



The Directors of Breedon Group plc recognise the value of strong corporate governance and the Company has therefore in the past sought to comply, as far as it has been appropriate to do so, with the Corporate Governance Code for Small and Mid-size Quoted Companies published by the Quoted Companies alliance in 2013. For the purposes of AIM Rule 26, with effect from 1 January 2019, the Company has adopted the QCA Corporate Governance Code published in 2018 ("**the QCA Code**") as the recognised corporate governance code with which it will seek to comply. Set out below is an overview of the Company's compliance with the QCA Code as at the date of this statement. 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 "**2017 Annual Report**" are to the Company's Annual Report for the year ended 31 December 2017 which is available at

<https://www.breedongroup.com/images/uploads/articles/2017ARAreport.pdf>

Pages 52 to 73 of the 2017 [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.

The Group's Business Model and Strategy, together with the key challenges faced by the Group in their execution, are described in detail on pages 8 to 17 of the 2017 [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 it achieve its objectives. The Board actively encourages such engagement.

Dialogue with shareholders

The Company 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 Chairman and the Company's Head of Communications are primarily responsible for shareholder liaison and may be contacted via investors@breedongroup.com

The Executive Chairman also ensures that the views of shareholders are communicated to the Board as a whole, and that non-executive directors develop an 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.

David Williams and David Warr, as Chairmen of the Remuneration and Audit Committees respectively, Susie Farnon, as 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.

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.

It communicates with its employees in various ways, including local meetings with management, site visits from senior management and a groupwide newsletter. The Group's all employee savings-related share scheme is an important element in seeking to engage employees in the performance of the business.

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 employee to provide voluntary services.

Breedon regularly works alongside its customers and suppliers to seek innovative solutions to support many of the major projects on which it operates.

Further details of the Group's Corporate Social Responsibility activities are set out in pages 42 to 71 of the 2017 [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 divisions to identify and assess the key risks and controls in their businesses 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.

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 19 to 21 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.

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 David Warr) and two non-executive directors who are not considered to be independent. Amit Bhatia has been appointed as non-executive Deputy Chairman. The Company has stated that it intends to appoint two new independent non-executive directors to strengthen and diversify the Board and it has announced that Peter Cornell will be taking up a position as a non-executive director with effect from 1 October 2018. The Board considers that Mr Cornell will be an independent director.

The Board considers David Warr to be independent notwithstanding the fact that he was appointed as a director in June 2008 and has therefore served on the Board for more than nine years. The Board believes that he continues to demonstrate an independence of character and judgement in the performance of his role as a non-executive director. In addition, his external experience as a member of the boards of other listed companies provides a valuable source of expertise and knowledge.

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 are able to allocate sufficient time to meet the expectations of their role.

Details of the directors' attendance at Board meetings are set out on page 54 of the 2017 [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 52 and 53 of the 2017 [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 take into account 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 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.

Since its creation in 2010, Breedon has regularly refreshed the membership of its Board, including the appointment of a Deputy Chairman in 2018, and it has stated that it hopes to appoint 2 new non-executive directors by the end of 2018. It has further announced that Peter Cornell will take up one of those appointments from 1 October 2018.

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.

In 2017 the Board carried out an externally facilitated Board Effectiveness Review. The review consisted of each director participating in a one-to-one interview with the provider and the output of those interviews was then 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 is 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 Nomination Committee is tasked with monitoring the Group's succession planning arrangements and its activities on this topic are reported on page 69 of the 2017 [Annual Report](#).

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

Whilst Breedon Group has not formally adopted a separate ethics policy, 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, Supplier Conduct, Whistleblowing and Non-facilitation of Tax Evasion and closely monitors compliance with these.

Having undergone substantial growth in recent years as a result of major acquisitions, the Company is undertaking an exercise 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

Further details of the Group's corporate governance structures and processes are available on pages 52 to 73 of the 2017 [Annual Report](#). These include the roles and responsibilities of the chair and the chief executive, and the roles of each board committee.

The activities of the Audit, Remuneration and Nomination Committees during 2017 are set out on pages 58 to 69 of the 2017 [Annual Report](#).

The terms of reference of each board committee, and the schedule of matters reserved to the Board are set out on the company's website at <https://www.breedongroup.com/investors/other-documents/archive>

BUILD TRUST

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

As noted above in the commentary in relation to Principle 2 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.



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 2017 [Annual Report](#) includes the Directors' Remuneration Report and separate reports from the Audit Committee and the Nomination Committee.

Updated as at 28 September 2018