



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 "**2019 Annual Report**" are to the Company's Annual Report for the year ended 31 December 2019 which is available at:

https://www.breedongroup.com/images/uploads/articles/Breedon_Group_ARA2019_WEB.pdf.

Pages 58 to 81 of the 2019 [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 Board have defined six strategic pillars which form the foundation of the Group strategy and which will be of focus in 2020. These are: a clear purpose and the right culture; robust governance; a commitment to sustainability and social responsibility; long-term growth markets; conservative financial management; and a well-utilised, growing asset base.

The Board ensures that the Group communicates its strategy to investors, colleagues 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 16 and 17, and 20 and 21](#).

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

The Board is committed to and actively encourages effective relationships and communication with the Company's shareholders.

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 and potential investors so to enable a greater understanding primarily of the business but mainly the Board's strategy for the continued long-term success of the business.

Through these meetings, the Board is able to gain feedback to have a clear understanding of the views of the major shareholders, and the needs of potential shareholders so that these can be considered.



During 2019 over 80 meetings were held with shareholders, ranging from telephone calls, one-to-one meetings and site visits. This equates in the period to the Executive team having contact with shareholders holding over 70% of the Group. The Group Chief Executive plays an important role in ensuring that all 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 major shareholders.

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 www.breedongroup.com.

Use of general meetings

All shareholders are actively encouraged to participate in the Company's 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, Audit and Nomination Committees, the Senior Independent Director, and all other directors are available to answer questions at each AGM of the Company.

The Company arranges that notice of the AGM 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.

The way in which the Board engages and takes into account stakeholder issues, together with the resultant impact is detailed on [pages 44 to 53](#) of the Resources and Relationships section of the Strategic 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 priorities and maintains sound risk management and internal control systems. The Board reviews and approves the Group's risk appetite on an annual basis.

Risk management processes are embedded throughout the Group 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.

By identifying and managing those existing and emerging risks, the Board can focus on long-term business opportunities.

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. In addition they 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 Group's principal risks are: acquisitions; competition and margins; environment and climate change; financing, health and safety; IT and cyber security; legal and regulatory; liquidity and currency; people; and market conditions.

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

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 and safety and environmental issues. The Board has approved a schedule of matters reserved for the Board.

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 Non-executive Chairman, two executive directors (Group Chief Executive and Group Finance Director), four independent non-executive directors (being Susie Farnon, who is the Senior Independent Director, Peter Cornell, Clive Watson who was appointed as a non-executive director with effect from 1 September 2019, and Moni Mannings who was appointed as a non-executive director with effect from 1 December 2019). Peter Tom, Executive Chairman and David Williams a non-executive director who was not considered to be independent, left the Board during 2019.

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 Group on the other, to enable it to discharge its duties and responsibilities effectively. The Board considers all of its non-executive directors, with the exception of the Non-executive Chairman, to be independent in character and judgement.

Details of the directors' attendance at Board meetings are set out below:

Meeting attendance

	Meetings attended	Eligible to attend
Amit Bhatia	7	7
Pat Ward	7	7
Rob Wood	7	7
Peter Cornell	7	7
Susie Farnon	6	7
Moni Mannings ¹	1	1
Clive Watson ²	3	3
Peter Tom CBE ³	3	3
David Williams ⁴	7	7

1 Appointed 1 December 2019

2 Appointed 1 September 2019

3 Retired 29 May 2019

4 Retired 31 December 2019

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

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. The Nomination Committee regularly reviews the succession plan to ensure that when seeking to recommend new members to the Board, consideration of a range of relevant matters including the diversity of its composition is given.

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. All non-executive directors have a wealth and breadth of experience gained through their directorships on other listed Boards. The individual biographical details of directors including the skills and experience they bring to the Board can be found on [pages 58 and 59](#).

The roles of Non-executive Chairman and Group Chief Executive are not exercised by the same



individual and the division of responsibility is clear and set out on the Group's website.

The primary role of the Chairman is to ensure the Board is effective in setting and implementing the Group's direction and strategy and the operation of the Company's governance structures. He is also responsible for leadership of the Board and ensuring that the Group 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 and each director is encouraged to reflect on their own individual needs. 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 Group's Nominated Adviser and other external advisers serve to strengthen this development by providing guidance and updates as required.

Breedon has a robust succession plan which has seen the appointment of the Non-executive Chairman and two new independent non-executive directors in 2019. The Board recognises that following the departure of Peter Tom and David Williams during 2019, there remains one non-executive director, Susie Farnon who has served on the Board for more than nine years, however Susie will be retiring prior to the 2020 AGM. Peter Cornell will also retire from the Board prior to the AGM.

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.

Following the recommendation of the Nomination Committee in February 2020, it is anticipated that Carol Hui will be appointed to the Board in spring 2020.

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.

The Board will undertake an externally facilitated review in 2020, which will follow



recommendations from the ICSA: The Governance Institute & Department for Business, Energy and Industrial Strategy Quality and Effectiveness of Board Evaluations Review which will allow the Board to understand its own effectiveness, the impact it has had since the last review and how it may make further enhancements to its own performance. The review will be set in context of the changes made to the composition of the Board in 2019 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.

To promote a common culture across the organisation, Breedon has defined a clear purpose and set of values that will support the successful delivery of the Breedon strategy. Led by the Board and Executive Committee, the Group is embedding the purpose “to make a material difference to the lives of our colleagues, customers and communities” to create a work place where people feel safe, proud and motivated to do their best. The values at the heart of our business: keep it simple; make it happen; show you care; and strive to improve, will drive the performance of the business, motivating and engaging employees, building customer loyalty and strengthening our relationship with local communities.

The Group has established a robust Compliance Framework to regulate its activities in respect of inter alia Business Conduct, Modern Slavery, Competition Law Compliance, Anti-Bribery and Corruption, Data Protection, Whistleblowing, Non-facilitation of Tax Evasion and Conduct of Suppliers and closely monitors compliance with these.

Through our Visible Felt Leadership programme, our leaders can ensure that there is a culture of safe behaviour through interactions which allow opportunities for the exchange of views in an open and honest environment.

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 2019) 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. At the start of each meeting, the Board considers any Directors’ Conflicts of Interest.

The Board is responsible for the long-term success of the Group. 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. However, the Board recognises that governance is not just about compliance. The Board strives for good and effective governance, with informed and transparent decisions being made contributing to the delivery of the Group strategy.

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 Group through the executive and management teams.

There is a formal schedule of matters reserved to the Board which includes Strategy and Management, Structure and Capital, Financial Reporting and Controls, Internal Contracts, Contracts, Communication, Board Membership and other appointments, Remuneration,



Governance and Corporate Policies.

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 Group's website at www.breedongroup.com. The activities of the Audit, Remuneration and Nomination committees during 2019 are described on [pages 66 to 78](#).

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.

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 Group 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 email address which current or potential investors can use in order to communicate with the Group's investor relations team (investors@breedongroup.com).

The Group 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 Group's website at www.breedongroup.com.

The Board receives regular updates on the views of shareholders through reports and notes from its brokers 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.

Updated as at 17 March 2020