



The Directors of Breedon Group plc recognise the value of strong corporate governance. The AIM Rules require all AIM-listed companies to adopt and comply with a recognised corporate governance code. The Board of Breedon has adopted the QCA Corporate Governance Code 2018 ("**the QCA Code**") with effect from 1 January 2019.

The purpose of this statement is to set out in broad terms how we currently comply with the QCA Code. The Company will provide annual updates on its compliance with the QCA Code in its future annual reports, which will also be published on its website.

References below to the "**2018 Annual Report**" are to the Company's Annual Report for the year ended 31 December 2018 which is available at:

https://www.breedongroup.com/images/uploads/articles/Breedon_AR18.pdf. Pages 46 to 69 of the 2018 [Annual Report](#) includes details of the Group's corporate governance practices.

DELIVER GROWTH

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

The Board has established the Group's strategy and regularly reviews it. The Group's strategy is focused on delivering capital growth for shareholders. The Board ensures that the Company communicates its strategy to investors, employees and other stakeholders using means appropriate for each group.

We have a fully vertically-integrated business model which gives us significant economies of scale, a high level of self-sufficiency and tight control over our costs. The objective of our business model is to extract maximum value from every tonne of aggregates we quarry and every tonne of cement we produce, through the efficient manufacture and sale of a wide range of downstream products and associated services.

The Group's Business Model and Strategy, together with the key challenges faced by the Group in their execution, are described in more detail on pages 14 to 21 of the 2018 [Annual Report](#).

Principle 2: Seek to understand and meet shareholder needs and expectations

Strong and effective relationships and communication with the Group's shareholders are important in helping us achieve our objectives. The Board actively encourages such engagement.

Dialogue with shareholders

Breedon is committed to maintaining good communications with its shareholders. Members of the Board have face-to-face meetings with representatives of institutional shareholders to aid understanding of the Group's strategic objectives and performance, and all shareholders are encouraged to participate in the Company's Annual General Meeting.

The Executive Directors are primarily responsible for shareholder liaison and may be contacted via investors@breedongroup.com. Any individual can subscribe for the Group's regulatory news and information via <https://www.breedongroup.com/investors>.



The Executive Chairman also ensures that the views of shareholders are communicated to the Board as a whole, and we believe that this has been successful in ensuring that all directors have a clear understanding of the views of major shareholders.

Use of general meetings/AGM

At general meetings the Company proposes separate resolutions on each substantially separate issue. The Company provides shareholders with the opportunity to appoint a proxy. In addition, proxy votes are counted, and the results announced after any vote on a show of hands.

The Chair of the Remuneration and Audit Committees, the Senior Independent Director, and all other directors are available to answer questions at each Annual General Meeting of the Company.

The Company arranges that notice of the Annual General Meeting and related papers are sent to shareholders at least 20 working days before the meeting, giving time for all shareholders to consider resolutions properly.

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

Breedon recognises the importance of balancing the interests of its key stakeholders – employees, customers, investors, suppliers and the wider communities in which it operates. Engaging with our stakeholders strengthens our relationships and helps us make better business decisions to deliver on our commitments.

Health & Safety

One of our key responsibilities to all people with whom we interact is to keep them safe from harm. We of course comply with all health & safety legislation but we go well beyond that requirement by encouraging all our colleagues to actively involve themselves in the pursuit of continuous improvement in health & safety. Further information on our health & safety activities can be found on pages 38 and 39 of the 2018 [Annual Report](#).

Colleagues

The Company communicates with its employees in various ways, including local meetings with management, site visits from senior management and a groupwide newsletter. We have also developed an intranet which we use to communicate a wide range of topics with our colleagues. These include company news, career opportunities and important company publications.

The Group's all-employee savings-related share option scheme is an important element in seeking to engage employees in the performance of the business, and many have taken up the scheme. We have over 1,100 employees currently participating in the scheme, holding options over more than 18 million shares.

We have also developed and delivered a management core skills and trainee manager training programme, training for drivers, and recruited a number of apprentices across the Group. Further information on our training and development activities can be found on pages 40 and 41 of the 2018 [Annual Report](#).

Customers

Breedon regularly works alongside its customers by striving to deliver best customer



service and to seek innovative solutions to support many of the major projects on which it operates. We pride ourselves on going the extra mile and recognise customer loyalty is a key part of our long-term success. Examples of some of our recent collaboration with customers can be found on page 44 of the 2018 [Annual Report](#).

Suppliers

The Company recognises the huge role its key suppliers play in its long-term success. We strive to maximise value from our suppliers and work with them to support the delivery of our customers' needs. We also recognise that in many cases some of our suppliers can be the face of our Company and we have therefore developed and rolled out to our key suppliers a new Supplier Code of Conduct. This sets out the standards expected of them and others in their own supply chain and ensures our values are aligned, including a commitment to ensure compliance with our obligations under the Modern Slavery Act.

Wider communities

We are at the heart of the communities in which we operate and recognise our responsibility to be good, supportive and engaged neighbours. Where appropriate, Breedon businesses have active liaison programmes with the communities in which they operate, and they seek to take into account the interests and concerns of those communities in their operational activities.

Group businesses support their local communities in many ways e.g. by donating free materials to local causes, sponsoring sporting and/or social events, and providing opportunities for employees to provide voluntary services. One example of how we benefit our communities is set out in a recent study of our cement works in Hope, within the Peak National Park, which found that the cement works itself was a £53million contributor to the Peak Park economy. Further examples of community engagement are described on page 45 of the 2018 [Annual Report](#).

The key resources underpinning Breedon's business are explained in the description of our business model on pages 14 to 17 of the 2018 [Annual Report](#).

Further details of the Group's Resources & Relationships are set out in pages 38 to 45 of the 2018 [Annual Report](#).

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board recognises its responsibility for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives and maintains sound risk management and internal control systems.

Risk management processes are embedded throughout the organisation and assist management in identifying and understanding the risk that they face in delivering business objectives and the key controls that they have in place to manage those risks.

The Board is responsible for the Group's systems of risk management and internal control, and for reviewing their effectiveness. The Audit Committee reviews the suitability and effectiveness of risk management processes and controls on behalf of the Board.

The Group Finance Director provides a twice-yearly update to the Board on the key risks and controls within the Group, highlighting the roles and responsibilities of key management in managing those risks.



The Group Controls Manager works with the businesses to identify and assess the key risks and controls and reports them to the Group Finance Director. They also facilitate the embedding and monitoring of the Board's agreed Risk Management Process within the business, under the direction of the Group Finance Director.

Directors and senior managers ensure that the Risk Management Framework is implemented effectively within their respective business areas. Their key responsibilities include ensuring an effective risk culture is in place, with risk management embedded in the business.

The Board is committed to maintaining appropriate standards for all the Company's business activities and ensuring that the standards are set out in written policies. Key examples include the 'Competition Law Compliance Policy', 'Data Protection Policy', and the 'Anti Bribery and Corruption Policy' on each of which internal training has been delivered across all relevant members of the Group's businesses. All policies are underpinned by our social responsibilities and we are developing a Business Conduct Policy which will consolidate the standards of behaviour expected of all employees of the Group in relation to these and other key risk areas.

Each of the businesses have their own internal approval levels and are aware of which matters require approval at Group level.

Purchasing of key strategic items, such as electricity, coal and bitumen, and in relation to large capital expenditure items, is led by the strategic purchasing team and supports the business.

Further details of the Group's approach to risk management, together with a description of the key risks faced by the Group, are set out in pages 24 to 27 of the 2017 [Annual Report](#).

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

Principle 5: Maintain the board as a well-functioning, balanced team led by the chair

The Chairman sets the Board's agenda and the Board is provided with clear, regular and timely information on the financial performance of the businesses within the Group, and of the Group as a whole, together with other trading reports, contract performance and market reports and data, including reports on personnel-related matters such as health & safety and environmental issues.

The Chairman encourages and facilitates the contribution of each of the directors to ensure that no one individual can dominate its proceedings. All directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational.

The current Board comprises the Executive Chairman, two executive directors (one of whom is the Group Chief Executive), two independent non-executive directors (being Susie Farnon, who is the Senior Independent Director, and Peter Cornell who was appointed as a non-executive director with effect from 1 October 2018) and two non-executive directors who are not considered to be independent, Amit Bhatia, who has been appointed as non-executive Deputy Chairman, and David Williams.

The Company has stated that it intends to appoint a further new independent non-executive director in 2019 and good progress is being made in that process.



The Board has established Audit, Remuneration and Nomination committees to support the Board in the performance of its duties, and it believes that the members of those committees have the appropriate skills and knowledge to perform the functions delegated to them.

The time commitment expected from directors is set out in their service agreements or letters of appointment (as appropriate). Executive directors are required to work such hours as may be necessary for the proper performance of their duties. The Board has agreed that each executive director may also take on one non-executive directorship of a public company outside of the Breedon Group.

Non-executive directors are expected to devote such time as is necessary for the proper performance of their duties, including in preparation for and attendance at Board, committee and shareholder meetings. When accepting their appointment, each non-executive director confirms that they can allocate sufficient time to meet the expectations of their role.

The Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the Company on the other, to enable it to discharge its duties and responsibilities effectively.

Details of the directors' attendance at Board meetings are set out on page 51 of the 2018 [Annual Report](#) and, at Committee meetings, within the relevant reports of each Board Committee.

Principle 6: Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The identity and biographical details of the current directors are shown on pages 46 and 47 of the 2018 [Annual Report](#).

The composition and performance of the Board, and the skills and experience of each director are regularly evaluated, to ensure that they best fit the evolution of the Group's business. When seeking to appoint new members to the Board the directors will consider a range of relevant matters including the diversity of its composition.

The Board considers that each of the directors brings a senior level of experience and judgement to bear on issues of operations, finance, strategy, performance, resources (including key appointments) and standards of conduct. All directors are given regular access to the Group's operations and personnel as and when required.

The roles of Chairman and Group Chief Executive are not exercised by the same individual.

The primary role of the Chairman is to oversee the operation of the Board and the Company's governance structures. He is also responsible for ensuring that the Company maintains an appropriate level of dialogue with its shareholders. The role of the Chief Executive is to oversee the operational management of the Group's businesses, and the role of the Senior Independent Director is to act as a sounding board for the Chairman and other members of the Board and to be an alternative point of access for shareholders for matters that they do not wish to raise through other channels.

The Board considers and reviews the requirement for continued professional development. The Board seeks to ensure that their awareness of developments in



corporate governance and the regulatory framework is current, as well as remaining knowledgeable of any industry-specific updates. The Group Services Director, the Company's Nomad and other external advisers serve to strengthen this development by providing guidance and updates as required.

Breedon has regularly refreshed the membership of its Board, including the appointment of a new Group Chief Executive in 2016, and the appointment of a Deputy Chairman and a new independent non-executive director in 2018. We have stated that we intend to appoint a further new independent non-executive director in 2019.

All directors stand for re-election by shareholders every year, notwithstanding that the articles of association of the Company require only one third of them to do so annually.

Principle 7: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The Board regularly reviews its own effectiveness and considers whether it comprises the appropriate skills to meet the needs of the business. The Chairman is in regular contact with each member of the Board to ensure that any concerns that any of them may have are identified and can be acted upon.

The Board aims to carry out an externally facilitated Board Effectiveness Review every three years. The most recent review, carried out in 2017, consisted of each director participating in a one-to-one interview with the provider and the output of those interviews then being compiled in a report for consideration by the Board as a whole. While the review covered the whole spectrum of the Board's activities, it had a particular focus on four key areas which the directors had identified in advance as being worthy of additional attention.

Those areas related to the Board's approach to strategy, succession planning, risk and employee management and development. The review concluded that the Breedon Group Board was highly effective. It comprises well-experienced individuals, has good reporting, little bureaucracy, conducts well controlled and open meetings and benefits from a high level of challenge. There is a high degree of trust amongst the directors and between the directors and senior management.

Given his background, the Deputy Chairman has been asked by the Board to assist the executive management team in its review and development of the next phase of the Group's strategic evolution. The Nomination Committee is tasked with monitoring the Group's succession planning arrangements and its activities on this topic are reported on page 66 of the 2018 [Annual Report](#). Principle 4 above describes the Board's approach to risk management, and page 40 of the 2018 [Annual Report](#) includes details of the Group's training and development activities.

Following recent changes to the composition of the Board we intend to continue to review the performance of the Board as a unit to ensure that it continues to function in an efficient and productive manner.

Principle 8: Promote a corporate culture that is based on ethical values and behaviours

All Group employees are expected to maintain an appropriate standard of conduct in all of their activities, and the directors seek to set the tone for such behaviour through their own actions.



The Group has established policies to regulate its activities in respect of inter alia Modern Slavery, Competition Law Compliance, Anti- Bribery and Corruption, Data Protection, Whistleblowing and Non-facilitation of Tax Evasion and closely monitors compliance with these. The implementation of a Supplier Code of Conduct during 2018 has promoted our ethical values and high standards across our supply chain. A code of Business Conduct which will apply to all employees is also being developed.

Having undergone substantial growth in recent years because of major acquisitions, the Company is undertaking an exercise, led by the Deputy Chairman, to ensure that a common culture, ethical values and standards of behaviour are recognised throughout its business. The Board will use the feedback from that exercise to monitor how such matters are recognised and respected within the Group.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board meets at least six times per year (it met seven times in 2018) in accordance with its scheduled meeting calendar. The Board receives appropriate and timely information prior to each meeting, a formal agenda is produced, and these papers are distributed in good time before each meeting.

The Board is responsible for the long-term success of the Company. There is a formal schedule of matters reserved to the Board. It is responsible for overall Group strategy, approval of annual budgets, annual and interim results, dividend policies and approval of major investments, including long-term contracts, acquisitions or large capital items. The Chairman is responsible for maintaining strategic focus and direction and the Group Chief Executive is responsible for implementing the strategy and overseeing the management of the Company through the executive and management teams.

The executive and management teams, who are overseen by the Group Chief Executive with input from the individual business managing directors, are responsible for day-to-day management of the Group's business and its overall trading, operational and financial performance.

The Board is supported by the Audit, Remuneration and Nomination committees. Terms of reference of each board committee, and the schedule of matters reserved to the Board are set out on the company's website www.breedongroup.com.

The activities of the Audit, Remuneration and Nomination Committees during 2018 are set out on pages 54 to 66 of the 2018 [Annual Report](#).

BUILD TRUST

Principle 10: Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Breedon is committed to maintaining good communications with its shareholders, and it has put in place appropriate processes and structures to allow that to happen. The Company communicates with its shareholders through the Annual Report and Accounts, trading announcements, the AGM and in the manner set out in the commentary above in relation to Principle 2.

It maintains a dedicated e-mail address which current or potential investors can use in



order to communicate with the Group's investor relations team (investors@breedongroup.com).

The Company announces the result of the proxy votes cast for each resolution proposed at each general meeting of the Company immediately after such meeting, and a range of corporate information (including all historical annual reports and notices of meetings, announcements and presentations) is made available on the Company's website at www.breedongroup.com.

The Board receives regular updates on the views of shareholders through reports and notes from its brokers, the Group's Head of Communications and other board members. Analysts notes are also reviewed and discussions held with the Company's brokers to maintain a broad understanding of varying investor views.

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