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CRH plc has a secondary listing on the Irish Stock Exchange. For this reason, CRH plc is not subject to the same ongoing listing requirements as would apply to an Irish company with a primary listing on the Irish Stock Exchange. For further information, shareholders should consult their own financial adviser. Further details on the Group's listing arrangements, including its premium listing on the London Stock Exchange, are set out on page 56.

Chairman's Introduction



Nicky Hartery
Chairman

The following report outlines our approach to corporate governance and how we implement the 2012 UK Corporate Governance Code (the 2012 Code).

The reports from the Chairmen of *Audit, Nomination & Corporate Governance* and *Remuneration Committees* on pages 61, 66 and 73 respectively highlight the key areas of focus for, and the background to the principal decisions taken by, those Committees.

In relation to 2014, we complied in full with the provisions of the 2012 Code. We also have procedures in place for compliance with our obligations under the applicable rules and regulations issued by the United States Securities and Exchange Commission.

Board Renewal and Re-election

We have recently appointed two new non-executive Directors to the Board. Pat Kennedy, former Chief Executive of SHV Holdings, a large family owned Dutch multi-national company with a range of operational and investment activities, was appointed in January 2015. Lucinda Riches, who spent the majority of her career in investment banking, including 21 years in UBS Investment Bank and its predecessor firms where she worked in senior management positions in the UK and the US, will join the Board with effect from 1 March 2015. Their biographies, along with those of the other Board members are set out on pages 51 to 53. The Group's approach to Board renewal and succession planning is set out on page 57 and in the *Nomination & Corporate Governance Committee* section.

Last year, I reported that the Board had set itself the goal of increasing the number of female Directors to circa 25% of the Board by the end of 2015. In this regard, I am pleased to report that, following the 2015 Annual General Meeting, to be held in early May, one quarter of the Board will be female.

In relation to each of the Directors putting themselves forward for re-election at the 2015 Annual General Meeting, I have conducted a formal evaluation of the performance of each Director, which included training needs where appropriate. I can confirm that each of the Directors continues to perform effectively and to demonstrate strong commitment to the role.

As referred to in my introduction to the Annual Report on page 3, John Kennedy and Dan O'Connor, after many years' service to CRH, will retire from the Board following the conclusion of the 2015 Annual General Meeting.

Board Effectiveness and Training

During the course of 2015, an external consultant will be engaged to facilitate the external evaluation of the effectiveness of the Board. The external evaluation will supplement our existing internal evaluation processes, details of which are set out on page 58. The last externally facilitated evaluation was carried out in 2012. Also this year, together with Don McGovern who took over as Senior Independent Director in January 2015, I will be reviewing the training arrangements we have in place for Directors with a view to partnering with an external firm to provide a range of programmes which Directors can avail of on an ongoing basis.

Talent Management / Succession Planning

Throughout its history, CRH's approach to recruiting, developing and retaining talented executives has resulted in a long standing tradition of making internal appointments for critical senior roles and is an important component in the achievement of the Group's strategic priorities. Nevertheless, the Board recognises that CRH's evolving organisation structure and the expansion of the Group's geographic footprint over time will bring additional challenges. In this regard, we will be working with the Chief Executive and the Group Human Resources and Talent Development Director to take a fresh look at our processes in 2015 and the coming years to ensure we have a pipeline of executives at all levels to match our needs.

Shareholder Engagement and Reporting

This year the Senior Independent Director and I will again hold meetings with large shareholders prior to the Annual General Meeting to discuss any areas of concern in relation to the agenda for that meeting or other topical governance-related matters. We appreciate the level of interest and engagement in this process, which provides us with an insight into the views of shareholders on CRH's governance structures and in relation to recent or upcoming developments in this area. I am always available to meet with shareholders outside of this process should the need arise.

As was the case last year, in accordance with the 2012 Code, the Directors' Report contains confirmation that the Directors believe that the 2014 Annual

Report, taken as a whole, is "Fair, Balanced and Understandable". The Board has put in place a robust process to ensure this concept is taken into account throughout the drafting and review stages. This process is outlined on page 60.

Conclusion

As a Board, we are committed to a process of continued improvement in our collective effectiveness. In this regard, I look forward to the feedback from our upcoming external evaluation process.

Nicky Hartery
Chairman

February 2015

Stock Exchange Listings and Corporate Governance Codes

CRH, which is incorporated in Ireland and subject to Irish company law, has a premium listing on the London Stock Exchange, a secondary listing on the Irish Stock Exchange and its American Depositary Shares are listed on the New York Stock Exchange.

This Report describes CRH’s governance principles and practice and the Group’s risk management and internal control systems. The Report also sets out how CRH applies the main and supporting principles of the 2012 UK Corporate Governance Code (the 2012 Code).

A copy of the 2012 Code can be obtained from the Financial Reporting Council’s website, www.frc.org.uk.

Board of Directors

What are the responsibilities of the Board?

The Board is responsible for the leadership, oversight, control, development and long-term success of the Group. It is also responsible for instilling the appropriate culture, values and behaviour throughout the organisation.

There is a formal schedule of matters reserved to the Board for consideration and decision. This includes the matters set out in table 1.

Matters Reserved to the Board	Table 1
Appointment of Directors	
Strategic plans for the Group	
Annual budget	
Major acquisitions and disposals	
Significant capital expenditure	
Approval of the Annual Report	
Approval of the Interim Results	
Issuance of guarantees	

The Group’s strategy, which is regularly reviewed by the Board, and its business model are summarised in the Strategic Report on pages 7 to 15.

The Board has delegated some of its responsibilities to Committees of the Board. The work of each Committee is set out on pages 61 to 69 of this Report. While responsibility for monitoring the effectiveness

of the Group’s risk management and internal control systems has been delegated to the *Audit Committee**, the Board retains ultimate responsibility for determining the Group’s “risk tolerance” and annually considers a report in relation to the monitoring, controlling and reporting of identified risks and uncertainties. In addition, the Board receives regular reports from the Chairman of the *Audit Committee* in relation to the work of that Committee in the area of risk management.

Individual Directors may seek independent professional advice, at the expense of the Company, in the furtherance of their duties as a Director.

The Group has a Directors’ and Officers’ Liability insurance policy in place.

How do the roles of the Chairman and Chief Executive differ?

It has been CRH’s practice since the formation of the Group in the 1970s that the roles of Chairman and Chief Executive are not combined.

The Board has delegated responsibility for the management of the Group, through the Chief Executive, to executive management. There is a clear division of responsibilities between the roles of the Chairman and the Chief Executive, which is set out in writing and has been approved by the Board. A summary of the respective roles is set out in table 2.

What is the membership structure of the Board?

It is CRH’s practice that a majority of the Board comprises non-executive Directors.

At present, there are three executive and ten** non-executive Directors. Biographical details are set out on pages 51 to 53. Non-executive Directors are expected to challenge management proposals constructively and to examine and review management performance in meeting agreed objectives and targets. In addition, they are expected to draw on their experience and knowledge in respect of any challenges facing the Group and in relation to the development of proposals on strategy.

We consider the current size and composition of the Board to be within a range which is appropriate. We also believe that the current

size of the Board is sufficiently large to enable its Committees to operate without undue reliance on individual non-executive Directors, while being dynamic and responsive to the needs of the Group. The spread of nationalities of the Directors reflects the geographical reach of the Group and we consider that the Board as a whole has the appropriate blend of skills, knowledge and experience, from a wide range of industries, regions and backgrounds, necessary to lead the Group.

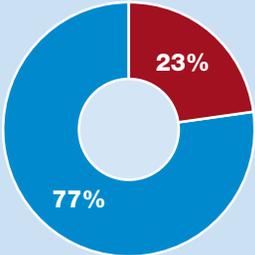
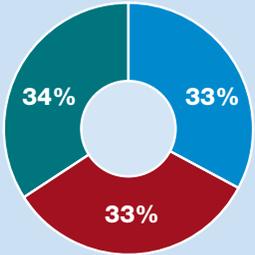
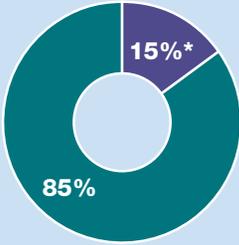
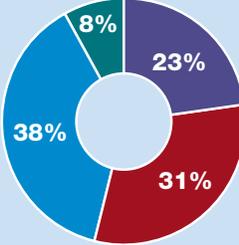
None of the executive Directors is a non-executive director of another listed company.

The current membership structure of the Board is set out in table 3.

Chairman is responsible for	Table 2
The efficient and effective working of the Board	
Ensuring that Board agendas cover the key strategic issues confronting the Group, that the Board reviews and approves management’s plans for the Group and that the Directors receive accurate, timely, clear and relevant information	
Making certain that the Board applies sufficient challenge to management proposals and examines and reviews management performance in meeting agreed objectives and targets	
Overseeing the search for new Board members	
Chief Executive is responsible for	
Full day-to-day operational and profit performance of the Group and accountability to the Board for all authority delegated to executive management	
Executing strategy agreed with the Board and reporting regularly on the progress and performance of the Group	
Co-ordinating and overseeing the profitable growth of the Group’s diverse portfolio of international businesses	
Maximising the contribution of senior management to business planning, operational control and profit performance	

* In accordance with Regulation 91(6)(b) of the European Communities (Statutory Audits) (Directive 2006/43) Regulations 2010.

** Will increase to 11 with effect from 1 March 2015 and reduce to 9 following the conclusion of the 2015 Annual General Meeting.

Membership of the CRH Board		Table 3
Independence <i>(determined by CRH Board annually)</i>	Tenure of non-executive Directors <i>(excluding Chairman)</i>	
 <p>■ Independent ■ Non-independent</p>	 <p>■ 0-3 years ■ 6-9 years ■ 3-6 years</p>	
Gender Diversity	Geographical Spread (by residency)	
 <p>■ Female ■ Male</p> <p><i>*25% following 2015 Annual General Meeting</i></p>	 <p>■ Ireland ■ UK ■ Mainland Europe ■ US</p>	

- international business experience, particularly in the regions in which the Group operates or into which it intends to expand;
- skills, knowledge and expertise in areas relevant to the operation of the Board;
- diversity, including nationality and gender; and
- the need for an appropriately sized Board.

During the ongoing process of Board renewal, each, or a combination, of these factors can take priority.

In 2014, the Board set itself the goal of increasing the number of female Board members to circa 25% by the end of 2015. Following the 2015 Annual General Meeting, this objective will have been achieved.

What criteria are used to determine the independence of non-executive Directors?

The Board considers the principles relating to independence contained in the 2012 Code, together with the guidance provided by a number of shareholder voting agencies, and takes into account a Director's character, objectivity and integrity.

The independence of non-executive Board members is considered annually. The Board is assisted in this by the annual review carried out by the Senior Independent Director which addresses the independence of the individual members of the Board, and by the work of the *Nomination & Corporate Governance Committee*, which annually reviews each Board member's directorships, and considers any relevant business relationships between Board members. We have concluded that all of the non-executive Directors bring independent judgement to bear on issues of strategy, performance, resources, key appointments and standards, and have determined that each of the non-executive Directors is independent.

When was the Chairman appointed and does he have non-CRH commitments?

While the Chairman holds other directorships (see details on page 51), the Board considers that these do not interfere with the discharge of his duties to CRH.

Nicky Hartery was appointed Chairman of the Group in 2012. On his appointment as Chairman, he met the independence criteria set out in the 2012 Code. During 2014, Nicky

How does the Board plan for succession and what is its policy on diversity?

The Board plans for its own succession with the assistance of the *Nomination & Corporate Governance Committee*.

For non-executive appointments, independent consultants are normally engaged to search for suitable candidates. The process to identify, evaluate and appoint a non-executive Director with the suitable experience, skills and time commitment takes into account both the needs of CRH and the tenure and skills of existing Board members. As a result, Board renewal and the appointment of non-executive Directors is a continuous process. The process put in place

in respect of appointments made since the 2013 Annual Report was published is set out in the Chairman's introduction to the *Nomination & Corporate Governance Committee's Report* on page 66.

External consultants are engaged for executive Director recruitment if, and when, required. In the case of the Chief Executive role, the Board appoints a succession committee of long standing non-executive Directors, when required. The incumbent Chief Executive generally acts as advisor to that committee.

We are committed to ensuring that the Board is sufficiently diverse and appropriately balanced. In its work in the area of Board renewal, the *Nomination & Corporate Governance Committee* looks at the following four criteria when considering non-executive Director candidates:

joined the Board of a Canadian listed company. The Board has satisfied itself that this would not impact on his role as CRH Chairman.

In February 2015, the Board considered the outcome of the annual review, carried out by the Senior Independent Director, of the performance of the Chairman, whose initial term of office is due to expire at the conclusion of the Annual General Meeting in May 2015. The Board, chaired by the Senior Independent Director for this purpose, resolved that Mr. Hartery's term in office be extended for a further three years.

Who is the Senior Independent Director?

The Senior Independent Director is available to shareholders who have concerns that cannot be addressed through the Chairman, Chief Executive or Finance Director.

Don McGovern was appointed as Senior Independent Director in January 2015.

Who is the Company Secretary?

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with.

Neil Colgan was appointed Company Secretary in June 2009. The appointment and removal of the Company Secretary is a matter for the Board.

For what period are non-executive Directors appointed?

Non-executive Directors are typically expected to serve two three-year terms, although they may be invited by the Board to serve for further periods.

The standard terms of the letter of appointment for non-executive Directors, which states that they are generally expected to serve two terms of three years, are available for inspection at the Company's registered office and at the Annual General Meeting. A non-executive Director's term of office is subject to his/her annual re-election by shareholders and the letter of appointment does not provide for any compensation for loss of office.

How are the induction, training and development needs of Directors catered for?

The Chairman agrees a tailored and comprehensive induction programme with each new Director.

New Directors are provided with extensive briefing materials on the Group and its operations, the procedures relating to the Board and its Committees and their duties and responsibilities as Directors under legislation and regulations that apply to the Company.

A typical induction programme, which generally takes place over the first year of a Director's appointment, would cover the topics set out in table 4.

Sessions are held periodically with the Chairman at which progress is reviewed and feedback is sought.

For newly-appointed members of the *Audit Committee*, additional training arrangements include the topics set out in table 5.

Members of the *Audit Committee* receive periodic updates on accounting developments.

Directors can also avail of opportunities to hear the views of, and meet with, the Group's shareholders. Directors regularly receive copies of research and analysis conducted on CRH and the building materials sector. The Board receives regular updates from the external auditors in relation to regulatory and accounting developments. Updates in relation to other relevant matters, for example, changes in company law, are provided from time to time.

What processes are in place for appraising the performance of Directors and for evaluating the effectiveness of the Board and its Committees?

An annual review of individual Directors' performance is conducted by the Chairman and each Director is provided with feedback gathered from other members of the Board.

The performance of individual Directors is assessed against a number of measures, including the ability of the Director to contribute to the development of strategy, to understand the major risks affecting the Group, to contribute to the cohesion of the

Board, to commit the time required to fulfil the role and to listen to and respect the views of other Directors and the management team. As part of that review process the Chairman discusses with each individual their training and development needs and, where appropriate, agrees suitable arrangements to be put in place to address those needs.

The Senior Independent Director conducts an annual review of Board Effectiveness and the balance of skills, experience, independence and knowledge of the Company on the Board, the operation and performance of the Chairman, the Board and its Committees and the effectiveness of Board communications. This is achieved through discussion in one-to-one sessions with each Director, aided by the completion by each Director of a questionnaire in advance. The meetings, which cover specific topics and allow for free-ranging discussion, provide a forum for an open and frank discourse. The Senior Independent Director circulates a written report to the Board, which summarises the outcome of the review and sets out any recommendations from Board members in relation to areas where improvements can be made. Consideration of the Senior Independent Director's report is a formal agenda item at a scheduled Board meeting.

When was the last external Board evaluation completed and what was the outcome?

The 2012 evaluation was facilitated by ICSA Board Evaluation, which has an extensive record in facilitating evaluations in large listed companies both in Ireland and the UK.

An externally facilitated Board evaluation was carried out by an independent third party, ICSA Board Evaluation in 2012, the outcome of which was very positive. The recommendations were reported in the 2012 Corporate Governance Report, a copy of which is available on the CRH website. The next external evaluation will be conducted during 2015.

What are the requirements regarding the retirement and re-election of Directors?

All Directors retire at each Annual General Meeting and, unless they are stepping down from the Board, submit themselves to shareholders for re-election.

Induction Programme		Table 4
Board Members		
Topic	Sessions with	
Group strategy and finance: <ul style="list-style-type: none"> – Group strategy, the current challenges facing the Group and the trading backdrop – Financial reporting, trading results, acquisition models, funding sources/debt maturity, group treasury and credit rating metrics 	Chief Executive, Finance Director, senior finance and treasury management	
Divisional strategy and structure: <ul style="list-style-type: none"> – Divisional strategy and organisational structure – Development priorities – IT strategy 	Chief Executive, Heads of Divisions and senior operational management	
Senior management team: <ul style="list-style-type: none"> – Succession planning – Leadership development programmes – Remuneration trends 	Chief Executive and Group Human Resources and Talent Development Director	
Directors' legal duties and responsibilities: <ul style="list-style-type: none"> – Legal duties and responsibilities – Management of inside information – Dealings in CRH securities – Listing rule requirements 	Finance Director, Company Secretary and the Group's legal advisers	
Compliance & ethics, health & safety, risk management, investor relations and remuneration: <ul style="list-style-type: none"> – Compliance & ethics policies and the structures in place to ensure ongoing compliance – Health & safety programme, including the fatality elimination programme, and the Group's Corporate Social Responsibility policies – Investor Relations programme and the views of the Group's major investors – Enterprise Risk Management, insurance arrangements and captive insurance programme 	Finance Director, executives responsible for the relevant area, the Group's stockbrokers and the <i>Remuneration Committee's</i> remuneration advisors	

Re-appointment of Directors retiring at Annual General Meetings is not automatic. Directors who are seeking re-election are subject to a satisfactory performance appraisal. All Directors are subject to the Memorandum and Articles of Association of the Company (a summary of provisions in the Memorandum and Articles of Association relating to the Directors is set out on page 71).

How often does the Board meet?

Details of the number of Board and Committee meetings during 2014, and of Directors' attendance at those meetings, is set out in table 11 on page 68.

There were eight full meetings of the Board during 2014.

Each year, additional meetings, to consider specific matters, are held if and when required. Prior to their appointment, potential non-executive Directors are made aware of the calendar of meetings and are asked to confirm that they are able to allocate sufficient time to meet the expectations of their role. The agreement of the Chairman is required before a Director accepts additional commitments that might impact adversely on the time he or she is able to devote to CRH.

The Board typically makes two visits each year to Board operations; one in Europe and one in North America. Each visit lasts between three and five days and incorporates a scheduled Board meeting. In 2014, these visits were to Amsterdam in the Netherlands and Los Angeles in the United States.

How are Board agendas determined?

The Chairman sets the agenda for each meeting in consultation with the Chief Executive and Company Secretary.

In setting the agendas, the Chairman ensures that sufficient time is allocated to strategy setting and review, performance monitoring, portfolio management, including acquisitions and divestments, succession planning and talent management. Board agendas typically cover items set out in table 6 on page 60.

The non-executive Directors regularly meet before or after each Board meeting without executives being present.

The papers for meetings are generally circulated electronically in the week prior to the meeting.

Audit Committee		Table 5
Topic	Sessions with	
External Audit <ul style="list-style-type: none"> – Audit planning – Auditors' responsibilities 	Finance Director, senior finance management, Head of Internal Audit and external auditors	
Internal Audit <ul style="list-style-type: none"> – Strategy and workplan – IT audit 		

Typical Board Agenda Items	Table 6
<i>Recurring items on each agenda:</i>	
<ul style="list-style-type: none"> – Minutes – Board matters (including Board Committee updates) – Trading results – Acquisitions/Disposals/Capital Expenditure Projects 	
<i>Periodic agenda items during the year:</i>	
<ul style="list-style-type: none"> – Group strategy and Divisional strategy updates – Group budget – Full-year/interim financial results and reports – Investor interaction and feedback – Performance review of acquisitions against the original Board proposal following three years of Group ownership – Funding proposals – Human resources and succession planning – Risk management and internal controls – Compliance & Ethics – Health & Safety review, with a particular focus on the Group's fatality elimination programme – Environmental review 	

provide guidance regarding developments. In the case of the Annual Report, to facilitate each Director's individual review, the draft document is circulated to Board members circa two weeks prior to the finalisation of the report.

Are the Directors subject to securities dealing policies or codes?

Directors are required to obtain clearance from the Chairman and Chief Executive before dealing in CRH securities.

Details of the CRH shares held by Directors are set out on page 85. CRH has a policy on dealings in securities that applies to all Directors and senior management. Directors and senior management are prohibited from dealing in CRH securities during designated prohibited periods and at any time at which the individual is in possession of inside information (as defined in the Market Abuse (Directive 2003/6/EC) Regulations 2005). The policy adopts the terms of the Model Code, as set out in the Listing Rules published by the UK Listing Authority subject to amendments in relation to Irish company law and taxation references.

What are the Committees of the Board?

The Board has established five permanent Committees to assist in the execution of its responsibilities.

The current permanent Committees of the Board are the *Acquisitions Committee*, the *Audit Committee*, the *Finance Committee*, the *Nomination & Corporate Governance Committee* and the *Remuneration Committee*. In addition, ad-hoc Committees are formed from time to time to deal with specific matters. Each of the permanent Committees has terms of reference, under which authority is delegated to them by the Board. The Chairman of each Committee reports to the Board on its deliberations and minutes of all Committee meetings are circulated to all Directors.

The current membership of each Committee and each member's length of service is set out in the relevant sections in the remainder of this report. Attendance at meetings held in 2014 is set out in table 11 on page 68.

Chairmen of the Committees attend the Annual General Meeting and are available to answer questions from shareholders.

How does the Board ensure its reports are "Fair, Balanced and Understandable"?

The Board collectively determines whether or not it is appropriate to include in the Annual Report a statement that the Board considers the document, taken as a whole, to be "Fair, Balanced and Understandable".

The Group's Financial Reporting and Disclosure Group ("FRADG") reviews draft disclosures such as the annual and interim reports, and meets with the Finance Director to discuss proposed disclosures, in the context of whether draft reports fulfil the criteria of being fair, balanced and understandable. The conclusions of the FRADG are reported to the Board. To ensure the Group's disclosures are in line with evolving best practice in this area, the FRADG, which is made up of executives with responsibilities across a range of functions, regularly receives feedback from external experts who review published documents and

Audit Committee

Chairman's overview

The *Audit Committee* currently consists of four non-executive Directors considered by the Board to be independent. The biographical details of each member are set out on pages 51 to 53. Together the members of the Committee bring a broad range of experience and expertise from a wide range of industries which is vital in supporting effective governance.

The primary responsibilities of the Committee are to:

- monitor the financial reporting process, the integrity of the financial statements, including the Annual and Interim Reports, preliminary results announcements, interim management statements and any other formal announcement relating to the financial performance of the Company, and to review significant financial reporting issues and judgements exercised in the preparation thereof;
- monitor the audit of the financial statements;
- keep under review the effectiveness of the Company's internal financial controls and the internal control and risk management systems and review and approve statements to be included in the Annual Report regarding internal control and risk management;
- review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and review the Company's procedures and systems for detecting fraud and preventing bribery;
- keep under review the adequacy of the Group's compliance and ethics function;
- monitor and review the effectiveness of the internal audit function;
- review the effectiveness of the audit process and the independence and objectivity of the external auditors;
- develop and monitor the policy on non-audit services to be provided by the external auditors;
- approve the remuneration and terms of engagement of the external auditors;
- make recommendations to the Board in relation to the appointment or removal of the external auditor;
- report to the Board on how it has discharged its responsibilities.

The responsibilities of the *Audit Committee* are set out in full in its Terms of Reference, which are available on the CRH website, www.crh.com.

Ernst Bärtschi
Chairman of Audit Committee
Audit Committee Financial Expert



On behalf of the *Audit Committee*, I am pleased to introduce the *Audit Committee Report* for the year ended 31 December 2014. The non-executive Directors who were members of the Committee during 2014, together with their record of attendance at Committee meetings, are identified in table 11 on page 68. A summary of recent and upcoming changes to the membership of the *Audit Committee* is set out in the Chairman's overview section of the *Nomination & Corporate Governance Committee Report* on page 67.

Financial Reporting and External Audit

In July 2014, the Committee met with Ernst & Young to agree the 2014 external audit plan. Table 7 on page 63 outlines the key areas identified as being potentially significant and how they were addressed by the Committee.

Impairment Testing / Accounting for Divestments

The Committee reviewed management's goodwill impairment testing methodology and process, through discussion with both management and Ernst & Young, and found the methodology to be robust and the results of the testing process appropriate. The Committee also reviewed the re-assessment of the carrying value of the business units identified for divestment in 2013 (in respect of which an impairment charge of €683 million was recorded in the 2013 Consolidated Financial Statements). No goodwill impairments or reversal of previous impairments were recorded during the year (see note 14 on pages 128 to 130 for more details). However, a number of the business units identified for divestment met the 'held for sale' criteria contained within IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* at 31 December 2014 and have been

re-classified as such in the Consolidated Financial Statements (see note 4 on page 120 for more details).

Enterprise Risk Management

During 2014 the Committee received and considered an update from management on progress in respect of the ongoing development of the Group's enterprise risk management framework, which included detailed reports identifying the key risks at Divisional and Group level and the related mitigation steps. The Committee also considered an annual report on the assessment of risk management and internal control systems. This had regard to all material controls, including financial, operational and compliance controls that could affect the Group's business. Further details in relation to the Group's risk management and internal control systems are set out on page 69.

External Auditors

Ernst & Young have been the Group's auditors since 1988. In last year's report, I informed shareholders that the Committee had deferred making a decision on the timeframe for putting the external audit out to tender until the finalisation of EU legislation on the reform of the audit sector. This EU legislation, which includes a requirement for mandatory auditor rotation and will necessitate, in the case of CRH, an audit tender by the end of 2020, was enacted in June 2014. However, taking into account the differing requirements of the EU legislation and the 2012 Code (the current provision in the 2012 Code which would require a tender process in 2015 remains in place), and the organisational change in Europe (see page 30), the Committee has determined that it is not in the best interests of the Group to carry-out a tender at this time. The Committee will continue to review this position on an ongoing basis. In the interim, the

Committee has again recommended to Board that the continuance in office of Ernst & Young should be subject to a non-binding advisory vote at the 2015 Annual General Meeting.

Further details in relation to the external auditors, including information on how auditor objectivity and independence are maintained and how the effectiveness of the external audit is assessed, are included on pages 64 and 65.

Audit Committee Effectiveness and Priorities for 2015

During 2014 the Committee, together with the Finance Director and Company Secretary, carried out a review of the operation of the Committee. This involved an assessment of the Committee's primary role and responsibilities, training arrangements for Committee members, the time allocated for consideration of key issues, the format and content of the information provided to the Committee and the priorities for 2015 and onwards. A number of helpful recommendations resulted from the process which I believe will further improve the efficiency and effectiveness of the Committee.

The key areas of focus for the Committee in 2015 will be on internal control, external audit planning, IT governance, cyber security and risk management.

Ernst Bärtschi

Audit Committee Chairman

February 2015

Audit Committee Members

The biographies of the members of the *Audit Committee* are set out on pages 51 to 53.

The tenure of each Committee member is as follows:

E.J. Bärtschi	3 years
H.A. McSharry	3 years
H. Th. Rottinghuis	0.75 years

Mr. P.J. Kennedy joined the Committee with effect from 25 February 2015.

Mr. E.J. Bärtschi has been designated by the Board as the Committee’s Financial Expert.

The Committee reviewed its Terms of Reference in December 2014 and determined that no changes were required. The Terms of Reference, which were last updated in December 2013, are available on the CRH website.

Committee meetings

The Committee met ten times during 2014, with meetings held to coincide with key dates in the financial reporting and audit cycle. The Finance Director and the Head of Internal Audit generally attend Committee meetings. The external auditors, Ernst & Young, attend the majority of meetings and have direct access to the Chairman of the Committee. The Group Chairman, Chief Executive and other senior finance personnel attend meetings (or for particular agenda items) at the invitation of the Committee. During 2014, the Committee met with the Head of Internal Audit, and separately with the external auditors, in the absence of management. A typical calendar of meetings, which includes a general outline of the main agenda items, is set out in table 8 on page 64.

In February each year, the Chairman of the Committee formally reports to the Board on how the Committee has discharged its responsibilities in respect of the prior financial year.

Internal Audit

The Head of Internal Audit attends the majority of the meetings of the *Audit Committee*. The Committee agrees the Internal Audit strategy, its charter and the annual workplan, which is developed on a risk-based approach.

Areas identified for focus during the 2014 Audit Planning Process

Table 7

Area of Focus	Audit Committee Action
Impairment of goodwill	<p>For the purposes of its annual impairment testing process, the Group assesses the recoverable amount of each of CRH’s cash-generating units (CGUs – see details in note 14 to the Consolidated Financial Statements) based on a value-in-use computation. The annual goodwill impairment testing was conducted by management and papers outlining the methodology and assumptions used in, and the results of, that assessment were presented to the <i>Audit Committee</i>. Following its deliberations, the <i>Audit Committee</i> was satisfied that the methodology used by management (which was consistent with prior years) and the results of the assessment, together with the disclosures in note 14, were appropriate.</p> <p>A separate assessment was carried out in 2014 in respect of the business units identified in 2013 for divestment as part of the Group-wide portfolio review initiated in November of that year. A total impairment charge of €683 million (of which €315 million related to goodwill) was recorded in the 2013 Consolidated Financial Statements. The valuation of each business unit (based on the estimated fair value less costs of disposal) at year-end 2013 was reassessed in 2014 on a standalone CGU basis. The revised valuations were then compared with the carrying value of each business. The <i>Audit Committee</i> reviewed and considered the methodology used by management in the reassessment process and was satisfied that it was appropriate.</p>
Impairment of property, plant and equipment and financial assets	<p>In addition to the goodwill impairment testing process discussed above, the Group also annually assesses the need for impairment of other non-current assets (property, plant and equipment and financial assets) as and when indicators of impairment exist. The <i>Audit Committee</i> considered the methodology used by management in that process and was satisfied that it was appropriate.</p>
Divestments – appropriate application of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	<p>In 2013, the Group announced that it had identified a number of business units for divestment globally. None of these businesses met the ‘held for sale’ criteria at 31 December 2013. However, the status of the businesses identified for divestment evolved during 2014 and those businesses which met the ‘held for sale’ criteria at 31 December 2014 have been reclassified as such in the Consolidated Financial Statements (see note 4 to the Consolidated Financial Statements for more details). Following detailed discussions with management and Ernst & Young, the <i>Audit Committee</i> was satisfied that the treatment in 2014 was appropriate.</p>
Contract revenue recognition	<p>IAS 11 <i>Construction Contracts</i> requires revenue and expenses to be recognised on uncompleted contracts, with the underlying principle that, once the outcome of a long-term construction contract can be reliably estimated, revenue and expenses associated with that contract should be recognised by reference to the stage of completion of the contract activity at the balance sheet date. If it is anticipated that the contract will be loss-making, the expected loss must be recognised immediately. Following discussions with management and Ernst & Young, the <i>Audit Committee</i> was satisfied that contract revenue recognition was not a material issue for the Group in 2014 as the majority of contracts were completed within the financial year.</p>

Typical Audit Committee Calendar		Table 8
Meeting	Activity	Attendees by invitation <i>(in addition to the Finance Director and the Head of Internal Audit)</i>
February	<ul style="list-style-type: none"> - Consideration of the financial statements (including the report from the external auditors on Integrated Audit Results and Communications) - Approval of external audit fee - Annual review of external auditor independence - Annual assessment of risk management and internal control systems - Approval of Internal Audit workplan - Review of reports on the operation of the CRH Code of Business Conduct, the Competition/Anti-trust Compliance Code and the arrangements in place to enable employees to raise concerns, in confidence, in relation to possible wrongdoing in financial reporting or other matters - Enterprise Risk Management Review 	<i>Chief Executive and executives responsible for the relevant areas</i>
March	<ul style="list-style-type: none"> - Review of Annual Report on Form 20-F 	<i>Senior finance personnel</i>
May	<ul style="list-style-type: none"> - Review of interim management statement* 	<i>Group Chairman and Chief Executive</i>
June	<ul style="list-style-type: none"> - Meeting with Finance Director, Europe - Cyber Security Update 	<i>Senior Europe finance personnel</i>
July	<ul style="list-style-type: none"> - Preliminary consideration of interim results - Approval of the external audit plan - Updates on accounting & auditing developments - Update on Internal Audit work/activities - Annual review of Committee effectiveness - Enterprise Risk Management Review 	<i>Chief Executive and executives responsible for the relevant areas</i>
August	<ul style="list-style-type: none"> - Review of interim results announcement 	<i>Group Chairman and Chief Executive</i>
September	<ul style="list-style-type: none"> - Meeting with the Chief Financial Officer for the Americas - Preliminary review of goodwill impairment and sensitivity analysis - Cyber Security Update 	<i>Senior Americas finance personnel</i>
October	<ul style="list-style-type: none"> - Enterprise Risk Management Review - Preliminary review of interim management statement - Pensions Update 	<i>Executives responsible for the relevant areas</i>
November	<ul style="list-style-type: none"> - Review of interim management statement* 	<i>Group Chairman and Chief Executive</i>
December	<ul style="list-style-type: none"> - Review of outcome of goodwill impairment and sensitivity analysis - Update on Internal Audit work/activities - Enterprise Risk Management Review - Approval of non-audit fees provided by external auditors - Review of the Committee's performance and Terms of Reference 	<i>Senior finance personnel</i>

* A Committee of the Group Chairman, Audit Committee Chairman, Chief Executive and Finance Director are authorised from time to time to review and approve the release of interim management statements.

The Head of Internal Audit reports to the *Audit Committee* on the findings of internal audit reviews and related follow-ups and the outcome of control testing in connection with Section 404 of the Sarbanes-Oxley Act 2002.

In recent years, there has been a significant increase in the resources allocated to IT Audit. The Committee meets regularly with the senior IT Audit Manager to discuss IT Audit strategy, the key areas of focus and agrees the annual IT Audit workplan.

Assessments of the Internal Audit function have been carried out periodically by management and validated by an independent third party assessor. An external assessment, which principally involved a series of interviews with key stakeholders throughout the organisation, including the members of the *Audit Committee*, was commenced in December 2014. The results of that assessment will be presented to the *Audit Committee* for consideration in the first half of 2015.

Risk management and internal controls

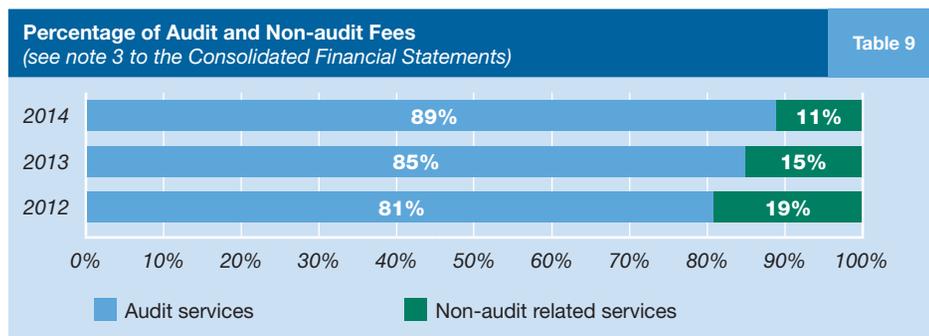
The Board has delegated responsibility for monitoring the effectiveness of the Group's risk management and internal control systems to the *Audit Committee*. Further details in relation to the Committee's work in this area are set out in the section on Risk Management and Internal Controls on page 69.

External Auditors

There are no contractual obligations which act to restrict the Committee's choice of external auditor. The Committee periodically considers the risk of withdrawal by Ernst & Young from the market and the potential impact on the Group, were that eventuality to materialise.

The *Audit Committee* has put in place safeguards to ensure that the independence of the audit is not compromised. Such safeguards include:

- seeking confirmation from the external auditors that they are, in their professional judgement, independent from the Group;
- obtaining from the external auditors an account of all relationships between the auditors and the Group;
- monitoring the Group's policy



prohibiting the employment of former staff of the external auditors, who were part of the CRH audit team, in senior management positions with the Group until two years have elapsed since the completion of the audit;

- monitoring the number of former employees of the external auditors currently employed in senior positions in the Group and assessing whether those appointments impair, or appear to impair, the external auditors' judgement or independence;
- considering whether, taken as a whole, the various relationships between the Group and the external auditors impair, or appear to impair, the auditors' judgement or independence;
- reviewing the economic importance of the Group to the external auditors and assessing whether that importance impairs, or appears to impair, the external auditors' judgement or independence.

The Group external audit engagement partner is replaced every five years and other senior audit staff are rotated every seven years.

The Group has a policy governing the conduct of non-audit work by the auditors. The policy, which was updated in 2012, is available on the CRH website. Under the policy, the external auditors are prohibited from performing services where they:

- may be required to audit their own work;
- participate in activities that would normally be undertaken by management;
- are remunerated through a 'success fee' structure; and
- act in an advocacy role for the Group.

Other than the above, the Group does not impose an automatic ban on the external auditors undertaking non-audit work. The external auditors are permitted to provide non-audit services that are not, or are not perceived to be, in conflict with auditor independence or prohibited by Rule 2-01 of SEC Regulation S-X, provided they have the skill and competence to carry out the work and are considered by the Committee to be the most appropriate party to undertake such work in the best interests of the Group.

The engagement of the external auditors to provide any non-audit services must be pre-approved by the *Audit Committee* or entered into pursuant to pre-approval policies and procedures established by the Committee. The pre-approval policy specifies the services that are prohibited and the services which have general pre-approval. The Committee has delegated to the Finance Director responsibility for confirming whether a service, which has general pre-approval, can be provided by Ernst & Young. In addition, Internal Audit reviews the pre-approval process to ensure that it is robust in addressing the requirements of the Public Company Accounting Oversight Board and does not impinge on Ernst & Young's independence. The Finance Director reports regularly to the Committee on services which have been approved.

In 2014, the external auditors provided a number of audit-related services, including Sarbanes-Oxley Section 404 attestation, and non-audit services, including due diligence services associated with proposed acquisitions and disposals. Ernst & Young were also engaged during 2014 in a number of jurisdictions in which the Group operates to provide help with local tax compliance, advice on taxation laws

and other related matters; assignments which typically involve relatively small fees. The *Audit Committee* is satisfied that the external auditors' knowledge of the Group was an important factor in choosing them to provide these services. The Committee is also satisfied that the fees paid to Ernst & Young for non-audit work, which amounted to 11% of the total fee in 2014, did not compromise their independence or integrity. Details of the amounts paid to the external auditors during the year for audit and other services are set out in note 3 to the Consolidated Financial Statements on page 119.

The *Audit Committee's* primary means of assessing the effectiveness of the external audit process is by monitoring performance against the agreed audit plan. In addition, each year the Committee considers (i) the experience and knowledge of the Ernst & Young audit team; (ii) the results of post-audit interviews with management and the *Audit Committee* Chairman; (iii) the transparency reports issued under EU regulations by Ernst & Young Ireland; and (iv) where applicable, relevant reports by regulatory bodies on the performance of Ernst & Young. These annual procedures are supplemented by periodic formal reviews of the performance of Ernst & Young, the most recent of which took place in late 2014. The 2014 review captured the views of relevant stakeholders across the Group and members of the Committee. The preliminary results indicated a high level of satisfaction with Ernst & Young and the services provided by them to CRH. The *Audit Committee* will consider a full report on the findings and recommendations arising from the review in the first half of 2015.

Nomination & Corporate Governance Committee

Chairman's overview

The *Nomination & Corporate Governance Committee* consists of four non-executive Directors.

The primary responsibilities of the Committee are:

- regularly reviewing the size, structure and composition (including skills, knowledge, experience and diversity) of the Board and making recommendations to the Board regarding any changes;
- giving consideration to succession planning for Directors and senior executives;
- identifying and recommending candidates to fill Board vacancies;
- in respect of the appointment of a chairman, preparing a job specification including the time commitment expected;
- keeping under review the leadership needs of the organisation;
- approving the terms of reference for external board evaluations;
- keeping under review corporate governance developments with the aim of ensuring that CRH's governance policies and practices continue to be in line with best practice;
- ensuring that the principles and provisions set out in the 2012 Code (and any other governance code that applies to the Company) are observed;
- reviewing the disclosures and statements made in the Corporate Governance Report to shareholders.

The responsibilities of the *Nomination & Corporate Governance Committee* are set out in full in its Terms of Reference, which are available on the CRH website, www.crh.com.

Nicky Hartery

Chairman of Nomination & Corporate Governance Committee



Board Renewal

The *Nomination & Corporate Governance Committee* regularly reviews the Board's skill mix, experience and tenure in order that the renewal process is orderly and planned. A skills matrix has been developed to aid this process and is used by the Committee. During 2014, and to date in 2015, the Committee identified and recommended to the Board that the following individuals be appointed as non-executive Directors:

- Pat Kennedy, appointed with effect from 1 January 2015; and
- Lucinda Riches, appointed with effect from 1 March 2015.

The search criteria for these appointments included candidates with a Chief Executive or senior management background who had general industry, emerging markets and, in the context of recent and impending Board retirements, finance, investment banking or private equity experience.

Biographies for Pat Kennedy and Lucinda Riches are included on pages 52 and 53. The Committee worked with Korn/Ferry in relation to the appointment of Lucinda. Korn/Ferry has no other connection with the Company. We did not use the services of a recruitment agency in relation to the appointment of Pat; he had been identified as a candidate for a non-executive Director a number of years ago. At that time he was Executive Chairman of SHV Holdings, a large family owned multi-national based in the Netherlands. We remained in contact with him and when he retired from his executive role at SHV he met with all of the current members of the *Nomination & Corporate Governance Committee* and a number of other Board members. He brings to CRH wide experience in a range of industries, emerging markets and the provision of private equity. Lucinda has significant experience in equity and capital markets both in London and New York. While she worked for the majority of her career up to 2007 in UBS, the Company's broker, the Committee is satisfied that no issues of independence arise.

Ernst Bärtschi was appointed to the Board in 2011 and Heather Ann McSharry was appointed in 2012. They completed their first three year terms as non-executive Directors in November 2014 and February 2015 respectively. Following a performance review, on the recommendation of the Committee, the Board has asked Ernst and Heather Ann to each continue on the Board for a further three year term.

Following the appointment of Lucinda Riches, female Directors will represent 25% of the Board after the conclusion of the 2015 Annual General Meeting. The *Nomination & Corporate Governance Committee* will continue to retain gender diversity as a key factor to consider in all Board appointments for the foreseeable future.

Board Committees / Senior Independent Director

On the recommendation of the *Nomination & Corporate Governance Committee*, the Board has appointed Don McGovern as Chairman of the *Remuneration Committee*, with effect from March 2015. Don succeeds Dan O'Connor, who will remain on the Committee until his retirement at the conclusion of the 2015 Annual General

Meeting. Don also succeeds Dan as Senior Independent Director. A summary of recent and upcoming changes to the Board's Committees are set out in table 10.

Voting at General Meetings

The Committee reviewed the voting outcome at the 2014 Annual General Meeting and concluded that there was no issue or pattern in voting which was unexplained or warranted discussion with individual shareholders.

Nicky Hartery

Nomination & Corporate Governance Committee Chairman

February 2015

Summary of Board Committee Changes					Table 10
	Acquisitions	Audit	Finance	Nomination	Remuneration
Ernst Bärtschi	-	M (Ch)	△	-	-
John Kennedy	△	-	△	○	○
Pat Kennedy	△	△	-	-	-
Albert Manifold	M	-	○	-	-
Don McGovern	-	○	-	△	△ (Ch)
Heather Ann McSharry	-	M	△	-	-
Dan O'Connor	-	○	-	M	M (prev. Ch)
Henk Rottinghuis	△	M	-	-	-
Lucinda Riches*	-	-	-	△	△

△ = Appointed to committee; ○ = ceased to be a committee member; (Ch) = committee Chairman;

- = not applicable or no change; M = continuing member

* Committee appointment will take effect from 1 March 2015

Nomination & Corporate Governance Committee Members

The biographies of the members of the *Nomination & Corporate Governance Committee* are set out on pages 51 to 53.

The tenure of each Committee member is as follows:

W. P. Egan	7.5 years
N. Hartery	10.5 years
D. McGovern	0.25 years
D. O'Connor	2.5 years

Ms. L. Riches will join the *Nomination & Corporate Governance Committee* with effect from her appointment to the Board on 1 March 2015.

The factors taken into account by the *Nomination & Corporate Governance Committee* in considering the composition of the Board are set out in the policy for Board renewal which is detailed on page 57.

The Committee reviewed its Terms of Reference in December 2014 and determined that no changes were required. The Terms of Reference, which were last updated in December 2013, are available on the CRH website.

Remuneration Committee

The Directors' Remuneration Report on pages 72 to 95 contains an overview of the responsibilities and activities of the *Remuneration Committee* during 2014.

Under its Terms of Reference, the *Remuneration Committee* must be made up of at least three members, all of whom must be independent non-executive Directors. Members of the Committee can serve for up to a maximum of three terms of three years. The Group Chairman may be a member of the Committee provided he was independent on appointment as Chairman and the Board continues to consider him to be independent. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman, if not a member of the Committee, the Chief Executive, the Group Human Resources and Talent Development Director and external advisers may be invited to attend for all or part of any meeting as and when appropriate. The Chief Executive is fully consulted about remuneration proposals.

Remuneration Committee Members

The biographies of the members of the *Remuneration Committee* are set out on pages 51 to 53.

The tenure of each Committee member is as follows:

W. P. Egan	7.5 years
N. Hartery	10.5 years
D. McGovern	0.25 years
D. O'Connor	2.5 years

Ms. L. Riches will join the *Remuneration Committee* with effect from her appointment to the Board on 1 March 2015.

The Committee reviewed its Terms of Reference in December 2014 and determined that no changes were required. The Terms of Reference, which were last updated in December 2013, are available on the CRH website.

Acquisitions Committee

Acquisitions Committee Members

The biographies of the members of the *Acquisitions Committee* are set out on pages 51 to 53.

The tenure of each Committee member is as follows:

N. Hartery	2.5 years
M. Carton	4.5 years
U-H. Felcht	3.0 years
J.W. Kennedy	0.5 years
A. Manifold	6.0 years

Mr. P. Kennedy and Mr. H. Rottinghuis were appointed to the Committee on 25 February 2015.

The attendance at *Acquisitions Committee* meetings is set out in table 11.

Role and Responsibilities

The *Acquisitions Committee* has been delegated authority by the Board to approve acquisitions and disposals and large capital expenditure projects up to agreed limits.

Attendance at Board and Board Committee meetings during the year ended 31 December 2014											Table 11	
	Board		Acquisitions		Audit		Finance		Nomination		Remuneration	
	No. of Meetings Total	Attended										
E.J. Bäertschi	8	8			10	10						
M. Carton	8	8	8	8			7	7				
W.P. Egan	8	7							7	7	8	8
U-H. Felcht	8	7	8	8			7	7				
N. Hartery	8	8	8	8			7	7	7	7	8	8
J.M. de Jong*	2	2	1	1			2	2				
J.W. Kennedy	8	8	2	2					5	5	7	7
D.A. McGovern, Jr.	8	8			10	10						
H.A. McSharry	8	8			10	10						
A. Manifold	8	8	8	8			7	7				
D.N. O'Connor	8	8			5	5			7	7	8	8
H. Th. Rottinghuis**	8	8			5	4						
M.S. Towe	8	8										

* Retired May 2014
 ** Appointed to Board February 2014
 Note: See summary of Board Committee changes in table 10 on page 67.

Finance Committee

Finance Committee Members

The biographies of the members of the *Finance Committee* are set out on pages 51 to 53.

The tenure of each Committee member is as follows:

N. Hartery	2.5 years
M. Carton	4.5 years
U-H. Felcht	7.5 years
J.W. Kennedy	0.5 years

Mr. E. J. Bärtschi and Ms. H. A. McSharry were appointed to the Committee on 25 February 2015.

The attendance at *Finance Committee* meetings is set out in table 11.

Role and Responsibilities

The *Finance Committee* is responsible for:

- advising the Board on the financial requirements of the Group and on appropriate funding arrangements;
- considering and making recommendations to the Board in relation to the issue and buy-back of shares and debt instruments and on the Group's financing arrangements;
- considering and making recommendations to the Board in relation to dividend levels on the Ordinary Shares;
- keeping the Board advised of the financial implications of Board decisions in relation to acquisitions;
- assisting management, at their request, in considering any financial or taxation aspect of the Group's affairs; and
- reviewing the Group's insurance arrangements.

Risk Management and Internal Control

The Board has delegated responsibility for the monitoring of the effectiveness of the Group's risk management and internal control systems to the *Audit Committee*^{*}. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and, in the case of internal control systems, can provide only reasonable and not absolute assurance against material misstatement or loss.

The Consolidated Financial Statements are prepared subject to oversight and control of the Finance Director, ensuring correct data is captured from Group locations and all required information for disclosure in the Consolidated Financial Statements is provided.

An appropriate control framework has been put in place around the recording of appropriate eliminating journals and other adjustments. The Consolidated Financial Statements are reviewed by the CRH Financial Reporting and Disclosure Group prior to being reviewed by the *Audit Committee* and approved by the Board of Directors.

The Directors confirm that the Group's ongoing process for identifying, evaluating and managing its principal risks and uncertainties (as outlined in the Directors' Report on pages 96 to 98) is in accordance with the updated Turnbull guidance (*Internal Control: Revised Guidance for Directors on the Combined Code*) published in October 2005. The process has been in place throughout the accounting period and up to the date of approval of the Annual Report and financial statements.

Group management has responsibility for major strategic development and financing decisions. Responsibility for operational issues is devolved, subject to limits of authority, to product group and operating company management. Management at all levels is responsible for internal control over the business functions that have been delegated. This embedding of the system of internal control throughout the Group's operations ensures that the organisation is capable of responding quickly to evolving business risks, and that significant internal control issues, should they arise, are reported promptly to appropriate levels of management.

During the year, the Board and *Audit Committee* received, on a regular basis, reports from management on the key risks to the business and the steps being taken to manage such risks. They also considered whether the significant risks faced by the Group were being identified, evaluated and appropriately managed, having regard to the balance of risk, cost and opportunity. In addition, the *Audit Committee* met with internal auditors on a regular basis and satisfied itself as to the adequacy of the Group's internal control system; met with the Chairman of the *Remuneration Committee* to ensure that the Group's remuneration policies and structures were appropriate and in line with the Group's risk tolerance; and reviewed the principal risks and uncertainties outlined in the Directors' Report. The *Audit Committee* also met with, and received reports from, the external auditors. The Chairman of the *Audit Committee* reported regularly to the Board on all significant issues considered by the Committee and the minutes of its meetings were circulated to all Directors.

The Directors confirm that, in addition to the monitoring carried out by the *Audit Committee* under its Terms of Reference, they have reviewed the effectiveness of the Group's risk

management and internal control systems up to and including the date of approval of the financial statements. This had regard to all material controls, including financial, operational and compliance controls that could affect the Group's business.

Compliance & Ethics

The Group Compliance & Ethics (C&E) programme continues to develop in scope and reach. The structure of the C&E organisation was realigned in 2014 to serve the new CRH Europe organisation. A CRH Europe Head of C&E was appointed from the existing Compliance pool. Business Unit Compliance Coordinators (BUCCs) were also appointed for Heavyside East, Heavyside West, Lightside and Distribution and a European Compliance Officer was appointed to assist the European Head of C&E.

CRH's Code of Business Conduct (COBC) and related policies were updated and approved by the Board and the C&E team's primary focus since then has been to ensure all relevant employees receive appropriate training. In the current training cycle over 32,000 employees have participated in COBC training and a further 11,000 have also undertaken advanced instruction on competition law and anti-bribery, corruption and fraud.

In addition, our development teams and procurement teams have received appropriate instruction on both our C&E Mergers, Acquisitions and Joint Venture Due Diligence Programme and our Ethical Procurement Code. Our Supplier Code of Conduct was developed to communicate our minimum Corporate Social Responsibility requirements to existing and new suppliers to the Group and to outline how we ensure compliance with these requirements. Similar procedures have been developed for any engagements with business partners. Further guidelines developed during the year include a Competition Law Toolbox – which gathers into one place various CRH guidelines, policies and notes to help the businesses comply with Competition Law requirements.

The following existing policies are under review;

- The Competition/Antitrust Compliance Code
- The Donations Policy
- The Anti-Fraud Policy

The COBC has scored an "A" rating by New York Stock Exchange Governance Services and incorporates some welcome new features, including learning aids, an ethical-decision making guide and a clear focus on the core values of the Group: Integrity, Honesty and Respect for the law. It was translated and distributed during 2014 and related training is being migrated to an on-line module. A robust communication plan is in place to

^{*} In accordance with Regulation 91(6)(b) of the European Communities (Statutory Audits) (Directive 2006/43) Regulations 2010.

Substantial Holdings

Table 12

As at 31 December 2014, the Company had received notification of the following interests in its Ordinary share capital:

Name	31 December 2014		31 December 2013		31 December 2012	
	Holding/Voting Rights	% at year end	Holding/Voting Rights	% at year end	Holding/Voting Rights	% at year end
BlackRock, Inc.*	40,681,647	5.49%	43,857,751	5.98%	28,961,677	3.98%
The Capital Group Companies, Inc.	-	-	-	-	35,763,581	4.92%
Harbor International Fund	21,999,275	2.96%	21,999,275	3.00%	21,999,275	3.02%
Legal & General Group Plc	-	-	-	-	22,496,003	3.09%
Norges Bank (The Central Bank of Norway)	-	-	-	-	21,543,277	2.96%
Templeton Global Advisors Limited	21,503,171	2.90%	21,503,171	2.93%	21,503,171	2.96%
UBS AG	26,380,604	3.56%	26,380,604	3.59%	26,380,604	3.63%

* BlackRock, Inc. has advised that its interests in CRH shares arise by reason of discretionary investment management arrangements entered into by it or its subsidiaries.

complement the training programme. A multi-lingual “hotline” facility – “Speak Up” is also available to employees as a secure channel to report ethical issues that concern them or suspected violations of our Codes. All hotline reports received are fully reviewed and investigated by appropriately qualified personnel.

The C&E programme has been integrated into our standard Internal Audit procedures and forms part of an annual management certification process. Its effectiveness is also regularly reviewed by the C&E function with appropriate oversight from senior management and the *Audit Committee*. The collective goal is to ensure the message is clearly understood that at CRH “there is never a good business reason to do the wrong thing”.

Sustainability and Corporate Social Responsibility

Sustainability and Corporate Social Responsibility (CSR) concepts are embedded in all CRH operations and activities. Excellence in the areas of *health & safety, environment & climate change, governance and people & community* is a daily priority of line management. The Group’s policies and implementation systems are summarised on pages 17 to 21 and are described in detail in the annual Sustainability Report, which is typically published mid-year in respect of the previous calendar year, and is available on the Group’s website. During 2014, CRH was again recognised by several leading socially responsible investment (SRI) agencies as being among the leaders in its sector in these important areas.

Substantial Holdings

The Company is not owned or controlled directly or indirectly by any government or by any corporation or by any other natural or legal person severally or jointly. The major shareholders do not have any special voting rights. Details of the substantial holdings as at 31 December 2014 are provided in table 12. Between 31 December 2014 and 25 February 2015, the Company has been advised that Harbor International Fund decreased its holding to 21,853,816 (2.9502%) and BlackRock, Inc. has increased its holding to 67,412,664 (8.27%).

Communications with Shareholders

Communications with shareholders are given high priority and the Group devotes considerable time and resources each year to shareholder engagement. We recognise the

importance of effective dialogue as an integral element of good corporate governance.

The Investor Relations team, together with the Chief Executive, Finance Director and other senior executives, meet regularly with institutional shareholders (each year covering over 50% of shareholder base). Detailed reports on the issues covered in those meetings and the views of shareholders are circulated to the Board after each group of meetings. Table 13 provides a brief outline of the nature of the activities undertaken by our Investor Relations team.

During 2014, the Chairman, Senior Independent Director and Company Secretary participated in a number of conference calls with some of the Group’s major shareholders in advance of the 2014 Annual General Meeting. The meetings were organised to provide those shareholders with an opportunity to discuss the resolutions

Investor Relations Activities

Table 13

Formal Announcements, including the release of the annual and interim results and the issuance of interim management statements. These announcements are typically accompanied by presentations and webcasts or conference calls.

Investor Roadshows, typically held following the release of formal announcements, provide an opportunity for the management team to meet existing and/or potential investors in a concentrated set of meetings.

Industry Conferences: Attendance at key sector and investor conferences affords members of the senior management team the opportunity to engage with key investors and analysts.

Investor Briefings: In addition to regular contact with investors and analysts during the year, the Company periodically holds capital market days, which include presentations on various aspects of CRH’s operations and strategy and provide an opportunity for investors and analysts to meet with CRH’s wider management team.

Media Briefings: Each year, the Company provides media briefings on numerous issues.

on the 2014 Annual General Meeting agenda and corporate governance matters generally.

In addition to the above, major acquisitions are notified to the Stock Exchanges in accordance with the requirements of the Listing Rules and development updates, giving details of other acquisitions completed and major capital expenditure projects, are issued periodically (typically in January and July each year).

In addition, we respond throughout the year to correspondence from shareholders on a wide range of issues.

The Chief Executive made a presentation to shareholders at the 2014 Annual General Meeting on CRH's businesses.

General Meetings

The Company's Annual General Meeting (AGM), which is held in Ireland, affords individual shareholders the opportunity to question the Chairman and the Board. All Directors attended the 2014 AGM. The Notice of the AGM, which specifies the time, date, place and the business to be transacted, is sent to shareholders at least 20 working days before the meeting. At the meeting, resolutions are voted on by way of a poll using an electronic voting system. The votes of shareholders present at the meeting are added to the proxy votes received in advance and the total number of votes for, against and withheld for each resolution are announced. This information is made available on the Company's website following the meeting.

All other general meetings are called Extraordinary General Meetings (EGMs). An EGM called for the passing of a special resolution requires at least 21 clear days' notice.

A quorum for a general meeting of the Company is constituted by five or more shareholders present in person and entitled to vote. The passing of resolutions at a meeting of the Company, other than special resolutions, requires a simple majority. To be passed, a special resolution requires a majority of at least 75% of the votes cast.

Shareholders have the right to attend, speak, ask questions and vote at general meetings. In accordance with Irish company law, the Company specifies record dates for general meetings, by which date shareholders must be registered in the Register of Members of the Company to be entitled to attend. Record dates are specified in the notes to the notice of a general meeting. Shareholders may exercise their right to vote by appointing, by electronic means or in writing, a proxy/proxies to vote some or all of their shares. The requirements for the receipt of valid proxy forms are set out in the notes to the notice convening the meeting and in the notes on the proxy form. A shareholder, or a group of shareholders,

holding at least 5% of the issued share capital of the Company, has the right to requisition a general meeting. A shareholder, or a group of shareholders, holding at least 3% of the issued share capital of the Company, has the right to put an item on the agenda of an AGM or to table a draft resolution for inclusion in the agenda of a general meeting, subject to any contrary provision in Irish company law.

Memorandum and Articles of Association

The Company's Memorandum of Association sets out the objects and powers of the Company. The Articles of Association detail the rights attaching to each share class; the method by which the Company's shares can be purchased or re-issued and the provisions which apply to the holding of and voting at general meetings. Details of transactions in the Company's own shares are included on pages 99 and 100 of the Directors' Report.

The Articles of Association also set out the rules relating to Directors, including their appointment, retirement, re-election, duties and powers. The Articles provide that no person other than a Director retiring at the meeting shall, unless recommended by the Directors, be eligible for election to the office of Director at any General Meeting unless not less than seven nor more than 21 days before the day appointed for the meeting there shall have been left at the registered office notice in writing, signed by a member duly qualified to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and also notice in writing signed by that person of his willingness to be elected. The Articles also require that the qualification of a Director shall be the holding alone and not jointly with any

other person of 1,000 Ordinary Shares in the capital of the Company. A Director may act before acquiring his/her qualification but must acquire the shares within two months of his/her appointment or election.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategy Review section and in the Directors' Report on pages 8 to 15 and pages 96 to 98. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Business Performance Review on pages 22 to 49. In addition, notes 20 to 24 to the Consolidated Financial Statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit, currency and liquidity risks.

The Company has considerable financial resources and a large number of customers and suppliers across different geographic areas and industries. In addition, the local nature of building materials means that the Group's products are not usually shipped cross-border.

Having assessed the relevant business risks, the Directors believe that the Company is well placed to manage these risks successfully, and they have a reasonable expectation that the Company, and the Group as a whole, have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

The following are available on the CRH website, www.crh.com:

Table 14

Corporate Governance section:

- Terms of Reference of *Acquisitions Committee* (amended December 2010)
- Terms of Reference of *Audit Committee* (amended December 2013)
- Terms of Reference of *Finance Committee* (amended February 2004)
- Terms of Reference of *Nomination & Corporate Governance Committee* (amended December 2013)
- Terms of Reference of *Remuneration Committee* (amended December 2013)
- The Memorandum and Articles of Association of the Company
- Pre-approval policy for non-audit services provided by the auditors
- Compliance & Ethics statement, Code of Business Conduct and Hotline contact numbers
- The 2014 Remuneration Policy

Investors section:

- Annual and Interim Reports, the Annual Report on Form 20-F, the Sustainability Report, Interim Management Statements and copies of presentations to analysts and investors
- News releases
- Webcast recordings of key investor briefings
- General Meeting dates, notices, shareholder circulars, presentations and poll results
- Answers to Frequently Asked Questions, including questions regarding dividends and shareholder rights in respect of general meetings