

The Board acknowledges that a significant number of votes were received against the resolution to approve the 2017 Annual Report on Remuneration at the AGM (39.69% of votes cast).

Prior to the AGM, the Remuneration Committee consulted extensively with shareholders on its remuneration proposals for 2018 and, in particular, a proposed increase to the Finance Director's salary. As mentioned in the 2016 Directors' Remuneration Report, Senan Murphy was appointed as Finance Director in January 2016 on a salary that was significantly below market, but with the expectation that his salary would increase over time as he develops in the role. In August 2017, Maeve Carton, Group Transformation Director and an Executive Director, retired from the Board. As a result, Senan's role expanded to include areas that previously fell within Maeve's responsibility. He also retained responsibility for his existing functions including performance management*. In late 2017, the Committee reviewed Senan's performance and concluded that an increase for 2018 was appropriate.

In December 2017, shareholders representing 70% of the issued share capital were contacted and given the opportunity to provide feedback, and the Committee met or received responses from over half of those contacted. During the consultation, most shareholders accepted the Committee's rationale for the increase to the Finance Director's salary and were supportive of the decision. However, some wanted a lower increase, others expressed a preference for part of the increase to be delivered through long-term pay, and some wanted to see tougher executive shareholding requirements.

Taking this feedback into account, the Committee decided to modify its original proposals to provide a lower salary increase and instead provide part of the originally intended increase through the long-term Performance Share Plan (PSP) to also strengthen shareholder alignment. For the share award to deliver value, the Company must perform over the next three to five years. In addition, the Committee decided to double the Finance Director's minimum shareholding requirement to 200% of salary over time. The revised package remains positioned below market in terms of both fixed pay and total remuneration. The Committee believes the revised package represents a fair and balanced proposal taking into account the Company's best interests and the feedback received from shareholders. It is also in keeping with our approach of commencing executives on below-market packages and increasing remuneration over time to market levels, based on performance in the role.

During the consultation, a number of shareholders also queried the mix of performance metrics in the PSP. When selecting PSP metrics, the Committee seeks to strike a balance between the external shareholder metric TSR and an internal metric that is more within management's control. When considering the metrics for the 2018 PSP awards, the Committee took into account a number of factors, including the capital expenditure requirements of the Group, absolute net debt levels, shareholder expectations in relation to dividend policy, and the increased focus of rating agencies on cash and debt ratios. Cashflow was chosen as the most appropriate metric in this context. The Committee also recognises the importance of Return on Net Assets (RONA), and has included RONA both as an independent metric in the annual bonus plan and as a discretionary underpin to the PSP. The Committee will continue to keep the metrics for the PSP under annual review, and a consultation on the Group's Remuneration Policy will be undertaken later this year, in advance of a new Policy being put to shareholders in 2019.

The Board would like to thank those shareholders and proxy bodies who engaged with the Committee. The Committee is committed to maintaining an open dialogue with shareholders to help shape the implementation of our Remuneration Policy, and welcomes feedback at all times. It is the Committee's intention to further engage with shareholders in the following weeks to further understand shareholder views, focussing on those with whom the Committee did not have an opportunity to engage during the initial consultation.

Further information on the Company's remuneration policy and arrangements are set out in the 2017 Annual Report.

**Performance Management includes leading a broad focus on CRH's overall performance through the development of KPIs, analysis, development and implementation of systems, identifying synergies and optimizing overall business performance.*