reports include segmental information on the basis of product groups and are used to regularly evaluate how to allocate resources and in assessing performance.

A disaggregation of revenue using existing segments and the timing of the transfer of goods and services (at a point in time versus over time) is considered by management to be adequate for the Group's circumstances.

The two reportable segments have been identified as follows:

- Cement, Lime, Concrete and Aggregates
- Masonry

The operating segments Cement, Lime, Concrete and Aggregates individually meet the quantitative thresholds required by AASB 8 Operating Segments as well as meeting the aggregation criteria allowing them to be reported as one segment. In considering aggregation of these segments, management assessed revenue growth and gross margin as the economic indicators to determine that the aggregated operating segments share similar economic characteristics.

The major end-use of Adbri's products include residential and non-residential construction, engineering construction, industrial manufacturing and mining sectors within Australia.

(b) Segment information provided to the Managing Director and CEO

The segment information provided to Managing Director and CEO for the reportable segments is as follows:

	Cement, Lime, Concrete and Aggregates \$M	Masonry \$M	Unallocated \$M	Total \$M
31 December 2021				
Total segment operating revenue	1,380.0	148.5	-	1,528.5
Inter-segment revenue	(94.2)	-	-	(94.2)
Revenue from external customers	1,285.8	148.5	-	1,434.3
Depreciation and amortisation	(85.5)	(5.9)	(4.5)	(95.9)
EBIT	205.0	8.0	(38.1)	174.9
Underlying EBIT	203.4	8.1	(33.2)	178.3
Share of net profits of joint ventures and associate entities accounted for using the equity method	33.3	-	-	33.3
31 December 2020				
Total segment operating revenue	1,262.9	146.1	-	1,409.0
Inter-segment revenue	(89.0)	-	-	(89.0)
Revenue from external customers	1,173.9	146.1	-	1,320.0
Depreciation and amortisation	(83.6)	(6.1)	(3.7)	(93.4)
Impairment:				
Property, plant and equipment	(20.6)	(1.1)	-	(21.7)
EBIT	170.4	7.0	(29.8)	147.6
Underlying EBIT	199.8	8.0	(28.9)	178.9
Share of net profits of joint ventures and associate entities accounted for using the equity method	26.9	-	-	26.9

Notes to the financial statements continued

2 Segment reporting continued

(b) Segment information provided to the Managing Director and CEO continued

Sales between segments are carried out at arm's length and are eliminated on consolidation.

The operating revenue includes revenue from external customers and a share of revenue from the joint ventures and associates in proportion to the Group's ownership interest, excluding freight, other product revenue and royalty revenue. A reconciliation of segment operating revenue to revenue from continuing operations is provided as follows:

	Consolidated	
	2021 \$M	2020 \$M
Total segment operating revenue	1,528.5	1,409.0
Inter-company revenue elimination	(94.2)	(89.0)
Freight revenue	127.6	128.0
Other	5.4	5.6
Royalties	1.9	0.6
Revenue from continuing operations	1,569.2	1,454.2

The performance of the operating segments is based on a measure of underlying earnings before interest and tax (EBIT). This measurement basis excludes the effect of significant items and net interest. A reconciliation of the EBIT to operating profit before income tax is provided as follows:

	Consolidated	
	2021 \$M	2020 \$M
Underlying EBIT	178.3	178.9
Impairment	-	(21.7)
Change in loss provision	3.3	(2.7)
Corporate & restructuring costs	(5.9)	(6.9)
Acquisition costs	(0.8)	-
Net interest	(19.1)	(20.4)
Profit/(loss) before income tax	155.8	127.2

(c) Other segment information

Revenues of \$269.3 million (2020: \$218.1 million) are derived from a single customer. These revenues are attributable to the Cement, Lime, Concrete and Aggregates segment.

3 Critical accounting estimates and assumptions

The Group makes estimates and assumptions in preparing the financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. This note provides an overview of the areas that involved a higher degree of judgement or complexity and of items which are more likely to be materially adjusted due to estimates and assumptions differing to actual outcomes. The areas involving significant estimates and assumptions are listed below.

- Inventories – Note 10
- Impairment tests – Note 15
- Provisions for close-down and restoration costs – Note 16
- Retirement benefit obligations – Note 26

4 Earnings per share

Accounting policy – earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assuming conversion of all dilutive potential ordinary shares.

	Consolidated	
	2021 Cents	2020 Cents
Basic earnings per share	17.9	14.4
Diluted earnings per share	17.8	14.3

	Consolidated	
	2021 Shares	2020 Shares
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating earnings per share	652,543,443	652,129,815
Adjustments for calculation of diluted earnings per share:		
Awards	2,424,343	1,757,678
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	654,967,786	653,887,493

	Consolidated	
	2021 \$M	2020 \$M
Reconciliation of earnings used in calculating earnings per share		
Basic and diluted earnings per share		
Profit after tax	116.7	93.6
Loss attributable to non-controlling interests	-	0.1
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	116.7	93.7

Notes to the financial statements continued

5 Revenue from contracts with customers and other income

Accounting policy – revenue recognition

Revenue is recognised for the major business activities as follows:

(i) Revenue from contracts with customers

Revenue from the sale of goods is recognised at a point in time when control of the product has transferred, being where goods are shipped to the customer, risk of loss has been transferred to the customer and there is objective evidence that all criteria for acceptance has been satisfied. Revenue is recognised based on the price specified in the sales order, net of any discounts.

(ii) Interest income

Finance income comprises interest income recognised on financial assets at amortised cost. Interest income is recognised as it accrues, using the effective interest rate method.

A disaggregation of revenue at a product level is provided in Note 2.

	Consolidated	
	2021 \$M	2020 \$M
Revenue		
Revenue from contracts with customers	1,567.3	1,453.6
Royalties	1.9	0.6
	1,569.2	1,454.2
Other income		
Net gain on disposal of property, plant and equipment	7.0	0.3
Rental income	1.7	1.3
Interest from joint ventures	–	0.2
Interest from other parties	0.3	2.0
Other income	2.7	1.9
	11.7	5.7
Total revenue from contracts with customers and other income	1,580.9	1,459.9

The Group has an active strategy of managing its property portfolio to drive additional value into the business. During the year, the Group realised a net gain on the sale of properties of \$7.6 million (2020: \$0.7 million) which is recognised in other income, partially offset by losses on disposal of plant and equipment of \$0.6 million (2020: \$0.4 million).

6 Expenses

Profit before income tax includes the following specific expenses:

	Notes	Consolidated	
		2021 \$M	2020 \$M
Depreciation	12, 13	94.8	91.2
Amortisation of intangibles	14	1.1	2.2
Impairment of property, plant and equipment		–	21.7
Other charges			
Employee benefits expenses		181.3	181.7
Superannuation expense		13.2	13.4

Accounting policy – borrowing costs

Borrowing costs that are directly attributable to the construction of any qualifying asset are capitalised into the cost base of the asset during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

	Consolidated	
	2021 \$M	2020 \$M
Finance costs		
Interest and finance charges paid/payable for lease liabilities and financial liabilities not at fair value through profit or loss	18.8	22.8
Unwinding of the discount on restoration provisions	1.2	0.3
Total finance costs	20.0	23.1
Amount capitalised ¹	(0.6)	(0.5)
Total finance costs	19.4	22.6

1. The rate used to determine the amount of borrowing costs to be capitalised is the average interest rate applicable to the Group's outstanding borrowings during the year, being 1.90% p.a. (2020: 1.54% p.a.).

7 Income tax

Accounting policy – income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted for changes in deferred tax assets and liabilities attributable to temporary differences and to previously unused tax losses. The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit and loss, except to the extent it relates to items recognised in other comprehensive income or directly in equity.

Tax consolidation

Adbri Limited and its wholly-owned Australian subsidiaries implemented the Australian tax consolidation legislation as of 1 January 2004. Adbri Limited, as the head entity in the tax consolidated group, recognises current tax liabilities and tax losses (subject to meeting the 'probable test') relating to all transactions, events and balances of the tax consolidated group as if those transactions, events and balances were its own.

The entities in the tax consolidated group are part of a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of default by the head entity, Adbri Limited.

Amounts receivable or payable under a tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense.

The wholly-owned entities fully compensate Adbri Limited for any current tax payable assumed and are compensated by Adbri Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Adbri Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entity's financial statements.

Individual tax consolidated entities recognise tax expenses and revenues and current and deferred tax balances in relation to their own taxable income, temporary differences and tax losses, using the separate taxpayer within the group method. Entities calculate their current and deferred tax balances on the basis that they are subject to tax as part of the tax consolidated group.

Deferred tax balances relating to assets that had their tax values reset on joining the tax consolidated group have been remeasured based on the carrying amount of those assets in the tax consolidated group and their reset tax values. The adjustment to these deferred tax balances is recognised in the consolidated financial statements against income tax expense.

(a) Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated	
	2021 \$M	2020 \$M
Profit before income tax expense	155.8	127.2
Tax at the Australian tax rate of 30.0% (2020 – 30.0%)	46.7	38.2
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-allowable expenses	0.2	0.3
Non-assessable income	(4.9)	(3.2)
Rebateable dividends	(1.7)	(1.2)
Other deductions	–	(0.2)
Previously unrecognised capital tax losses offset against capital gains	(0.9)	–
(Over)/under provided in prior years	(0.3)	(0.3)
Aggregate income tax expense	39.1	33.6
Aggregate income tax expense comprises:		
Current tax on profits for the year	25.3	40.0
Net deferred tax expense/(benefit)	14.1	(6.1)
(Over)/under provided in the prior year	(0.3)	(0.3)
	39.1	33.6

(b) Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting year not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:

Net deferred tax expense/(benefit)	(0.1)	(0.1)
------------------------------------	-------	-------

(c) Tax expense relating to items of other comprehensive income

Changes in the fair value of cash flow hedges	(4.0)	2.7
Actuarial (losses)/gains on retirement benefit obligation	(1.0)	–

(d) Tax losses

Unused tax losses for which no deferred tax asset has been recognised:

Revenue losses	0.7	0.7
Capital losses	10.2	11.1

This benefit for tax losses will only be obtained if:

- (i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the Group continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

Notes to the financial statements continued

7 Income tax continued

(d) Tax losses continued

	Consolidated	
	2021 \$M	2020 \$M
The balance comprises temporary differences attributable to:		
Share-based payment reserve	0.4	0.2
Provisions	22.2	39.6
Lease liabilities	24.4	26.5
Other assets	17.2	6.4
Deferred tax assets – before offset	64.2	72.7
Offset deferred tax liability (Note 7(e))	(64.2)	(72.7)
Net deferred tax assets – after offset	-	-
Movements:		
Opening balance at 1 January – before offset	72.7	67.2
Recognised in the income statement	(8.7)	5.4
Recognised in other comprehensive income	0.1	0.1
Under/(over) provision in prior year	0.1	-
Closing balance at 31 December – before offset	64.2	72.7

(e) Non-current deferred tax liabilities

	Consolidated	
	2021 \$M	2020 \$M
The balance comprises temporary differences attributable to:		
Property, plant and equipment	93.5	82.9
Right-of-use assets	22.1	25.1
Inventories	14.1	13.8
Other	15.8	14.6
Deferred tax liabilities – before offset	145.5	136.4
Offset deferred tax assets (note 7(d))	(64.2)	(72.7)
Net deferred tax liabilities – after offset	81.3	63.7
Movements:		
Opening balance at 1 January – before offset	136.4	141.8
Recognised in the income statement	9.4	(3.6)
(Over)/under provision in prior year	(0.3)	(1.8)
Closing balance at 31 December – before offset	145.5	136.4

8 Note to statement of cash flows

(a) Cash and cash equivalents

Accounting policy – cash and cash equivalents

Cash and cash equivalents includes cash on hand, term deposits and deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

	Consolidated	
	2021 \$M	2020 \$M
Current		
Cash at bank and in hand	120.9	91.2
Term deposits	2.7	2.8
Cash held in trust	1.1	-
Cash and cash equivalents	124.7	94.0

(i) Offsetting

The Group has an offsetting agreement with its bank for cash facilities. This agreement allows the Group to manage cash balances on a total basis, offsetting individual cash balances against overdrafts. The value of all overdrafts at 31 December 2021 was \$4.0 million (2020: \$nil).

(ii) Risk exposure

The Group's exposure to interest rate risk is discussed in Note 21. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

(b) Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated	
	2021 \$M	2020 \$M
Profit for the year	116.7	93.6
Depreciation, amortisation and other impairment	95.9	115.1
Share-based payments	(0.4)	(0.2)
Finance charges on remediation provision	1.2	0.3
Interest on lease liabilities	2.9	3.1
(Gain)/loss on sale of non-current assets	(7.0)	(0.3)
Share of profits of joint ventures, net of dividends received	(14.4)	(10.3)
Non-cash retirement benefits expense	0.6	0.5
Non-cash remediation (asset increase)/obligation	(1.7)	1.7
Capitalised interest	(0.6)	(0.5)
Other	5.3	1.7
Net cash provided by operating activities before changes in assets and liabilities	198.5	204.7
Change in operating assets and liabilities, net of effects from purchase of business combinations:		
(Increase)/decrease in inventories	(1.8)	3.1
Decrease/(increase) in prepayments	2.0	(2.1)
(Increase)/decrease in receivables	(66.8)	20.1
Increase/(decrease) in trade creditors	15.2	27.1
(Decrease)/increase in provisions	(2.2)	2.2

Notes to the financial statements continued

8 Note to statement of cash flows continued

(b) Reconciliation of profit after income tax to net cash inflow from operating activities (continued)

	Consolidated	
	2021 \$M	2020 \$M
Increase/(decrease) in income taxes payable	8.6	22.8
Increase/(decrease) in deferred taxes liabilities	17.6	(10.9)
Increase/(decrease) in other operating assets	24.1	(10.8)
Net cash inflow from operating activities	195.2	256.2

(c) Net debt reconciliation

	Consolidated	
	2021 \$M	2020 \$M
Cash and cash equivalents	124.7	94.0
Borrowings – repayable after more than one year	(562.1)	(466.1)
Net debt¹	(437.4)	(372.1)

1. The net debt calculation does not include lease liabilities of \$81.5 million at 31 December 2021 (2020 \$88.7 million).

(d) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Other assets	Liabilities from financing activities			Total \$M
	Cash/ bank over- draft \$M	Borrowings due after 1 year \$M	Leases due within 1 year \$M	Leases due after 1 year \$M	
Net debt as at 1 January 2020	116.8	(540.1)	(5.7)	(81.9)	(510.9)
Cash flows	(22.8)	75.0	7.8	-	60.0
Acquisition – leases	-	-	-	(7.6)	(7.6)
Other non-cash movements	-	(1.0)	(6.1)	4.8	(2.3)
Net debt as at 31 December 2020	94.0	(466.1)	(4.0)	(84.7)	(460.8)
Lease liabilities	-	-	4.0	84.7	88.7
Net debt excluding lease liabilities at 31 December 2020	94.0	(466.1)	-	-	(372.1)
Cash flows	30.8	(95.0)	7.5	-	(56.7)
Acquisition – leases	-	-	-	(2.2)	(2.2)
Other non-cash movements	(0.1)	(1.0)	(8.3)	10.2	0.8
Net debt as at 31 December 2021	124.7	(562.1)	(4.8)	(76.7)	(518.9)
Lease liabilities	-	-	4.8	76.7	81.5
Net debt excluding lease liabilities at 31 December 2021	124.7	(562.1)	-	-	(437.4)

Balance sheet items

9 Trade and other receivables

Accounting policy – trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less loss allowance provision. Trade receivables are typically due for settlement no more than 30 to 45 days from the end of the month of invoice. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate method.

The Group applies the simplified approach to providing for expected credit losses for all trade receivables as set out in Note 21(c).

The amount of the provision is recognised in the income statement. When a trade receivable for which a loss allowance provision has been recognised becomes uncollectible in a subsequent period, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against expenses in the income statement.

	Consolidated	
	2021 \$M	2020 \$M
Current		
Trade receivables	173.2	167.5
Loss allowance provision	(10.4)	(17.9)
	162.8	149.6
Amounts receivable from joint ventures	36.4	31.9
Prepayments	7.6	9.6
Other receivables	16.6	9.6
Total current	223.4	200.7
Non-current		
Loans to joint ventures	76.7	44.5
Other non-current receivables	11.0	1.1
Total non-current	87.7	45.6
Movement in loss allowance provision		
Opening balance at 1 January	17.9	19.1
Amounts written off during the year	(7.5)	(1.2)
Closing balance at 31 December	10.4	17.9

Fair value and credit, interest and foreign exchange risk

Due to the short-term nature of current receivables, their carrying value is assumed to approximate their fair value. All receivables are denominated in Australian Dollars. Information concerning the fair value and risk management of both current and non-current receivables is set out in Note 21(b).

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above.

Notes to the financial statements continued

10 Inventories

Accounting policy – inventories

Raw materials and stores, work-in-progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cashflow hedges relating to purchases of raw materials. Costs of engineering spare parts and stores are assigned to individual items of inventory on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Significant estimates – bulk inventory quantities

Inventory quantities are verified through stocktakes where inventory is either counted or, in the case of bulk materials, volumetric surveys are converted to weight using density factors. Volumetric surveys are performed by independent surveyors utilising aerial and laser surveys.

	Consolidated	
	2021 \$M	2020 \$M
Current		
Finished goods	58.0	60.8
Raw materials and work-in-progress	63.3	58.1
Engineering spare parts stores	32.6	33.2
	153.9	152.1

Inventory expense

Inventories recognised as expense during the year ended 31 December 2021 and included in cost of sales amounted to \$984.7 million (2020: \$898.0 million).

There was no material adjustment to inventories net realisable value during the year ended 31 December 2021 (2020: \$nil).

11 Assets held for sale

Accounting policy – assets held for sale

Assets are classified as held for sale if it is highly probable that the carrying amount will be recovered through a sale transaction rather than through continued use. Assets classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell. The current balance represents property in Rosehill that is in the process of being compulsorily acquired by the New South Wales Government.

	Consolidated	
	2021 \$M	2020 \$M
Land	4.7	-
Buildings	0.3	-
Property plant and equipment	9.0	-
	14.0	-

12 Property, plant and equipment

Accounting policy – property, plant and equipment

Property, plant and equipment is shown at historical cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

(i) Mineral reserves

Mineral reserves are amortised based on annual extraction rates over the estimated life of the reserves from 2 – 50 years. The remaining useful life of each asset is reassessed at regular intervals. Where there is a change during the period to the useful life of the mineral reserve, amortisation rates are adjusted prospectively from the beginning of the reporting period.

(ii) Major plant replacement assets

The costs of replacing major components of complex assets are depreciated on a straight-line basis over the estimated useful life, generally being the period until the next scheduled replacement 5 – 10 years.

(iii) Leasehold property

The cost of improvements to or on leasehold properties is amortised on a straight-line basis over the unexpired period of the lease or the estimated useful life, whichever is the shorter. Amortisation is over 5 – 30 years.

(iv) Other fixed assets

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or deemed cost amounts, over their estimated useful lives, as follows:

- Buildings 20 – 40 years
- Plant and equipment 3 – 40 years

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the asset's carrying amount. These are included in the income statement.

Notes to the financial statements continued

12 Property, plant and equipment continued

Accounting policy – property, plant and equipment continued

(iv) Other fixed assets continued

	Freehold land \$M	Buildings \$M	Leasehold property \$M	Plant and equip- ment \$M	Mineral reserves \$M	Asset retirement cost \$M	In course of con- struction \$M	Total \$M
Consolidated at 31 December 2021								
Cost or fair value	206.4	154.1	9.6	1,593.8	214.3	54.2	112.2	2,344.6
Accumulated depreciation	-	(82.5)	(5.9)	(1,088.8)	(61.7)	(17.5)	-	(1,256.4)
Net carrying amount	206.4	71.6	3.7	505.0	152.6	36.7	112.2	1,088.2
Reconciliation								
Opening carrying amount	214.7	75.3	4.2	492.7	157.3	39.8	75.1	1,059.1
Additions	-	-	-	-	-	-	140.5	140.5
Addition transfers to asset categories	-	1.4	-	99.0	0.2	-	(100.6)	-
Disposals	(3.6)	(0.2)	-	(1.5)	-	-	-	(5.3)
Reclassification to intangibles	-	-	-	(0.7)	-	-	(2.8)	(3.5)
Reclassification to assets held for sale	(4.7)	(0.3)	-	(9.0)	-	-	-	(14.0)
Remeasurement reclassification	-	-	-	-	-	(1.2)	-	(1.2)
Depreciation/ amortisation	-	(4.6)	(0.5)	(75.5)	(4.9)	(1.9)	-	(87.4)
Carrying amount at 31 December 2021	206.4	71.6	3.7	505.0	152.6	36.7	112.2	1,088.2
Consolidated at 31 December 2020								
Cost or fair value	214.7	153.4	9.6	1,544.1	215.5	55.2	75.1	2,267.6
Accumulated depreciation	-	(78.1)	(5.4)	(1,051.4)	(58.2)	(15.4)	-	(1,208.5)
Net carrying amount	214.7	75.3	4.2	492.7	157.3	39.8	75.1	1,059.1
Reconciliation								
Opening carrying amount	190.5	80.0	4.7	511.9	153.2	42.8	50.6	1,033.7
Additions	25.2	0.3	-	77.3	10.3	0.3	20.6 ¹	134.0
Disposals	(1.0)	-	-	(3.3)	-	-	-	(4.3)
Remeasurement reclassification	-	-	-	-	-	(2.9)	3.9	1.0
Impairment loss	-	-	-	(21.7)	-	-	-	(21.7)
Depreciation/ amortisation	-	(5.0)	(0.5)	(71.5)	(6.2)	(0.4)	-	(83.6)
Carrying amount at 31 December 2020	214.7	75.3	4.2	492.7	157.3	39.8	75.1	1,059.1

1. Additions to assets in course of construction are net of transfers to other asset categories.

13 Leases

Accounting policy – leases

The Group leases various offices, warehouses and plant and equipment. Rental contracts are typically made for fixed periods with most having a tenure of up to 10 years. There are a small number of leases that extend beyond the 10-year lease period including one lease with a lease term of 50 years. Many leases also have extension options. 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 other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. At the inception of a contract, the Group assesses whether the contract is or contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- Uses recent third party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
- Makes adjustments specific to the lease term.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

AASB 16 specifically excludes leases to explore for or use minerals and non-regenerative resources, therefore any leases of quarry assets continue to be accounted for consistently with prior periods.

Notes to the financial statements continued

13 Leases continued

Accounting policy – leases continued

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	Consolidated	
	2021 \$M	2020 \$M
Right-of-use assets		
Property	47.6	55.2
Plant and equipment	25.0	27.5
	72.6	82.7

Additions to the right-of-use assets during the 2021 financial year were \$2.2 million (2020: \$7.6 million)

	Consolidated	
	2021 \$M	2020 \$M
Lease liabilities		
Current	4.8	3.9
Non-current	76.7	84.8
	81.5	88.7

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	Consolidated	
	2021 \$M	2020 \$M
Depreciation charge of right-of-use assets		
Property	4.4	4.2
Plant and equipment	3.0	3.4
	7.4	7.6
Interest expense (included in finance cost)	2.9	3.1
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	58.8	45.8
	69.1	56.5

The total cash outflow for leases in 2021 was \$65.0 million (2020: \$43.8 million).

(iii) Lorry owner-drivers

The Group has contracts with a number of lorry owner-drivers who are used for delivering concrete in an operationally flexible manner that supplement the Group's owned fleet. The contracts include the supply of a vehicle and driver with terms of up to 10 years. These contracts are treated as embedded leases, as the arrangements convey the right to control the use of the lorry in exchange for consideration. In circumstances where these contracts contain minimum or fixed payments relating to the underlying asset, these amounts would be used to calculate the valuation of the lease liability and right-of-use asset.

As the payments made under these agreements are wholly variable, they are not reflected in the measurement of lease liabilities or right-of-use assets and are expensed when incurred. The amounts are dependent on deliveries made and services performed with no minimum fixed payments. The following amounts are the estimated future cash outflows the Group will pay to contracted lorry owner-drivers based on the current fleet under existing terms.

	2021 \$M	2020 \$M
Estimated cash outflows payable to lorry owner-drivers under existing contract terms, but not recognised as liabilities:		
Within one year	62.3	52.0
Later than one year but not later than five years	117.3	102.5
Later than five years	11.5	7.7
	191.1	162.2

(iv) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. In cases where these options exist, they are exercisable only by the Group and not by the respective lessor.

14 Intangible assets**Accounting policy – intangible assets****(i) Goodwill**

Goodwill is measured as described in Note 1(e). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of joint ventures is included in the carrying amount of joint ventures.

Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to CGUs which are expected to benefit from the business combination for the purpose of impairment testing.

(ii) Software

Costs incurred in acquiring software and licences that the Group can control and will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and services and direct payroll and payroll-related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from 5 to 10 years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

(iii) Software as a service (SaaS) arrangements

SaaS arrangements are service contracts providing the Company with the right to access a cloud provider's software over the contract period. The ongoing fees incurred to access the cloud provider's software is recognised as an operating expense when the services are received.

Notes to the financial statements continued

14 Intangible assets continued

Accounting policy – intangible assets continued

(iii) Software as a service (SaaS) arrangements continued

Software codes developed for the Company that modify or create additional capability to existing systems and software, and which meet the definition of an intangible asset, are recognised as software assets and are amortised over the useful life of the software, on a straight-line basis.

	Consolidated			
	Goodwill \$m	Software \$m	Other intangibles \$m	Total \$m
31 December 2021				
Cost	272.5	25.6	10.2	308.3
Accumulated amortisation and impairment	–	(20.9)	(5.3)	(26.2)
Carrying amount at 31 December 2021	272.5	4.7	4.9	282.1
Opening balance at 1 January 2021	272.5	2.9	5.7	281.1
Amortisation charge	–	(1.7)	0.6	(1.1)
Remeasurement	–	–	(1.4)	(1.4)
Reclassification from property, plant and equipment	–	3.5	–	3.5
Closing balance at 31 December 2021	272.5	4.7	4.9	282.1

	Consolidated			
	Goodwill \$m	Software \$m	Other intangibles \$m	Total \$m
31 December 2020				
Cost	272.5	20.8	10.8	304.1
Accumulated amortisation and impairment	–	(17.9)	(5.1)	(23.0)
Carrying amount at 31 December 2020	272.5	2.9	5.7	281.1
Opening balance at 1 January 2020	272.5	4.2	6.6	283.3
Reclassification	–	0.6	(0.6)	–
Amortisation charge	–	(1.9)	(0.3)	(2.2)
Closing balance at 31 December 2020	272.5	2.9	5.7	281.1

15 Impairment tests

The goodwill accounting policy is described in Note 14.

(a) Goodwill is allocated to the Group's CGUs

A segment-level summary of the goodwill allocation is presented below:

	Consolidated	
	2021 \$M	2020 \$M
Cement, Lime, Concrete and Aggregates	272.5	272.5
Masonry	–	–
	272.5	272.5

The recoverable amount of a CGU is determined based on value-in-use calculations. For 2021, these calculations use cash flow projections based on the Board approved 2022 financial budgets, external forecasts of market growth rates, and expected operating margins and capital expenditure in line with the Group's 2024 emission reduction targets. Projected cash flows are forecast for a period of greater than five years to incorporate the construction cycle into demand assumptions and to ensure cash flows reflect the strategies to achieve the Group's 2024 emission reduction targets. Technology and innovation required to achieve the Group's Net Zero Emissions (NZE) Roadmap beyond 2024 are not incorporated into these projected cash flows.

(b) Key assumptions used for value-in-use calculations

	Growth rate ¹		Discount rate ²	
	2021 %	2020 %	2021 %	2020 %
Cement, Lime, Concrete and Aggregates	1.3	1.2	10.1	10.8
Masonry	1.4	1.4	10.7	11.9

1. Weighted average growth rate used to extrapolate cash flows beyond the specific market forecast period of 5 years.

2. Pre-tax discount rate applied to cash flow projections.

Significant estimate - key assumptions used for value-in-use calculations

The Group tests annually whether goodwill, other intangible assets with an indefinite life and other non-current assets have suffered any impairment. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of assumptions detailed above.

Estimates and judgements are continually evaluated utilising historical experience coupled with expectations of future events. For example the Group's 2024 emission reduction targets, that may have a financial impact on the Group and that are believed to be reasonable.

With changing market dynamics, including COVID and climate-related matters, low case sensitivities are utilised to pressure test the Group's resilience to these changing dynamics. Sales growth, or decline rates, based on regional performance have been utilised to assess the impact on earnings potential. Discount rates are pre-tax and reflect specific risks relating to the relevant CGU's.

Impairment testing has incorporated the actions to achieve the Group's intermediate 2024 emission reduction targets as a subset of the NZE Roadmap which is under development and is expected to be published prior to the Group's 2022 Annual General Meeting.

(c) Impairment charge

In 2021, no impairment charge has been taken.

In 2020, an impairment charge was taken against specific assets expected to be placed into care and maintenance. The impairment charge related primarily to plant and equipment that was specifically utilised in servicing of the Alcoa contract. Impairment of assets in Masonry has resulted from the activities at other locations.

The following table summarises the total impairment recorded as a result of value-in-use cash flow modelling and balance sheet reviews in the period by segment.

	Cement, Lime, Concrete and Aggregates \$M	Masonry \$M	Un- allocated \$M	Total \$M
2021				
Property, plant and equipment	-	-	-	-
2020				
Property, plant and equipment	20.6	1.1	-	21.7

Notes to the financial statements continued

15 Impairment tests continued

(d) Impact of possible changes in key assumptions

The values assigned to the key assumptions are based on management's assessment of future performance in each of the CGU's with reference to historical experience, future estimates and internal and external factors. The estimated recoverable amounts are highly sensitive to changes in key assumptions.

While the estimated recoverable amount of each of the CGU's is greater than the carrying values at 31 December 2021, assessment of adverse changes in certain key assumptions does not result in an impairment of goodwill to be recognised. As illustrated below, the following changes to assumptions would not result in any impairments.

	Changes to assumptions			
	Market growth rate ¹ -1% \$M	Lower pricing ² -1% \$M	Discount rate ³ +1% \$M	Lower volume ⁴ -10% \$M
Cement, Lime, Concrete and Aggregates	-	-	-	-
Masonry	-	-	-	-

1. Market growth rate adjustments apply as a reduction from the assumed CGU growth rates for the internal forecast period, being the initial five years of cash flow modelling.
2. Lower pricing adjustments assume pricing of goods and services bought and sold are less than estimated over the internal forecast period.
3. Discount rate adjustments assume the rate is higher than those used in cash flow model.
4. A further 10% reduction in forecast growth rates for 2022 and 2023.

16 Provisions

Accounting policy – provisions

Provisions are recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. Non-employee benefit provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(i) Short-term employee benefit obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which employees render the related service are recognised in respect of employees' services up to the end of the reporting period. These are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised as a current provision for employee benefits as there is no unconditional right to defer settlement of these obligations. All other short-term employee benefit obligations are presented as payables.

(ii) Long-term employee benefit obligations

The liability for long service leave and annual leave, which is not expected to be settled within 12 months after the end of the period in which employees render the related service, is recognised as a provision for employee benefits. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected-unit-credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Workers' compensation

Certain entities within the Group are self-insured for workers' compensation purposes. For self-insured entities, provision is made that covers incidents that have occurred and have been reported together with an allowance for incurred but not reported claims. The provision is based on an actuarial assessment.

(iv) Provisions for close-down and restoration costs

Close-down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are based on the net present value of the estimated future costs of a closure plan.

Estimated changes resulting from new disturbance, updated cost estimates including information from tenders, changes to the lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the income statement in each period as part of finance costs.

Significant estimates – future cost to rehabilitate

Restoration provisions are based on estimates of the future cost to rehabilitate currently disturbed areas using current costs, forecast cost inflation factors and rehabilitation requirements. The Group progressively rehabilitates land as part of the quarrying process. Cost estimates are evaluated at least annually, based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Provision for close-down and restoration costs at the end of the year was \$58.7 million (2020: \$60.2 million).

	Consolidated	
	2021 \$M	2020 \$M
Current		
Employee benefits	29.8	29.2
Restoration provisions	1.3	1.9
Other provisions	5.7	6.6
	36.8	37.7
Non-current		
Employee benefits	6.3	6.7
Restoration provisions	57.4	58.3
	63.7	65.0

The current portion of employee benefits includes all of the accrued annual leave and the unconditional entitlements to long service leave where employees are entitled to pro-rata payments in certain circumstances. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	Consolidated	
	2021 \$M	2020 \$M
Current leave obligations expected to be settled after 12 months	8.7	4.7

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Restoration provisions \$m	Other provisions \$m
Opening balance at 1 January	60.2	6.6
Charged to income statement	(0.1)	4.2
Charged to balance sheet	(1.0)	-
Unwind of discount	1.2	-
Payments	(1.6)	(5.1)
Closing balance at 31 December	58.7	5.7

Capital structure and risk management

17 Borrowings

Accounting policy – borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

	Consolidated	
	2021 \$M	2020 \$M
Non-current		
Bank loans – unsecured	562.1	466.1

The Group complied with the terms of borrowing agreements during the year.

Details of the Group's exposure to interest rate changes is set out in Note 21(b). Due to the short-term fixed interest rates of the borrowings, the carrying value approximates the fair value.

18 Share capital

Accounting policy – share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, for the purpose of acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration.

(a) Share capital

	2021 Shares	2020 Shares	2021 \$M	2020 \$M
Issued and paid up capital				
Fully-paid	652,627,555	652,266,367	741.2	740.1

(b) Movements in ordinary shares capital

	Number of shares	Total \$M
Opening balance 1 January 2020	651,723,127	739.0
Shares issued under Employee Share Plan	543,240	1.1
Closing balance at 31 December 2020	652,266,367	740.1
Shares issued under Employee Share Plan	361,188	1.1
Closing balance 31 December 2021	652,627,555	741.2

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote and, on a poll, each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(d) Dividend reinvestment plan

Under the Dividend Reinvestment Plan (DRP), holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the DRP at a price determined by the Board. The operation of the DRP for any dividend is at the discretion of the Board, which suspended the DRP in February 2015, and has not been reactivated since that time.

(e) Capital risk management

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern, continuing to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital while maintaining the flexibility to grow.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue shares as well as issue new debt or redeem existing debt. The Group monitors capital on the basis of the leverage ratio. Adbri's target leverage ratio is 1.0 to 2.0 times underlying EBITDA.

The leverage ratio is calculated as follows:

	Consolidated	
	2021 \$M	2020 \$M
Total borrowings (excluding lease liabilities)	562.1	466.1
Less: cash and cash equivalents	(124.7)	(94.0)
Net debt	437.4	372.1
Underlying EBITDA	274.2	272.3
Leverage ratio	1.6	1.4

(f) Employee share scheme and options

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in Note 27.

19 Dividends

	Consolidated	
	2021 \$M	2020 \$M
Dividends paid during the year		
2020 final dividend of 7.25 cents (2019: 5.0 cents) per fully-paid ordinary share, franked at 100% (2019: 100%) paid on 22 April 2021	47.3	32.6
2021 interim dividend of 5.5 cents (2020: 4.75 cents) per fully-paid ordinary share, franked at 100% (2020: 100%) paid on 6 October 2021	35.9	31.0
Total dividends – paid in cash	83.2	63.6
Dividends not recognised at year end		
Since the end of the year the Directors have recommended the payment of a final fully franked dividend of 7.0 cents per fully-paid ordinary share (2020: 7.25 cents). The aggregate amount of the proposed final dividend expected to be paid out of retained earnings on 11 April 2022, not recognised as a liability at the end of the reporting period, is:	45.7	47.3
Franked dividend		
The franked portion of the dividend proposed as at 31 December 2021 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 31 December 2022.		
Franking credits available for subsequent reporting periods based on a tax rate of 30%	121.8	131.0

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- Franking credits that will arise from the payment of any current tax liability;
- Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$19.6 million (2020: \$20.3 million).

Notes to the financial statements continued

20 Reserves and retained earnings

(a) Reserves

Reserves	Consolidated	
	2021 \$M	2020 \$M
Foreign currency translation reserve	1.9	2.0
Share-based payment reserve	(0.6)	(1.1)
Cash flow hedge reserve	2.4	(7.1)
	3.7	(6.2)
Foreign currency translation		
Opening balance at 1 January	2.0	2.1
Currency translation differences arising during the year	(0.1)	(0.1)
Closing balance at 31 December	1.9	2.0
Share-based payment reserve		
Opening balance at 1 January	(1.1)	(1.4)
Share-based payment expense	0.4	0.2
Deferred tax	0.1	0.1
Closing balance 31 December	(0.6)	(1.1)
Cash flow hedge reserve		
Opening balance at 1 January	(7.1)	(0.5)
Revaluation – gross	13.5	(9.3)
Deferred tax on movement in reserve	(4.0)	2.7
Closing balance 31 December	2.4	(7.1)

Nature and purpose of other reserves

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in Note 1(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the income statement when the net investment is disposed of.

Share-based payments

The share-based payments reserve is used to recognise the fair value of awards issued but not exercised. Refer to Note 27.

Cash flow hedges reserve

The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges described in Note 21. The accumulated amount of a hedging instrument is transferred to the carrying value of inventory on recognition or, for hedges of items that are not non-financial assets or non-financial liabilities, to the income statement at the time of recognising the item in the income statement.

(b) Retained earnings

	Consolidated	
	2021 \$M	2020 \$M
Opening balance 1 January	485.8	455.7
Net profit for the year	116.7	93.6
Actuarial gain/(loss) on defined benefit obligation net of tax	2.5	0.1
Dividends	(83.2)	(63.6)
Closing balance 31 December	521.8	485.8

21 Financial risk management

The Group's activities expose it to a variety of financial risks that are managed in accordance with the Company's risk management framework that focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance where deemed material. The table below summarises the key risks and management approach.

Risk		Exposure arising from	Measurement	Management
Market risk	Foreign exchange	Recognised financial assets and liabilities not denominated in Australian Dollars	Cash flow forecasting Sensitivity analysis	Foreign currency forwards, options and foreign currency bank accounts
	Interest rate	Borrowings at variable rates	Sensitivity analysis	Interest rate swaps
Credit risk		Financial assets such as cash, trade receivables and derivative financial assets	Ageing analysis Credit ratings	Investment guidelines for counterparties Diversification of counterparties
Liquidity risk		Borrowings and other liabilities	Cash flow forecasting	Tenure of facilities is maintained for a period that provides flexibility in meeting future liquidity needs

The Board approves written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged floating rate loans and inventory at the fixed foreign currency rate for the hedged purchases.

Notes to the financial statements continued

21 Financial risk management continued

(a) Derivatives

The Group has the following derivative financial instruments recognised in the balance sheet:

	Consolidated	
	2021 \$M	2020 \$M
Current asset/(liabilities)		
Foreign currency forwards – cash flow hedges	0.4	(2.0)
Interest rate swaps – cash flow hedges ((b)(ii))	2.9	(8.7)
Total current derivative financial instrument assets/(liabilities)	3.3	(10.7)

(i) Classification of derivatives

The Group classifies its financial assets in the following categories: financial assets at amortised cost, financial assets at fair value through profit or loss and hedging instruments. The classification depends on the purpose for which the financial assets were acquired, which is determined at initial recognition based upon the business model of the Group.

Financial assets at amortised cost

The Group classifies its financial assets at amortised cost if the asset is held with the objective of collecting contractual cash flows and the contractual terms give rise on specified dates, to cash flows that are solely payments of principal and interest. These include trade receivables and bank term deposits. Bank term deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are financial assets at amortised cost and are included in current assets, except those with maturities greater than 12 months after the balance sheet date. Refer to Note 9 for details relating to trade receivables.

Financial assets through profit or loss

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- Hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transaction (cash flow hedges).

At the inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed below. Movements in the hedging reserves in shareholders' equity are shown in Note 20. The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent that they are expected to be settled after the end of the reporting period.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

Where option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in the intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognised within other comprehensive income (OCI) in the cost of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within OCI in the cost of hedging reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).
- The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

Derivative instruments that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains/(losses).

(ii) Fair value measurement

For information about the methods and assumption used in determining the fair value of derivatives see Note 21(e).

(iii) Hedging reserves

The Group's hedging reserves disclosed in Note 20(a) relate to the following hedging instruments:

	Cost of hedging \$M	Spot component of currency forwards \$M	Interest rate swaps \$M	Total hedge reserve \$M
Opening balance 1 January 2020	0.1	(0.6)	-	(0.5)
Add: change in fair value of hedging instrument recognised in OCI	-	(1.8)	(8.7)	(10.5)
Add: costs of hedging deferred and recognised in OCI	(0.1)	-	-	(0.1)
Less: reclassified to cost of inventory - not included in OCI	(0.1)	0.6	-	0.5
Less: reclassified from OCI to profit and loss	-	-	0.5	0.5
Less: deferred tax	-	0.6	2.4	3.0
Closing balance 31 December 2020	(0.1)	(1.2)	(5.8)	(7.1)
Add: change in fair value of hedging instrument recognised in OCI for the year	-	1.9	11.6	13.5
Add: costs of hedging deferred and recognised in OCI	-	-	-	-
Less: reclassified to cost of inventory - not included in OCI	-	(0.3)	-	(0.3)
Less: reclassified from OCI to profit and loss	-	0.5	(0.2)	0.3
Less: deferred tax	-	(0.6)	(3.4)	(4.0)
Closing balance 31 December 2021	(0.1)	0.3	2.2	2.4

Notes to the financial statements continued

21 Financial risk management continued

(a) Derivatives continued

(iii) Hedging reserves continued

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of Australia or the derivative counterparty.

The Group enters into interest rate swaps with similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, there is an economic relationship.

Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. It may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- differences in critical terms between the interest rate swaps and loans.

Hedge ineffectiveness in relation to the interest rate swaps was \$0.3 million (2020: \$0.5 million).

(b) Market risk

(i) Foreign exchange risk

The Group's activities, through its importation of cement, clinker, slag and equipment, expose it to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Singapore Dollar, the Japanese Yen and the Euro.

Foreign exchange risk arises from commitments, highly probable transactions, and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Exposure

The Group had the following exposure to foreign exchange risk, expressed in Australian Dollars:

	Consolidated	
	2021 \$M	2020 \$M
Cash - US Dollars	2.5	7.4
Trade receivables - US Dollars	0.9	3.0
Forward foreign exchange contracts:		
Buy foreign currency	43.6	47.8
Sell Australian Dollars (cashflow hedge)	(44.0)	(45.8)
Net exposure	(0.4)	2.0

The aggregate net foreign exchange gains/(losses) recognised in the profit or loss was \$(0.1) million (2020: \$(1.1) million).

Instruments used by the Group

The Group enters into Forward Exchange Contracts (FEC), options and maintains bank accounts in foreign currency to hedge its foreign exchange risk on these overseas trading activities against movements in foreign currency exposure to the Australian Dollar. FECs and options are entered into for a duration in line with forecast purchases and currency matched to the underlying exposure. Ineffectiveness of the hedge can arise primarily from changes in the timing of foreign currency payments compared to the duration of the FEC or option.

The Group Treasury Risk Management Policy is to hedge up to 100% of material highly probable purchases for up to nine months forward on a rolling basis. Longer-dated hedge positions are deemed too expensive versus the value-at-risk due to the respective currencies' interest rate spread.

Effect of hedge accounting on the financial position and performance

The effects of applying hedge accounting on the Group's financial position and performance are as follows:

	Consolidated	
	2021	2020
<i>Hedging instrument – forward foreign exchange contracts</i>		
Carrying amount (liability)/asset – \$ million	0.4	(2.0)
Notional amount US Dollars – \$ million	16.0	38.4
Notional amount Yen – \$ million	2.6	3.7
Notional amount EURO – \$ million	25.0	0.3
Notional amount Singapore Dollars – \$ million	–	5.5
Maturity date	Jan 2022 – July 2023	Jan – Sep 2021
Hedge ratio	1:1	1:1
Weighted average hedge rate – US Dollars	A\$1 : US\$0.7246	A\$1 : US\$0.7352
Weighted average hedge rate – Yen	A\$1 : Yen 82.4	A\$1 : Yen 78.1
Weighted average hedge rate – Euro	A\$1 : EURO 0.6243	A\$1 : EURO 0.6074
Weighted average hedge rate – Singapore Dollars	–	\$1 : S\$0.9852

Summarised sensitivity analysis

Foreign currency risk relating to assets and liabilities at year end is immaterial as most sales and assets are denominated in Australian Dollars. The Group's purchases that are denominated in foreign currency are settled at the time of the transaction. Consequently, liabilities recognised at 31 December are generally in Australian Dollars. All borrowings are denominated in Australian Dollars.

(ii) Interest rate risk

The Group's main interest rate risk arises from bank borrowings with variable rates which expose the Group to changes in interest rates. To mitigate the interest rate risk on variable rate borrowings, the Company entered into an interest rate swap. Cash advances are drawn against the debt facilities, typically for 90 days, at a variable lending rate comprising the fixed bank margin applied to the Australian bank bill swap rate effective at the date of each cash advance. In addition, cash advances on long-term facilities, maturing in November 2029, are drawn at fixed rates for the term of the facility.

The Group analyses its interest rate periodically. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. The Group calculates the impact on forecast profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

As at the end of the reporting period, the Group had the following exposure to variable and fixed rate financial instruments:

Notes to the financial statements continued

21 Financial risk management continued

(b) Market risk

	Consolidated			
	2021		2020	
	Weighted average interest rate	Balance \$M	Weighted average interest rate	Balance \$M
Variable rate instruments:				
Cash at bank, on hand and at call	0.6%	124.7	0.6%	94.0
Bank facilities	1.54%	465.0	1.5%	366.1
Fixed rate instruments:				
Bank facilities (fixed rate)	3.7%	100.0	3.7%	100.0

Instruments used by the Group

The Group uses fixed interest rate swaps to hedge movements in interest rate for a portion of variable borrowings. The swaps require settlement of net interest receivable or payable every 3 months.

Effects of hedge accounting on the financial position and performance

The effects of the interest rate swaps on the Group's financial position and performance are as follows:

	Consolidated	
	2021	2020
<i>Hedging instrument – interest rate swap</i>		
Carrying amount asset/(liability) – \$ million	2.9	(8.7)
Notional amount – \$ million	300	300
Maturity date	21 Nov 2024 – 7 Jan 2025	21 Nov 2024 – 7 Jan 2025
Hedge ratio	1:1	1:1
Weighted average variable rate – % p.a	0.04	0.08
Weighted average fixed rate – % p.a	0.98	0.98

Sensitivity analysis

The following table summarises the sensitivity of the Group's floating rate borrowings to interest rate risk at the end of the reporting period. A 100 basis-point sensitivity has been selected as this is considered reasonable given the current short-term and long-term Australian Dollar interest rates.

	Consolidated			
	2021		2020	
	Impact on post-tax profit \$m	Impact on equity \$m	Impact on post-tax profit \$m	Impact on equity \$m
Interest rates – increase by 1%	(0.3)	(0.3)	0.2	0.2
Interest rates – decrease by 1%	(2.3)	(2.3)	(2.3)	(2.3)

The current low interest rate environment has resulted in bank bill swap rates being close to zero. The Group's borrowing agreements include a floor, limiting the potential benefit of further declines in interest rates.

(c) Credit risk

Credit risk is managed on a Group basis using delegated authority limits. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, credit exposures to customers, including outstanding receivables and committed transactions, and financial guarantees. Financial guarantees are provided from time to time in the ordinary course of business activities. These guarantees are issued in accordance with the Board approved delegated authorities.

For banks and financial institutions, only independently rated parties with investment grade ratings are accepted. Derivative counterparties and cash transactions are limited to high credit quality institutions.

The Group assesses the credit quality of customers, taking into account its financial position, past experience, external credit agency reports and credit references. Individual customer risk limits are set based on internal approvals in accordance with delegated authority limits set by the Board. The compliance with credit limits by credit approved customers is regularly monitored. Sales to non-account customers are settled either in cash, major credit cards or electronic funds transfer, mitigating credit risk. Customers with uncertain credit history provide personal guarantees in order to cover credit exposures.

The Company applies the simplified approach to providing for expected credit losses, which permits the use of the lifetime expected loss provision for all trade receivables. The loss allowance provision as at 31 December 2021 is determined as set out below, which incorporates past experience and forward looking information, including the outlook for market demand and forward looking interest rates.

	Consolidated					
	2021			2020		
	Expected loss rate %	Gross carrying amount \$m	Loss allowance \$m	Expected loss rate %	Gross carrying amount \$m	Loss allowance \$m
Current	–	139.8	–	–	173.8	–
More than 30 days past due	–	53.8	–	0.2	3.1	–
More than 60 days past due	–	3.8	–	1.8	0.2	–
More than 90 days past due	85.2	12.2	10.4	80.4	22.3	17.9
Total loss allowance	–	209.6	10.4	–	199.4	17.9

The gross carrying amount includes external receivables of \$173.2 million (2020: \$167.5 million) and the Group's share of joint venture receivables of \$36.4 million (2019: \$31.9 million).

Notes to the financial statements continued

21 Financial risk management continued

(d) Liquidity risk

The ultimate responsibility for liquidity risk management rests with the Board which has established an appropriate risk management framework to manage the Group's short, medium and long-term funding and liquidity management requirements. The Group's Corporate Treasury function manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group has \$950 million of bilateral financing facilities (including \$890 million of cash advance and \$60 million of contingent instrument lines) at 31 December 2021. The maturities of the debt facilities were extended in early 2022. Accounting for these extensions, the facilities have an average maturity of 5.1 years at 31 December 2021, extended from 3.5 years.

Financial arrangements	Consolidated	
	2021 \$M	2020 \$M
Unrestricted access was available at balance date to the following lines of credit:		
Total facilities		
Bank overdrafts	4.0	4.0
Bank facilities – cash advance	890.0	900.0
Bank facilities – contingent instruments	60.0	50.0
	954.0	954.0
Used at balance date		
Bank overdrafts	–	–
Bank facilities – cash advance	565.0	470.0
Bank facilities – contingent instruments	27.8	33.4
	592.8	503.4
Unused at balance date		
Bank overdrafts	4.0	4.0
Bank facilities	325.0	430.0
Bank facilities – contingent instruments	32.2	16.6
	361.2	450.6
Bank facilities mature during:		
November 2024	105.0	800.0
November 2026	695.0	50.0
November 2028	50.0	–
November 2029	100.0	100.0
	950.0	950.0

The table below analyses the Group's financial liabilities that will be settled on a gross basis. The amounts disclosed are the contractual undiscounted cash flows. The cash flows have been estimated using interest rates applicable at the end of the reporting period.

Contractual maturities of financial liabilities	Consolidated					Carrying amount (assets)/ liabilities \$M
	<6 Months \$M	6-12 Months \$M	1-2 Years \$M	> 2 Years \$M	Total \$M	
31 December 2021						
Non-derivatives						
Trade payables	187.2	-	-	-	187.2	187.2
Bank facilities	-	-	-	565.0	565.0	562.1
Lease liabilities	3.8	3.7	6.9	129.3	143.7	81.5
Bank guarantees	0.1	0.1	0.3	27.3	27.8	-
	191.1	3.8	7.2	721.6	923.7	830.8
Derivatives						
Gross-settled forward foreign exchange contracts (cash flow hedges):						
(inflow)	(21.1)	(18.0)	(4.5)	-	(43.6)	-
outflow	21.1	18.3	4.6	-	44.0	-
	-	0.3	0.1	-	0.4	-
31 December 2020						
Non-derivatives						
Trade payables	172.0	-	-	-	172.0	172.0
Bank facilities	4.7	4.7	18.6	498.6	526.6	466.1
Lease liabilities	3.6	3.4	6.3	154.1	167.4	88.7
Bank guarantees	3.7	2.4	0.1	27.2	33.4	-
	184.0	10.5	25.0	679.9	899.4	726.8
Derivatives						
Gross-settled forward foreign exchange contracts (cash flow hedges):						
(inflow)	(39.5)	(8.3)	-	-	(47.8)	-
outflow	37.8	8.0	-	-	45.8	-
	(1.7)	(0.3)	-	-	(2.0)	-

Notes to the financial statements continued

21 Financial risk management continued

(e) Fair value measurement

Fair value hierarchy

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes. The carrying amounts of financial instruments disclosed in the balance sheet approximate their fair values. AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(i) Recognised fair value measurements

The Group measures and recognises derivatives used for hedging foreign currency risk and interest rate risk at fair value on a recurring basis. The Group held assets in relation to forward exchange contracts of \$0.4 million (2020: liabilities of \$2.0 million) at the end of the reporting period. The Group held assets in relation to interest rate swaps of \$2.9 million (2020: liabilities of \$8.7 million) at the end of the reporting period. The fair values of the forward exchange contracts and interest rate swaps are measured with reference to forward interest rates and exchange rates at balance date and the present value of the estimated future cash flows (level 2).

(ii) Disclosed fair values

The Group also has a number of assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes to these financial statements.

The carrying value less impairment provision of current trade receivables and payables are assumed to approximate their fair values due to their short-term nature. For non-current receivables, the fair values are also not significantly different to their carrying amounts as a commercial rate of interest is charged to the counterparty (level 3).

The interest rate for current and non-current borrowings is reset on a short-term basis, generally 30 to 90 days, and therefore the carrying value of current and non-current borrowings equal their fair values (level 2).

Group structure

22 Joint arrangements and associate

Accounting policy – joint arrangements and associate

(i) Associate entity

The interest in an associate is accounted for using the equity method, after initially being recorded at cost. Under the equity method, the share of the profits or losses of the associate is recognised in the income statement, and the share of post-acquisition movements in reserves is recognised in other comprehensive income. Profits or losses on transactions establishing the associate and transactions with the associate are eliminated to the extent of the Group's ownership interest, until such time as they are realised by the associate on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

(ii) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of the Group to the joint arrangement.

Joint operations

Interests in joint operations are accounted for using the proportionate consolidation method. Under this method, the Group has recognised its share of assets, liabilities, revenues and expenses.

Joint ventures

Interests in joint ventures are accounted for using the equity method. Under this method, the investments are initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income in the consolidated income statement and consolidated statement of other comprehensive income respectively. Dividends received are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary, to ensure consistency with the policies adopted by the Group.

(a) Interests in joint arrangements and associate

Name	Principal place of business	Ownership interest		Activities
		%	%	
Aalborg Portland Malaysia Sdn. Bhd. ¹	Malaysia	30	30	White clinker and cement manufacture
Batesford Quarry ²	Victoria	50	50	Limestone products
Burrell Mining Services JV ²	New South Wales and Queensland	50	50	Concrete products for the coal mining industry
B&A Sands Pty Ltd ³	Victoria	50	-	Sand quarrying
E.B. Mawson & Sons Pty Ltd and Lake Boga Quarries Pty Ltd ³	New South Wales and Victoria	50	50	Premixed concrete and quarry products
Independent Cement and Lime Pty Ltd ³	New South Wales and Victoria	50	50	Cementitious product distribution
Peninsula Concrete Pty Ltd ³	South Australia	50	50	Premixed concrete
Sunstate Cement Ltd ³	Queensland	50	50	Cement milling and distribution

1. Associate

2. Joint operation

3. Joint venture

Notes to the financial statements continued

22 Joint arrangements and associate continued

(a) Interests in joint arrangements and associate continued

Each of the above entities, except Aalborg Portland Malaysia Sdn. Bhd., has a balance sheet date of 30 June which is different to the Group's balance sheet date of 31 December. Financial reports as at 31 December for the joint arrangements are used in the preparation of the Group financial statements.

Effective 1 July 2021, the Group's Mawsons joint venture acquired Milbrae Quarries Pty Ltd, a concrete, aggregate and mobile crushing business.

On 18 November 2021, the Group acquired the sand operations of Metro Quarry Group Pty Ltd (MQG) in a 50/50 joint venture with the Barro Group. This includes two quarries south east of Melbourne at Lang Lang and Nyora, supplying the local and Melbourne markets with natural sand. The Group paid \$30 million into the newly established joint venture entity to fund its share of the purchase and working capital.

The following table outlines the movement in the carrying value of equity accounted investments.

	Consolidated	
	2021 \$M	2020 \$M
Movements in carrying value of equity accounted investments		
Opening balance at 1 January	197.8	184.8
Share of equity accounted income	33.3	26.9
Dividends received	(16.1)	(13.9)
Closing balance at 31 December	215.0	197.8

(b) Summarised financial information for joint ventures and associate

	Consolidated	
	2021 \$M	2020 \$M
Income statement 100%		
Revenue	806.2	740.4
Profit before tax	86.0	70.2
Income tax expense	(18.3)	(15.8)
Net profit from continuing operations	67.7	54.4
Group's share based on % ownership	33.3	26.9

(c) Contingent liabilities in respect of joint ventures

The Group can acquire the interest it does not own in the Mawsons joint venture. On exercise, the enterprise value is calculated with reference to 7 times average EBITDA (based on the preceding two financial years' performance) less debt. No liability has been recognised for this amount. The minimum amount payable to acquire the remaining interest is \$90.0 million (2020: \$90.0 million).

23 Subsidiaries

The Group's material subsidiaries at 31 December 2021 are set out below. Unless otherwise stated, the subsidiaries have share capital consisting solely of ordinary shares, which are held directly by the Group, and the proportion of ownership interests held is equal to the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of incorporation	Class of shares	Ownership interest held by the group	
			2021 %	2020 %
Adbri Masonry Group Pty Ltd	Australia	Ord	100.0	100.0
Adbri Masonry Pty Ltd	Australia	Ord	100.0	100.0
Adelaide Brighton Cement Investments Pty Ltd	Australia	Ord	100.0	100.0
Adelaide Brighton Cement Ltd	Australia	Ord	100.0	100.0
Adelaide Brighton Management Ltd	Australia	Ord	100.0	100.0
Aus-10 Rhyolite Pty Ltd	Australia	Ord	100.0	100.0
Cockburn Cement Ltd	Australia	Ord	100.0	100.0
Exmouth Limestone Pty Ltd	Australia	Ord	51.0	51.0
Hurd Haulage Pty Ltd	Australia	Ord	100.0	100.0
Hy-Tec Industries Pty Ltd	Australia	Ord	100.0	100.0
Hy-Tec Industries (Queensland) Pty Ltd	Australia	Ord	100.0	100.0
Hy-Tec Industries (Victoria) Pty Ltd	Australia	Ord	100.0	100.0
Morgan Cement International Pty Ltd	Australia	Ord	100.0	100.0
Northern Cement Ltd	Australia	Ord	100.0	100.0
Premier Resources Ltd	Australia	Ord	100.0	100.0
Screenings Pty Ltd	Australia	Ord	100.0	100.0
Southern Quarries Pty Ltd	Australia	Ord	100.0	100.0

24 Deed of cross guarantee

As at the date of this report, Adbri Limited, Adelaide Brighton Cement Ltd, Cockburn Cement Ltd, Adelaide Brighton Cement Investments Pty Ltd, Adelaide Brighton Management Ltd, Northern Cement Ltd, Premier Resources Ltd, Hy-Tec Industries Pty Ltd, Hy-Tec Industries (Victoria) Pty Ltd, Hy-Tec Industries (Queensland) Pty Ltd, Morgan Cement International Pty Ltd, Adbri Masonry Group Pty Ltd, C&M Masonry Products Pty Ltd, Adbri Masonry Pty Ltd, Hurd Haulage Pty Ltd, Aus-10 Rhyolite Pty Ltd, Screenings Pty Ltd, Southern Quarries Holdings Pty Ltd, Direct Mix Holdings Pty Ltd, Southern Quarries Pty Ltd, Central Pre-Mix Concrete Pty Ltd and Hy-Tec (Northern Territory) Pty Ltd are parties to a Deed of Cross Guarantee (the Deed) under which each company guarantees the debts of the others. By entering into the Deed, wholly-owned entities classified as a 'Closed Group' are relieved from the requirement to prepare a financial report and Directors' report under ASIC Corporations (Wholly-owned companies) Instrument 2016/785.

Direct Mix Holdings Pty Ltd is ineligible for relief under the Instrument and is classified as a member of the 'Extended Closed Group' for the purposes of the Instrument.

Notes to the financial statements continued

24 Deed of cross guarantee continued

Set out below is a consolidated balance sheet as at 31 December 2021 of the Closed Group.

	Closed Group	
	2021 \$M	2020 \$M
Current assets		
Cash and cash equivalents	120.3	89.6
Trade and other receivables	256.5	232.3
Inventories	153.5	151.5
Current tax assets	14.2	5.9
Assets held for sale	14.0	-
Total current assets	558.5	479.3
Non-current assets		
Receivables	87.7	45.5
Investments accounted for using the equity method	127.1	110.0
Retirement benefit asset	7.0	4.1
Property, plant and equipment	1,035.9	1,004.4
Right-of-use assets	72.4	82.5
Intangible assets	278.0	277.1
Other financial assets	5.7	4.1
Total non-current assets	1,613.8	1,527.7
Total assets	2,172.3	2,007.0
Current liabilities		
Trade and other payables	189.7	170.8
Lease liabilities	4.7	3.8
Provisions	36.7	37.5
Other current liabilities	2.8	3.6
Total current liabilities	233.9	215.7
Non-current liabilities		
Borrowings	562.1	466.1
Deferred tax liabilities	81.6	64.4
Lease liabilities	76.6	84.7
Provisions	63.7	64.9
Other non-current liabilities	-	0.1
Total non-current liabilities	784.0	680.2
Total liabilities	1,017.9	895.9
Net assets	1,154.4	1,111.1
Equity		
Share capital	741.2	740.1
Reserves	1.5	(9.8)
Retained earnings	411.7	380.8
Total equity	1,154.4	1,111.1

Set out below is a condensed consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 31 December 2021 of the Closed Group.

	Closed Group	
	2021 \$M	2020 \$M
Profit before income tax	156.1	126.8
Income tax expense	(39.5)	(33.8)
Profit for the year	116.6	93.0
Retained earnings 1 January	380.8	351.5
Profit for the year	116.6	93.0
Other comprehensive income	(2.5)	(0.1)
Dividends paid	(83.2)	(63.6)
Retained earnings 31 December	411.7	380.8

25 Parent entity financial information

The financial information for the parent entity, Adbri Limited ('the Company'), has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint arrangements

Investments in subsidiaries, associates and joint arrangements are accounted for at cost in the financial statements of the Company. Such investments include both investments in shares issued by the subsidiary and other parent entity interests that in substance form part of the parent entity's investment in the subsidiary. These include investments in the form of interest-free loans which have no fixed repayment terms and which have been provided to subsidiaries as an additional source of long-term capital. Trade amounts receivable from subsidiaries in the normal course of business and other amounts advanced on commercial terms and conditions are included in receivables. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation

The Company and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The Company and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Adbri Limited for any current tax payable assumed and are compensated by Adbri Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Adbri Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(iii) Financial guarantees

Where the Company has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(iv) Share-based payments

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a receivable from that subsidiary undertaking.

Notes to the financial statements continued

25 Parent entity financial information continued

(a) Summary financial information

The individual financial statements for the Company show the following aggregate amounts:

	2021 \$M	2020 \$M
Balance sheet		
Current assets	2,797.4	2,659.9
Total assets	3,363.8	3,233.7
Current liabilities	1,809.3	1,781.2
Total liabilities	2,530.7	2,406.7
Net assets	833.1	827.0
Shareholders' equity		
Share capital	734.1	732.9
Reserves		
Share-based payments	(0.6)	(1.1)
Foreign currency translation		(1.2)
Retained earnings	99.6	96.4
Total shareholders' equity	833.1	827.0
Loss for the year	(12.3)	(14.3)
Total comprehensive loss	(12.3)	(14.3)

(b) Guarantees entered into by the parent entity

	2021 \$M	2020 \$M
Bank guarantees	10.9	14.9

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2021 or 31 December 2020 other than the bank guarantees shown above.

26 Retirement benefit obligations

Accounting policy – retirement benefit obligations

Except those employees that opt out of the Group's superannuation plan, all employees of the Group are entitled to benefits from the Group's superannuation plan on retirement, disability or death. The Group has a defined benefit section and defined contribution section within its plan. The defined benefit section provides defined lump sum benefits on retirement, death, disablement and withdrawal, based on years of service and final average salary. The defined benefit plan section is closed to new members. The defined contribution section receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

A liability or asset in respect of defined benefit superannuation plans is recognised in the balance sheet and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date.

The present value of the defined benefit obligation is based on expected future payments, which arise from membership of the fund to the reporting date, calculated by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur in the consolidated statement of comprehensive income. They are included in retained earnings in the consolidated statement of changes in equity and in the consolidated balance sheet. Past service costs are recognised immediately in the consolidated income statement.

Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Significant estimate – key assumptions

The present value of defined benefit superannuation plan obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These include selection of discount rates, future salary increases and expected rates of return. The balances of these obligations are sensitive to changes in these assumptions.

(a) Superannuation plan details

Other than those employees that have opted out, employees are members of the consolidated superannuation entity, being the Adelaide Brighton Group Superannuation Plan ('the Plan'), a sub-plan of the Mercer Super Trust (MST). The MST is a superannuation master trust arrangement governed by an independent Trustee, Mercer Investment Nominees Ltd. The Plan commenced in the MST on 1 August 2001. The Superannuation Industry (Supervision) legislation (SIS) governs the superannuation industry and provides a framework within which superannuation plans operate. The SIS Regulations require an actuarial valuation to be performed for each defined benefit superannuation plan every three years, or every year if the Plan pays defined benefit pensions.

Plan assets are held in trusts which are subject to supervision by the prudential regulator. Funding levels are reviewed regularly. Where assets are less than vested benefits, being those payable upon exit, a management plan must be formed to restore the coverage to at least 100%.

The Plan's Trustee is responsible for the governance of the Plan. The Trustee has a legal obligation to act solely in the best interests of Plan beneficiaries. The Trustee has the following roles:

- Administration of the Plan and payment to the beneficiaries from Plan assets when required in accordance with the Plan rules;
- Management and investment of the Plan assets; and
- Compliance with superannuation law and other applicable regulations.

The prudential regulator, the Australian Prudential Regulation Authority (APRA), licences and supervises regulated superannuation plans.

Membership is in either the defined benefit or accumulation sections of the Plan. The accumulation section receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions. The following sets out details in respect of the defined benefit section only.

Defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal, and are guaranteed benefits to the equivalent of the notional balance they would have received as accumulation members through additional contributions from the Group. The defined benefit section of the Plan is closed to new members.

During the 12 months to 31 December 2021, all new employees, who are members of this fund, have become members of the accumulation category of the Plan.

There are a number of risks to which the Plan exposes the Company. The more significant risks relating to the defined benefits are:

- Investment risk – the risk that investment returns will be lower than assumed and the Company will need to increase contributions to offset this shortfall.
- Salary growth risk – the risk that wages and salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- Legislative risk – the risk that legislative changes could be made which increase the cost of providing the defined benefits.
- Timing of members leaving service – a significant amount of benefits paid to members leaving may have an impact on the financial position of the Plan, depending on the financial position of the Plan at the time they leave. The impact may be positive or negative, depending upon the circumstances and timing of the withdrawal.

The defined benefit assets are invested in the Mercer Growth investment option. The assets are diversified within this investment option and therefore the Plan has no significant concentration of investment risk.

Notes to the financial statements continued

26 Retirement benefit obligations continued

(b) Balance sheet amounts

The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:

	Present value of obligation \$M	Fair value of plan assets \$M	Net obligation/ (asset) \$M
At 1 January 2021	40.7	(44.8)	(4.1)
Current service cost	1.1	–	1.1
Interest expense/(income)	0.3	(0.3)	–
	1.4	(0.3)	1.1
Remeasurements:			
Return on plan assets, excluding amounts included in interest expense/(income)	–	(4.5)	(4.5)
(Gain)/loss from change in financial assumptions	(1.0)	–	(1.0)
Experience (gains)/losses	2.0	–	2.0
	1.0	(4.5)	(3.5)
Contributions:			
Employers	–	(0.6)	(0.6)
Plan participants	0.6	(0.6)	–
Payments from plan:			
Benefit payments	(4.7)	4.8	0.1
At 31 December 2021	39.0	(46.0)	(7.0)
At 1 January 2020	44.4	(48.9)	(4.5)
Current service cost	1.3	–	1.3
Interest expense/(income)	0.7	(0.8)	(0.1)
	2.0	(0.8)	1.2
Remeasurements:			
Return on plan assets, excluding amounts included in interest expense/(income)	–	(0.3)	(0.3)
(Gain)/loss from change in financial assumptions	0.4	–	0.4
Experience (gains)/losses	(0.2)	–	(0.2)
	0.2	(0.3)	(0.1)
Contributions:			
Employers	–	(0.7)	(0.7)
Plan participants	0.7	(0.7)	–
Payments from plan:			
Benefit payments	(6.6)	6.6	–
At 31 December 2020	40.7	(44.8)	(4.1)

(c) Categories of plan assets

The major categories of plan assets are as follows:

	31 December 2021 unquoted		31 December 2020 unquoted	
	\$M	%	\$M	%
Australian equity	12.0	26%	12.1	27%
International equity	14.2	31%	13.9	31%
Fixed income	7.4	16%	8.5	19%
Property	5.1	11%	9.0	20%
Cash	3.2	7%	0.9	2%
Other	4.1	9%	0.4	1%
Total	46.0	100%	44.8	100%

The assets set out in the above table are held in the Mercer Growth Investment Fund which does not have a quoted price in an active market. There are no amounts relating to the Company's own financial instruments, and property occupied by, or other assets used by, the Company.

(d) Actuarial assumptions and sensitivity

The significant actuarial assumptions used were as follows:

	2021	2020
Discount rate - % p.a.	2.1	0.9
Future salary increases - % p.a. - first year	2.0	1.0
Future salary increases - % p.a. - second year	2.0	1.0
Future salary increases - % p.a. - thereafter	2.0	2.0

The sensitivity of the defined benefit obligation to changes in the significant assumptions is:

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
31 December 2021			
Discount rate	0.50 ppts	Decrease by 1.2%	Increase by 1.2%
Future salary increases	0.50 ppts	Increase by 0.7%	Decrease by 0.6%
31 December 2020			
Discount rate	0.50 ppts	Decrease by 1.4%	Increase by 0.4%
Future salary increases	0.50 ppts	Increase by 2.5%	Decrease by 1.5%

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

(e) Defined benefit liability and employer contributions

The Group made contributions to the Plan at rates of between 6% and 9% of member salaries. Expected contributions to the defined benefit plan for the year ending 31 December 2022 are \$0.4 million (2021: \$nil).

The weighted average duration of the defined benefit obligation is 4 years (2020: 5 years).

Notes to the financial statements continued

27 Share-based payments plans

Accounting policy – share-based payments

Share-based compensation benefits are provided to executives via the Company's Executive Performance Share Plan ('the Plan' or EPSP).

The fair value of share-based payments granted under the Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the vesting period during which the employees become unconditionally entitled to the share-based payments.

The fair value at grant date is independently determined using a pricing model that takes into account the exercise price, the term of the share-based payment, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the payment, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the share-based payments. However, the independent valuer has reached the conclusion that the volatility is not a factor in assessing the fair value of the share-based payments.

The fair value of the share-based payments granted excludes the impact of any non-market vesting conditions (e.g. earnings per share). Non-market vesting conditions are included in assumptions about the number of Awards that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of Awards that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding entry to equity.

The Plan is administered by the Group's employee share plan trust; see Note 1(c)(ii).

(a) Employee Share Plan

The Group operates two general employee share plans:

- The Employee Share Plan (ES Plan) established in 1997; and
- The Tax Exempt Employee Share Plan (TEES Plan) established in 2018.

Subject to the Board approval of grants, employees that meet the eligibility criteria can participate in the Plan.

In 2021, the Board approved the issue of 361,188 shares under the TEES Plan (2020: 543,240 shares), while no shares were issued under the ES Plan (2020: Nil). In subsequent years, the Board will decide whether, considering the profitability of the Company, and demands of the business, further invitations to take up grants of shares should be made.

(b) Executive Performance Share Plan

The Plan provides for grants of Awards to eligible executives. This Plan was approved by shareholders at the Annual General Meeting held on 19 November 1997.

Under the Plan, eligible executives are granted Awards (each being an entitlement to a fully-paid ordinary share of Adbri Limited, subject to the satisfaction of performance conditions) on terms and conditions determined by the Board. On exercise of the Award following vesting, participants are issued shares of the Company. Detailed discussion of performance conditions is set out in the Remuneration Report.

The exercise price for each Award is \$nil.

Movement in number of awards outstanding	2021	2020
Outstanding at beginning of the year	1,757,678	1,063,600
Granted	993,655	957,495
Expired	(326,990)	(263,417)
Outstanding at the end of the year	2,424,343	1,757,678
Exercisable at the end of the year	–	–

The average value per share at the earliest exercise date during the year was not applicable for 2021 or 2020 as no awards vested during the year. The value per share is calculated using the Volume Weighted Closing Price which is the average of the closing price and number of Adbri Limited shares traded on the Australian Securities Exchange for the five trading days before the exercise date, but not including the day of exercise.

The tables below set out the key assumptions used by the independent valuer in their valuation model to assess the fair value of the Awards.

Awards granted in 2021 – weighted average pricing model inputs

	2021 Awards	2020 Awards
Share price at grant date – per share	\$3.50	\$3.12
Expected future dividends – per share	\$0.38	\$0.36
Risk-free interest rate – % p.a.	0.63%	0.40%
Lack of marketability discount – % p.a.	4.20	4.40
TSR condition discount	50%	50%
Earliest exercise date	1 May 25	1 May 24
Fair value at grant date	\$1.86	\$1.69

Awards granted in 2020 – weighted average pricing model inputs

The Plan does not entitle the Participants to participate in any other share issues of the Company and the unexercised Awards do not attract dividends or voting rights. The Group recognised share-based payments expense of \$436,490 during the year (2020: \$160,128).

The weighted average remaining contractual life of Awards outstanding at the end of the period was 2.4 years (2020: 2.6 years).

28 Related party**(a) Compensation of key management personnel**

	Consolidated	
	2021 \$M	2020 \$M
Short-term employee benefits	5.6	5.7
Post-employment benefits	0.2	0.2
Share-based payments	1.7	1.0
	7.5	6.9

(b) Other transactions with key management personnel

RD Barro, a Director of Adbri Limited, is Managing Director of Barro Group Pty Ltd. RR Barro, a director of Adbri Limited, is a Director of the Barro Group Pty Ltd. Barro Group Pty Ltd and Adbri Limited, through its 100% owned subsidiary, Adelaide Brighton Management Ltd, each control 50% of Independent Cement and Lime Pty Ltd, a distributor of cement and lime in Victoria and New South Wales.

During the year, the Barro Group of companies purchased goods and materials from and sold goods, materials and services to Independent Cement and Lime Pty Ltd and the Group. The Barro Group of companies also purchased goods and materials from Sunstate Cement Ltd, a company in which the Group has a 50% share.

Managing Director and Chief Executive Officer, Nick Miller, and Michael Miller, a senior executive of Adbri Limited, were Directors of Sunstate Cement Ltd and Independent Cement and Lime Pty Ltd. Brett Brown, senior executive of Adbri Limited was a director of the Mawson Group.

During the year, the Group traded significantly with Independent Cement and Lime Pty Ltd, Sunstate Cement Ltd, and the Mawsons Group, which are all joint ventures of the Group.

(c) Controlled entities

The ultimate parent company is Adbri Limited. Details of interests in controlled entities are set out in Note 23.

All transactions involving Barro Group Pty Ltd and Adbri Limited and its subsidiaries, Independent Cement and Lime Pty Ltd and its subsidiaries, Sunstate Cement Ltd and the Mawson Group were conducted on standard commercial terms.

Transactions entered into during the year with Directors of the Company and the Group, or their related parties, are on standard commercial terms and conditions, and include the purchase of goods from the Group and the receipt of dividends from the Company.

Notes to the financial statements continued

28 Related party continued

(c) Controlled entities continued

	Consolidated	
	2021 \$000	2020 \$000
Aggregate amounts of the above transactions by subsidiaries and joint ventures with the Directors and their related parties:		
Sales to Director related parties	92,090	93,827
Purchases from Director related parties	17,448	24,138

(d) Joint arrangement and associate entities

The nature of transactions with joint arrangement and associate entities is detailed below:

Adelaide Brighton Cement Ltd and Morgan Cement International Ltd supplied finished products and raw materials to Sunstate Cement Ltd, Independent Cement and Lime Pty Ltd and Peninsula Concrete Pty Ltd. Hy-Tec Industries Pty Ltd, Hy-Tec Industries (Victoria) Pty Ltd, Hy-Tec Industries (Queensland) Pty Ltd, Adbri Masonry Group Pty Ltd, Adelaide Brighton Cement Ltd and Cockburn Cement Ltd purchased finished products, raw materials and transportation services from Sunstate Cement Ltd, Independent Cement and Lime Pty Ltd and Aalborg Portland Malaysia Sdn. Bhd.

All transactions are on normal commercial terms and conditions and transactions for the supply are covered by shareholder agreements.

(e) Transactions with other related parties

The following transactions occurred with related parties:

	Consolidated	
	2021 \$000	2020 \$000
Sales of goods:		
Joint venture entities	294,299	273,854
Purchases of materials and goods:		
Joint venture entities	132,063	120,874
Associate entities	8,644	6,563
Interest revenue:		
Joint venture entities	21	246
Dividend and distribution income:		
Joint venture entities	16,021	11,116
Superannuation contributions:		
Contributions to superannuation funds on behalf of employees	13,211	13,319
Loans advanced to:		
Joint venture entities	2,737	2,672

(f) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting year in relation to transactions with related parties:

	Consolidated	
	2021 \$000	2020 \$000
Current receivables:		
Joint venture entities (interest)	14	32
Joint venture entities (trade)	29,351	26,016
Non-current receivables:		
Joint venture entities (loans)	76,709	44,507
Current payables:		
Joint venture entities (trade)	18,722	18,325

(g) Loans to/from related parties

Loans to joint venture parties increased by \$32.2 million to fund the acquisition of the Metro Quarry Group via a 50/50 joint venture with the Barro Group. A loan to a joint venture entity, Independent Cement and Lime Pty Ltd, has interest charged at commercial rates on the outstanding balance. Interest revenue brought to account by the Group during the reporting year on this loan was \$21,421 (2020: \$245,667).

29 Events occurring after the reporting period

On 4 November 2021, Adbri announced the acquisition of Zanows' Concrete and Quarries in Queensland for \$58 million. At the date of this report, the acquisition has not yet completed and has not been included within the 2021 Financial Statements.

30 Commitments for capital expenditure

Significant capital expenditure contracted for at the end of the reporting year but not recognised as liabilities is as follows:

	Consolidated	
	2021 \$M	2020 \$M
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
Within one year	110.4	17.6

31 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related network firms and non-related audit firms:

	Consolidated	
	2021 \$	2020 \$
Audit services		
PricewaterhouseCoopers Australian firm		
Audit and review of financial reports	767,744	907,881
Non-audit services		
PricewaterhouseCoopers Australian firm		
Other assurance services	64,920	218,353

Notes to the financial statements continued

32 Contingency

Details and estimates of maximum amounts of contingent liabilities are as follows:

Guarantees

	Consolidated	
	2021 \$M	2020 \$M
Bank guarantees	27.8	33.4

Litigation

At the time of preparing this financial report some companies included in the Group are parties to pending legal proceedings, the outcome of which is not known. The entities are defending, or prosecuting, these proceedings. The Directors have assessed the impact on the Group from the individual actions.

No material losses are anticipated in respect of any of the above contingent liabilities.

Directors' declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 67–158 are in accordance with the *Corporations Act 2001*, including:
 - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (iii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 24 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in Note 24.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.



Raymond Barro

Chairman

Dated: 24 February 2022

Auditor's independence declaration



As lead auditor for the audit of Adbri Limited for the year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Adbri Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'M. T. Lojszczyk', written in a cursive style.

M. T. Lojszczyk
Partner

Adelaide
24 February 2022

Independent auditor's report to the members of Adbri Limited



Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Adbri Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 31 December 2021
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated income statement for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* 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 in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality

- For the purpose of our audit we used overall Group materiality of \$7.019 million, which represents approximately 5% of the Group's profit before tax, excluding Hilltop property profits and the recovery of the Concrete Supply receivable.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We also adjusted for the recovery of the Concrete Supply receivable previously impaired and gain from sale of the land at Hilltop as they are unusual or infrequently occurring items impacting profit and loss.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- We conducted an audit of the most significant components being Cement and Lime (primarily focusing on the South Australian and Western Australian businesses which comprise the bulk of these operations) and corporate entities which, in our view, were financially significant to the financial report.
- Additionally, we performed specific risk focused audit procedures in relation to the Group's Cement and Lime component in the Northern Territory and New South Wales, Concrete and Aggregates components in New South Wales and Queensland and Masonry.
- We also performed specific risk focused audit procedures over Independent Cement and Lime Pty Ltd and E.B. Mawson & Sons Pty Ltd for the year ended 30 June 2021. We determined the level of involvement we needed to have to be able to conclude whether sufficient appropriate audit evidence had been obtained for our opinion on the Group financial report as a whole, including review of the work of these other auditors. Due to the different balance dates utilised by these joint ventures, we performed audit procedures for the period 1 July 2021 to (and as at) 31 December 2021, including substantive analytical procedures over the financial results, to obtain sufficient evidence in respect of the results for the year ended and financial position as at 31 December 2021 for our opinion.
- Outside the operations identified above, the Group includes components which individually and collectively do not



contribute materially to the overall Group result. We have obtained an understanding of these operations and performed analytical procedures.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the

financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit, Risk and Compliance Committee.

Key audit matter	How our audit addressed the key audit matter
<p>Recoverability of goodwill and property, plant and equipment (Refer to Note 12, 14 & 15)</p> <p>The financial report of the Group includes goodwill of \$272.5 million and property, plant and equipment of \$1,088.2 million as at 31 December 2021.</p> <p>To determine whether the carrying value of these assets was recoverable, the Group prepared discounted cash flow models (the impairment models).</p> <p>The Group recognised no impairment charge for the year ended 31 December 2021. These impairment models are driven by significant estimates and judgement in relation to future growth rates, discount rates and terminal values.</p> <p>This was a key audit matter given the financial significance of the Group's recorded goodwill and property, plant and equipment balances and the judgement and subjectivity involved in determining assumptions around growth rates and discount rates.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> – developing an understanding of how the Group identified assumptions and sources of data – developing an understanding of the relevant key controls associated with developing the impairment models – assessing whether the Cash Generating Units (CGUs) identified by the Group and the assets and liabilities allocated to them was consistent with our knowledge of the Group's operations and internal reporting – evaluating whether judgements made in selecting the method, significant assumptions and data for developing the impairment model give rise to indicators of possible bias by the Group – evaluating the appropriateness of significant assumptions in the context of Australian Accounting Standards. This included: <ul style="list-style-type: none"> – comparing growth rate assumptions to alternative assumptions used in the industry – evaluating the appropriateness of the discount rate applied by the Group by comparing to market and other relevant sources – comparing the forecast cash flows used to develop the impairment models to the most up-to-date budgets formally approved by the Board – evaluating the appropriateness of inputs used to calculate the terminal value of each CGU – evaluating the Group's historical ability to forecast future cash flows by comparing budgets with reported actual results for the past three-years – discussing with Management the plans, goals, and objectives of the Group, and considering the feasibility and intent to carry out such courses of action – assessed the competency, objectivity and methods applied by the expert engaged by the Group to assist in determining their discount rate. <p>We have also evaluated the reasonableness of the disclosures against the requirements of Australian Accounting Standards.</p>
<p>Estimation of close down and restoration costs provision (Refer to Note 16)</p> <p>Provisions for close down and restoration costs associated with quarries and other disturbed areas of \$58.7 million were recognised as at 31 December 2021.</p> <p>The provision is determined through estimating the expected costs to perform the remediation works at the end of the useful life of the site, which are evaluated annually. Expected costs are based on current costs to rehabilitate given rehabilitation requirements. The expected costs are adjusted for inflation over the useful life of the site and discounted to present value.</p> <p>This was a key audit matter based on the significance of the total balance, the complexity and judgement included in determining the balance of restoration provisions due to the long forecast period associated with many of the sites.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> – obtaining the model prepared by the Group and assessing whether the design and assumptions in the model meet the measurement objectives of Australian Accounting Standards, are appropriate in the circumstance and whether judgements have been applied consistently – evaluating the integrity of the model, assessing whether significant assumptions and the data were maintained and applied consistently including assessing the mathematical accuracy of the model – assessing the completeness of the provision through inquiries with management, review of meeting minutes and legal contracts, and comparing the sites used in developing the provision in prior year to those used in the current model – for a sample of locations: <ul style="list-style-type: none"> – assessing the nature, timing and extent of rehabilitation work to be performed by inspecting rehabilitation plans – comparing the nominal cost to rehabilitate for each respective provision within the model to internal assessment results – performing enquiries with management to understand whether there were any significant changes during the period that would impact the estimates made – for sites being actively remediated, comparing actual costs incurred to rehabilitate, to what was previously estimated, to assess the ability of the Group to accurately determine future costs to rehabilitate similar sites – evaluating whether judgements made in selecting the method, significant assumptions and data for developing the estimate give rise to indicators of possible bias by the Group. <p>We have also evaluated the adequacy of the disclosures made in Note 16, against the requirements of Australian Accounting Standards.</p>



Key audit matter	How our audit addressed the key audit matter
<p>Measurement of stockpiled inventory (Refer to Note 10)</p> <p>The Group had \$63.3 million of raw material and work in progress inventory on hand as at 31 December 2021.</p> <p>Raw materials and work in progress inventory in bulk quantities is held in stockpiles.</p> <p>To determine the quantity (in tonnes) of the stockpiled inventory, the Group engaged external surveyors who determined the volumetric measure (cubic meters) of the inventory. The Group then converted the volumetric measure to tonnes using density factors (tonnes per cubic meter).</p> <p>This was a key audit matter based on the subjectivity in the Group's process to determine and apply density factors.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> – assessing the competency, objectivity and methods applied by the expert engaged by the Group to assist in performing the volumetric surveys – developing an understanding and performing testing of the design and operating effectiveness of relevant controls associated with determination of density factors – for a sample of stockpiled inventory locations: <ul style="list-style-type: none"> – obtaining and inspecting the external survey result. Also, reconciling the external survey reports to the Group's conversion calculation – assessing the mathematical accuracy of the conversion calculation – assessing the density factors used in the current year to convert the stockpiles from cubic metres to tonnes by comparing to prior year density factors for the same raw material and whether any indicators of management bias exist. <p>We have also evaluated the adequacy of the disclosures made in Note 10 against the requirements of Australian Accounting Standards.</p>

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 81–101 of the directors' report for the year ended 31 December 2021.

In our opinion, the remuneration report of Adbri Limited for the year ended 31 December 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

M. T. Lojczyk
Partner

Adelaide
24 February 2022

Financial history

Year ended (A\$ million unless stated)	Dec 2021	Dec 2020	Dec 2019	Dec 2018	Dec ¹ 2017	Dec 2016	Dec 2015	Dec ² 2014	Dec 2013	Dec ³ 2012
Statement of financial performance										
Sales revenue	1,569.2	1,454.2	1,517.0	1630.6	1,559.6	1,396.2	1,413.1	1,337.8	1,228.0	1,183.1
Depreciation, amortisation and impairments	(95.9)	(115.1)	(189.7)	(87.4)	(82.5)	(78.1)	(77.8)	(75.0)	(70.6)	(65.2)
Earnings before interest and tax	174.9	147.6	81.9	265.4	267.6	266.1	298.6	247.5	222.7	222.1
Net interest earned (paid)	(19.1)	(20.4)	(18.5)	(14.4)	(12.1)	(11.5)	(13.0)	(15.0)	(14.1)	(14.6)
Profit before tax	155.8	127.2	63.4	251.0	255.5	254.6	285.6	232.5	208.6	207.5
Tax expense	(39.1)	(33.6)	(16.2)	(65.8)	(72.7)	(68.4)	(77.8)	(59.9)	(57.5)	(54.6)
Non-controlling interests	-	0.1	0.1	0.1	(0.1)	0.1	0.1	0.1	-	0.1
Net profit after tax attributable to members	116.7	93.7	47.3	185.3	182.7	186.3	207.9	172.7	151.1	153.0
Group balance sheet										
Current assets	530.3	452.5	519.2	500.6	474.8	390.1	403.1	387.4	390.2	363.7
Property, plant and equipment	1,088.2	1,059.1	1,033.7	1,061.7	1,037.2	978.4	986.1	994.2	889.7	902.5
Receivables	87.7	45.6	43.6	39.9	37.3	34.4	32.9	32.7	31.4	29.6
Investment	215.0	197.8	184.8	173.9	160.3	151.2	142.2	139.9	138.5	129.0
Intangibles	282.1	281.1	283.3	299.5	299.9	270.3	272.9	266.4	183.9	184.8
Right-of-use assets	72.6	82.7	84.6	-	-	-	-	-	-	-
Other non-current assets	7.0	4.1	4.5	2.5	3.5	2.3	1.3	-	-	3.5
Total assets	2,282.9	2,122.9	2,153.7	2,078.1	2,013.0	1,826.7	1,838.5	1,820.6	1,633.7	1,613.1
Current borrowings and creditors	188.5	179.7	153.5	144.7	159.2	117.4	123.9	122.7	105.4	115.0
Current provisions	36.8	37.7	33.8	34.6	49.0	50.6	55.4	44.2	105.8	78.5
Current lease liabilities	4.8	3.9	5.7	-	-	-	-	-	-	-
Non-current borrowings	562.1	466.1	540.1	518.7	428.9	309.6	329.5	390.1	259.1	299.3
Deferred income tax and other non-current provisions	145.0	128.7	141.4	134.5	130.1	129.0	122.4	126.9	101.6	114.4
Non-current lease liabilities	76.7	84.8	81.9	-	-	-	-	-	-	-
Total liabilities	1,013.9	900.9	956.4	832.5	767.2	606.6	631.2	683.9	571.9	607.2
Net assets	1,269.0	1,222.0	1,197.3	1,245.6	1,245.8	1,220.1	1,207.3	1,136.7	1,061.8	1,005.9

Year ended (A\$ million unless stated)	Dec 2021	Dec 2020	Dec 2019	Dec 2018	Dec ¹ 2017	Dec 2016	Dec 2015	Dec ² 2014	Dec 2013	Dec ³ 2012
Share capital	741.2	740.1	739.0	734.4	733.1	731.4	729.2	727.9	699.1	696.6
Reserves	3.7	(6.2)	0.2	4.2	1.9	2.9	1.2	3.3	4.3	2.1
Retained earnings	521.8	485.8	455.7	504.5	508.2	483.3	474.3	402.8	355.6	304.4
Shareholders' equity attributable to members of the Company	1,266.7	1,219.7	1,194.9	1,243.1	1,243.2	1,217.6	1,204.7	1,134.0	1,059.0	1,003.1
Non-controlling interests	2.3	2.3	2.4	2.5	2.6	2.5	2.6	2.7	2.8	2.8
Total shareholders' funds	1,269.0	1,222.0	1,197.3	1,245.6	1,245.8	1,220.1	1,207.3	1,136.7	1,061.8	1,005.9
Share information										
Net tangible asset backing (\$/share) ⁴	1.51	1.44	1.40	1.45	1.46	1.46	1.44	1.34	1.38	1.29
Return on funds employed %	10.4	9.1	4.9	16.1	16.7	17.5	19.8	17.7	17.0	18.0
Basic earnings per share (c/share)	17.9	14.4	7.3	28.5	28.1	28.7	32.0	26.9	23.7	24.0
Diluted earnings (c/share)	17.8	14.3	7.2	28.4	28.0	28.6	31.9	26.8	23.4	23.8
Total dividend (c/share) ⁵	12.5	12.0	5.0	28.0	24.5	28.0	27.0	17.0	19.5	16.5
Interim dividend (c/share) ⁵	5.5	4.75	-	9.0	8.5	8.5	8.0	7.5	7.5	7.5
Final dividend (c/share) ⁵	7.0	7.25	5.0	11.0	12.0	11.5	11.0	9.5	9.0	9.0
Special dividend (c/share) ⁵	-	-	-	8.0	4.0	8.0	8.0	-	3.0	-
Gearing % ⁶	34.5	30.5	35.4	34.1	29.8	23.6	24.6	31.6	23.4	30.9

1 Restated for changes to accounting policies (Note 1 (b) to the 2018 Financial Statements)

2 Restated for final acquisition accounting values for businesses purchased in 2014

3 Restated for changes to accounting policies (Note 42 to the 2013 Financial Statements)

4 Assets for the purposes of net tangible assets, includes right-of-use assets associated with leases recognised in accordance with AASB 16

5 Fully franked

6 Calculated as net debt to equity

Information for shareholders

Annual General Meeting

The annual general meeting of shareholders will be held on Thursday 19 May 2022.

In accordance with Listing Rule 3.13.1, Adbri advises that the closing date for receipt of director nominations for consideration at the AGM is Monday 14 March 2022.

Security exchange listing

Adbri Ltd is quoted on the official list of the Australian Securities Exchange (ASX) and trades under the code 'ABC'. Perth is Adbri Limited's home exchange.

Registered Office

Level 1,157 Grenfell Street
Adelaide SA 5000
Telephone: 08 8223 8000
Facsimile: 08 8215 0030

Enquiries about your shareholding

Enquiries or notifications by shareholders regarding their shareholdings or dividends should be directed to Adbri's share registry:

Computershare Investor Services Pty Limited
Level 5, 115 Grenfell Street
Adelaide SA 5000
Telephone: 1800 339 522 International: +613 9415 4031
Facsimile: 1300 534 987 International: +613 9473 2408

When communicating with the share registry, shareholders should quote their current address together with their Security Reference Number (SRN) or Holder Identification Number (HIN) as it appears on their Issuer Sponsored/CHESS statement.

Online services

Shareholders can access information and update information about their shareholding in Adbri Limited via the internet by visiting Computershare Investor Services Pty Ltd website: www.investorcentre.com

Some of the services available online include: check current holding balances, choose your preferred annual report option, update address details, update bank details, confirm whether you have lodged your TFN, ABN or exemption, view your transaction and dividend history or download a variety of forms.

Direct credit of dividends

Dividends can be paid directly into an Australian bank or other financial institution. Payments are electronically credited on the dividend payment day and subsequently confirmed by mailed payment advice. Application forms are available from our share registry, Computershare Investor Services Pty Ltd or visit the website at www.computershare.com.au/easyupdate/abc to update your banking details.

Dividend Reinvestment Plan (DRP)

Adbri Limited's DRP is currently suspended until further notice. In future, if the DRP is reactivated, it will be notified by way of an ASX announcement.

Investor information other than that relating to a shareholding can be obtained from:

General Manager Corporate Finance and Investor Relations
Adbri Ltd
Level 9 Aurora Place
88 Phillip Street
Sydney NSW 2000
Telephone: 02 8248 9903
Email: info@adbri.com.au

Change of address

Shareholders who are Issuer Sponsored should notify any change of address to the share registry, Computershare Investor Services Pty Limited, by telephone or in writing quoting your SRN, previous address and new address. Broker Sponsored (CHES) holders should advise their sponsoring broker of the change.

Communications

Our internet site www.adbri.com.au offers access to our ASX announcements and news releases as well as information about our operations.

Substantial shareholders

Barro Properties Pty Ltd, by a notice of change of interests of substantial shareholder dated 30 May 2019, informed the Company that it or an associate had a relevant interest in 279,710,424 ordinary shares or 43.0% of the Company's issued share capital.

On-market buy back

At 24 February 2022, there is no on-market buy back of the Company's shares being undertaken.

Twenty largest shareholders shown in the Company's Register of Members as at 20 January 2022

Shareholder	Number of ordinary shares held	% of issued capital
Barro Properties Pty Ltd	215,285,359	32.99
HSBC Custody Nominees (Australia) Limited	91,590,190	14.03
Citicorp Nominees Pty Ltd	53,922,066	8.26
JP Morgan Nominees Australia Limited	46,162,491	7.07
Barro Group Pty Ltd	32,412,619	4.97
Carltonbridge Pty Ltd	11,416,000	1.75
Argo Investments Ltd	7,681,385	1.18
Cloverdew Pty Ltd	6,580,000	1.01
National Nominees Limited	5,897,312	0.90
BNP Paribas Noms Pty Ltd <DRP>	5,500,261	0.84
Churchbridge Pty Ltd	5,040,000	0.77
Ageflow Pty Ltd	3,630,000	0.56
Rayonbridge Pty Ltd	3,574,000	0.55
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	2,736,356	0.42
Netwealth Investments Limited <Wrap Services A/C>	2,137,120	0.33
Sunstone Finance Pty Ltd	2,000,000	0.31
BNP Paribas Noms (NZ) Ltd <DRP>	1,700,859	0.26
Australian Executor Trustees Limited <No 1 Account>	1,472,025	0.23
Brispot Nominees Pty Ltd <House Head Nominee A/C>	1,451,719	0.22
HSBC Custody Nominees (Australia) Limited – A/C 2	1,278,747	0.20
Total top 20 shareholders	501,468,509	76.84¹
Total remaining shareholders balance	151,159,046	23.16

1. Figures may not add due to rounding.

Information for shareholders continued

Voting rights

All shares at 20 January 2022 were of one class with equal voting rights being one vote for each shareholder and, on a poll, one vote for each fully-paid ordinary share.

Shares held at 20 January 2022	Number of shareholders	% of issued capital
1 – 1,000	4,895	0.34
1,001 – 5,000	8,056	3.48
5,001 – 10,000	3,461	3.90
10,001 – 100,000	3,067	11.28
100,001 – over	131	80.91
Total shareholders	19,610	100.00
Less than a marketable parcel of 171 shares	1,172	

Unquoted securities

As at 20 January 2022, 2,424,343 Awards were issued to the senior executive team under the Adelaide Brighton Ltd Executive Performance Share Plan as part of the Company's long-term incentive program. The Awards are not quoted and do not participate in the distribution of dividends and do not have voting rights. The total number of participants in the Adelaide Brighton Ltd Executive Performance Share Plan and eligible to receive the Awards is seven.

140 years strong

■ The Adbri logo, the MCI logo, the Cockburn Cement logo, the Swan Cement logo, the Northern Cement logo, the Hy-Tec logo, the Adbri Masonry logo, the Southern Quarries logo, the Direct Mix logo, the Penrice Quarry & Mineral logo, the Central Pre-Mix logo, the Central Quarries logo are trade marks of Adbri Limited or its related bodies corporate.

The Sunstate Cement logo is a registered trade mark of Sunstate Cement Ltd used with permission.

The I logo is a registered trade mark of Independent Cement and Lime Pty Limited used with permission.

The Mawson logo and the Milbrae logo are registered trade marks of E. B. Mawson & Sons Pty Ltd used with permission.

Batesford Quarry logo is a trade mark of Adelaide Brighton Cement Ltd and Geelong Lime Pty Ltd. The Burrell logo is a trade mark of Burrell Mining Products, Inc used with permission.

The Aalborg Portland logo is a trade mark of Cementir Holding N.V. used with permission.

always*ready*

Registered Office

Level 1, 157 Grenfell Street
Adelaide SA 5000

+61 8 8223 8000

ABN 15 007 596 018

adbri.com.au