



# Corporate Governance Report

“The Board believes that sustainability and corporate social responsibility are fundamental to CRH being the leading building materials business in the world.”

Richie Boucher  
Chairman

## Chairman's Overview

The Corporate Governance report contains details of CRH's governance structures and highlights areas of focus for the Board and its Committees during 2019. In keeping with prior years, details of CRH's general governance practices are available in the governance appendix on CRH's website, [www.crh.com](http://www.crh.com) (the 'Governance Appendix'). CRH implemented the 2018 UK Corporate Governance Code (the '2018 Code') and this Report explains how the principles of the 2018 Code have been applied. A copy of the 2018 Code can be obtained from the Financial Reporting Council's website, [www.frc.org.uk](http://www.frc.org.uk).

## Shareholder Engagement

As Chairman, a core part of my role is shareholder engagement. Therefore, following the announcement of my appointment as Chairman Designate in September 2019, I contacted CRH's largest shareholders, representing over 50% of CRH's issued share capital, offering to meet with them. In addition to an initial introduction, the purpose was to set out my thinking in relation to the main areas of focus for the Board and, equally importantly, to gain an understanding of their perspectives on CRH. I very much appreciate that a significant number of shareholders, representing around 30% of the shares in issue, gave freely of their time for this engagement.

The priority areas of Board focus that I discussed with shareholders in those meetings are set out in my introduction to this Annual Report and Form 20-F on page 4.

The feedback I received was consistent in a number of respects, with support for CRH's strategy and a widespread view that CRH had a strong and effective management team led by our Chief Executive, Albert Manifold, alongside a recognition of the importance of having succession plans in place for key executive roles. Shareholders also expressed a range of views on topics such as the optimal approach to capital allocation, the Group's organisation structure and portfolio, and CRH's remuneration structures. There was a good understanding of the Board's approach to sustainability, and I was particularly pleased to hear that shareholders were very complimentary in respect of our approach to this critical area and positive regarding the opportunities for CRH to differentiate itself from other companies in the sector. The detailed feedback from the meetings has been considered by the Board and relevant Committees.

## Safety, Environment and Social Responsibility Committee

In last year's Corporate Governance Report, Nicky Hartery reported that the Board had set up a new permanent Committee, the Safety, Environment & Social Responsibility (SESR) Committee, to ensure that sufficient time, energy and focus was allocated to these strategically important matters. A detailed summary of the principal topics considered by the Committee in 2019 is set out in table 1.

During 2019, the Board and the SESR Committee monitored developments in the area of safety, including considering reports on the background to (and learnings from) serious accidents, the implementation of recommendations from an external advisory panel, the rollout of CRH's frontline leadership programme, the implementation of policies in relation to contractor management and energy isolation and the ongoing work to reinforce roles, responsibilities and expectations in the area of safety. Further details on the Group's approach to safety, and our ongoing objective of zero fatalities and ambition of zero harm at every location across our business, are set out in the Sustainability section on pages 20 to 25.

Given that the topic of sustainability has become a key element of shareholder and wider stakeholder engagement, and the increased focus on workforce engagement and corporate purpose following the introduction of the 2018 Code, the section below highlights some of the important initiatives in these areas that fall under the remit of the SESR Committee. The various ways in which CRH engages with its stakeholders is summarised in the Sustainability section on page 25. Feedback from stakeholder engagement is reported to, and carefully considered by, the Board.

## Sustainability

The Board believes that sustainability and corporate social responsibility are fundamental to CRH being the leading building materials business in the world. CRH is ranked amongst industry leaders by ESG rating agencies.

1. The Governance Appendix is published in conjunction with the Directors' Report in compliance with Section 1373 of the Companies Act 2014. For the purposes of Section 1373(2) of the Companies Act 2014, the Governance Appendix and the risk management disclosures on pages 26 to 29 and 108 to 113 form part of, and are incorporated by reference into, this Corporate Governance Report. The primary (premium) listing of CRH plc is on the LSE, with the listing on Euronext Dublin characterised as secondary. 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 Euronext Dublin. For further information, shareholders should consult their financial adviser. Further details on the Group's listing arrangements, including its premium listing on the LSE, are set out on page 72.

In addition, many of our operating companies have been recognised for excellence in this area. Our 2030 sustainability targets, which have recently been agreed, are set out on page 21 in the Sustainability section.

I am pleased to report that we have achieved one year ahead of time our 2020 target of a 25% reduction in specific net CO<sub>2</sub> cement plant emissions, compared with 1990 levels. Looking forward, our stretching and industry leading 2030 CO<sub>2</sub> reduction targets have been independently verified to be in line with the Paris Climate Agreement.

Our Chief Executive, Albert Manifold was the inaugural president of the Global Cement & Concrete Association (GCCA). Sustainable development of our industry is at the core of the GCCA's work. We strongly believe that collaboration like this, both within and outside of our industry, is key to addressing global construction challenges and sustainable development goals while ensuring the value of concrete as a sustainable construction material is recognised.

### Inclusion & Diversity

CRH's inclusion and diversity (I&D) vision is set out in table 4 on page 62. The SESR Committee is responsible for working with management, and monitoring progress, in relation to I&D below Board level. The approach to I&D is based on four initial workstreams:

- Communication;
- Education & Awareness;
- People & Practices; and
- Data & Measures

and includes the development of programmes to address unconscious bias, toolkits to supplement recruitment guidelines, best practices and KPIs. The Committee receives regular reports on progress towards each priority objective on the I&D roadmap.

### Workforce Engagement

The Board has designated the SESR Committee with responsibility for stakeholder engagement, including with the workforce. Given the footprint of CRH with c. 80,300 employees in 30 countries, we believe this is the best and most effective way of ensuring that the views of employees are understood and are taken into consideration in our decision-making process.

## SESR Committee Topics

Table 1

<p>Safety</p> 	<ul style="list-style-type: none"> <li>• Regular safety updates covering policies, action plans, and the background, impact and required remediation actions in relation to any serious incidents</li> </ul>
<p>Sustainability</p> 	<ul style="list-style-type: none"> <li>• 2020 and 2030 sustainability targets</li> <li>• The role of industry groups in the area of sustainability</li> <li>• Trends in the built environment</li> </ul>
<p>Social Responsibility</p> 	<ul style="list-style-type: none"> <li>• Inclusion &amp; Diversity</li> <li>• Stakeholder engagement roadmap, including workforce engagement</li> <li>• Corporate purpose</li> </ul>
<p>Reporting</p> 	<ul style="list-style-type: none"> <li>• Annual Sustainability Reports</li> <li>• Updates in relation to stakeholder and regulatory expectations</li> </ul>

## Examples of CRH Sustainability Initiatives

Table 2

<p>Canada</p> 	<ul style="list-style-type: none"> <li>• We are working with an organisation named Carbon8 on trialling an accelerated carbonation project to generate a lightweight aggregate by using cement plant flue gas in combination with cement kiln dust, where the CO<sub>2</sub> in the flue gas is reacted with the cement kiln dust and pelletised to form lightweight aggregate</li> </ul>
<p>Netherlands</p> 	<ul style="list-style-type: none"> <li>• Our subsidiary Cementbouw through its 'Concrete remains Concrete' initiative is recycling construction waste in its products and aims to reuse 100% of available concrete rubble by 2025, which would replace up to 1 million tonnes of sand and gravel</li> </ul>
<p>Switzerland</p> 	<ul style="list-style-type: none"> <li>• At one of our Jura Cement plants, over 80% of the fuel needed for cement manufacture is supplied by alternative fuels</li> </ul>
<p>UK</p> 	<ul style="list-style-type: none"> <li>• Our subsidiary Tarmac is a participant in LEILAC, Low Emissions Intensity Lime and Cement, an EU project developing a breakthrough calciner to directly separate and capture 95% of the CO<sub>2</sub> released from limestone when being transformed into clinker</li> </ul>

# Corporate Governance Report - continued

To facilitate its work in this area, which will evolve over time, the Committee has identified a number of key areas for regular updates and reporting.

The SESR Committee has also commenced a number of important initiatives:

- In addition to the interaction Board members have with employees during visits to operations in Europe and the US, the Committee utilised the opportunity during a Board visit to operations in Spain to pilot a session with employees in an open forum to discuss their views of CRH. The conversation focussed on the importance of safety, training and development, I&D, the environment and engaging with the community. It is intended that there will be similar engagements in other countries or regions to focus on themes relevant to employees, and on culture and values in particular;

- A workforce engagement project team, made up of a cross section of employees from across our global business, has been established under the Chief Executive’s sponsorship. This is a key initiative as only a small number of such projects operate globally each year to address critical business issues or opportunities. The team has been tasked with recommending priorities and developing an implementation plan. The outputs will be reported to the SESR Committee; and
- During 2020, members of the SESR Committee will have opportunities to attend employee development programmes, forums, conferences and other events in their local regions.

Additional information on training provided to employees on the CoBC and relevant compliance policies and on the role of Internal Audit in investigating material matters raised by employees, is set out on page 72.

## Corporate Purpose

CRH's purpose is expressed in our values, set out in table 3 below, and is delivered through our strategy, which is summarised on page 14. It encompasses many different aspects, ranging from propositions for investors, employees, suppliers and customers, to the sustainable operations of our companies and the products we manufacture. Connected to all of these elements, and to the articulation of CRH's purpose, is CRH's brand. The SESR Committee is currently working with management on a project to connect these different but complementary concepts. The aim is to set out CRH's purpose in a way that captures our aspirations beyond financial returns, communicates the unique nature of CRH, inspires our people, guides our actions, is true to our culture and underpins our dialogue with our stakeholders. In addition, the work on corporate

## Our Values

Table 3

At CRH, our values unite us in the way we work, every day, all over the world.



Put safety first



Continuously create value



Do what we say and lead with integrity



Operate locally, but act as one company



Build enduring relationships

## Inclusion & Diversity

Table 4

We're committed to building an inclusive and diverse organisation where:

Talented people of all backgrounds are welcome -  
*Differences are embraced*

Everyone has a fair and equal opportunity -  
*To develop and progress*

Our working environment supports people -  
*In being themselves, performing at their best*

purpose, together with CRH's approach to I&D and employee engagement, will further facilitate the Board's assessment of the alignment of CRH's purpose, values and strategy with our culture.

## Re-election of Directors

I have evaluated the performance of each Director standing for re-election and am satisfied that each Director is committed to their role, provides constructive challenge and devotes sufficient time and energy to contribute effectively to the performance of the Board.

Table 11 on page 69 provides a summary of competencies, important to the long-term success of the Group, that each Director seeking re-election at the 2020 AGM brings to the Board. Their full biographies are set out on pages 56 to 59. I recommend that shareholders vote in favour of the re-appointment of each Director going forward for re-election at the 2020 AGM.

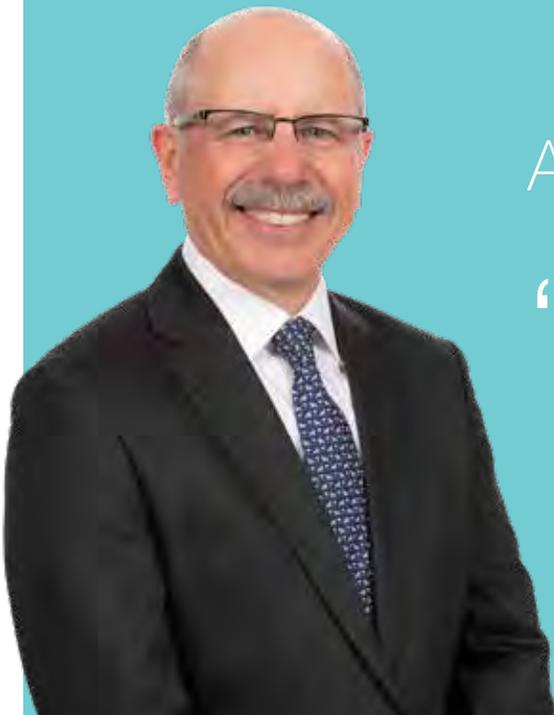
## Conclusion

The Board is committed to ensuring that CRH is an industry leader in areas such as CO<sub>2</sub> emissions reduction and to making the investments in technology and knowledge required to achieve this. We are also committed to continuing our focus on safety, I&D and stakeholder engagement and on the alignment of CRH's purpose, values and culture. I strongly believe that CRH is well positioned to meet our challenges and to grasp strategic opportunities for the benefit of our shareholders and stakeholders.

**Richie Boucher**  
*Chairman*  
27 February 2020



The Board met on six occasions during 2019. This included site visits to Cementos Leona S.A. in Spain and Ticon New York Inc in the US. Such visits are an important opportunity for the Board to meet and interact with management and employees at our operating businesses as well as in our central support functions.



# Audit Committee Report

“ A key focus for the Committee for 2019 was monitoring the plans and progress in relation to the transition of the external audit from EY to Deloitte with effect from the financial year commencing 1 January 2020. ”

Shaun Kelly  
Chairman of Audit Committee

## Chairman's Overview

I was appointed to the Board and as Chairman of the Audit Committee in December 2019.

I would like to thank Bill Teuber, who chaired the Committee from February 2018 until June 2019 and Heather Ann McSharry who acted as Interim Audit Committee Chair until my appointment and with whom I have worked closely since my appointment.

On behalf of the Committee, I am pleased to introduce the Audit Committee Report for the year ended 31 December 2019. The purpose of this report is to provide shareholders with an insight into the workings of, and principal matters considered by, the Committee in 2019. General details in relation to the roles and responsibilities of the Committee, its operation and the policies applied by it, can be found in the Governance Appendix.

Table 5 outlines the key areas that the Committee focused on in 2019.

## Audit Committee Membership

The Committee currently consists of seven non-executive Directors considered by the Board to be independent<sup>1</sup>. The biographical details of each member are set out on pages 57 to 59. Together, the members of the Committee bring a broad range of relevant experience and expertise from a variety of industries which is vital in supporting effective governance. Mary Rhinehart, Siobhán Talbot and I have been designated by the Board as the Committee's financial experts and meet the specific requirements for recent and relevant financial experience, as set out in the 2018 Code.

## External Auditors

### Change of External Auditors

A key focus for the Committee for 2019 was monitoring the plans and progress in relation to the transition of the external audit from EY to Deloitte with effect from the financial year commencing 1 January 2020.

During 2019, we had regular discussions and interactions with management, EY and Deloitte on the status of work being undertaken across the Group to ensure that Deloitte are well prepared for their engagement as external auditors. Briefly, the audit transition work has included the following:

- Meetings across the Group between management, Deloitte and EY, in order to increase Deloitte's knowledge and understanding of CRH;
- Deloitte completing a review of EY's working papers in respect of the 2018 year-end audit (Deloitte will also review, in due course, the relevant papers from the 2019 year-end audit); and
- Regular updates and reports from management to the Committee on the status of the transition process and activities, including the work to monitor the termination of services previously provided by Deloitte, which will be prohibited when Deloitte become CRH's external auditor. Deloitte has confirmed to the Committee that it has achieved the relevant independence status.

On behalf of the Committee and the wider Board, I would like to take this opportunity to thank EY for their professional approach over the years, and for their ongoing engagement during the transition period.

## Effectiveness

The Committee, on behalf of the Board, is responsible for the relationship with the external auditors and for monitoring the effectiveness and quality of the external audit process. The Committee's primary means of assessing the effectiveness of the external audit process is by monitoring performance against the agreed audit plan. In addition, we consider the experience and knowledge of the external audit team and the results of post-audit interviews with management and the Audit Committee Chairman. These annual procedures are supplemented by periodic formal reviews of the performance of the external auditor.

Further details in relation to the external auditors, including information on how auditor objectivity and independence are maintained, are included in Section 2 of the Governance Appendix.

All of the above procedures indicated a high level of satisfaction with the services provided by EY to CRH during 2019.

## Non-audit Fees

In order to ensure auditor independence and objectivity, the Committee has a policy governing the provision of audit and non-audit services by the external auditor.

In 2019, EY provided a number of audit services, including Sarbanes-Oxley Section 404 attestation<sup>2</sup>, and non-audit services, including due diligence services associated with proposed acquisitions and disposals. EY was also engaged during 2019 in a number of jurisdictions in which the Group operates to provide help with local tax compliance, advice on taxation laws and other

1. The Board has determined that all of the non-executive Directors on the Audit Committee are independent according to the requirements of Rule 10A.3 of the rules of the Securities and Exchange Commission (SEC) and Provision 10 of the 2018 Code.

2. A copy of Section 404 of the Sarbanes Oxley Act 2002 can be obtained from the SEC's website, [www.sec.gov](http://www.sec.gov).

## Key Areas of Focus in 2019

Table 5

<p>External Auditors</p> 	<p><b>What did we do?</b></p> <p>EY has been the Group's external auditors since 1988. Pat O'Neill has been the Group's lead audit engagement partner since the financial year beginning 1 January 2016.</p> <p>As outlined in the 2018 Annual Report and Form 20-F, following the conclusion of a competitive tender process during 2018 the Board selected, subject to confirmation at the 2020 AGM, Deloitte for appointment as the external auditor with effect from the financial year commencing 1 January 2020. Richard Muschamp will be the Group's lead audit engagement partner. During 2019, a key area of focus for the Committee was monitoring the plans and progress in relation to the audit transition.</p>
<p>Financial Reporting &amp; External Audit</p> 	<p><b>What did we do?</b></p> <p>We reviewed the 2019 Annual Report and Form 20-F, together with the annual and half-year trading statements and recommended them to Board for approval. In July, we met with EY to agree the 2019 external audit plan. Table 6 on page 66 outlines the key areas identified as being potentially significant and how we addressed these during the year.</p>
<p>New Accounting Standards</p> 	<p><b>What did we do?</b></p> <p>The Committee considered and discussed with management the impact (including disclosure) of the implementation of the new accounting standard in relation to IFRS 16 Leases. Please see pages 133 and 134 for further information on the impact of IFRS 16.</p>
<p>Impairment Testing</p> 	<p><b>What did we do?</b></p> <p>Through discussion with both management and EY, we reviewed management's impairment testing methodology and processes. We found the methodology to be robust and the results of the testing process appropriate. Further details in relation to the impairment outcome for 2019 are outlined in table 6.</p>
<p>Enterprise Risk Management</p> 	<p><b>What did we do?</b></p> <p>The Committee continued to monitor and review the Group's Enterprise Risk Management framework, the principal risks and uncertainties facing the Group, and the methodology and process underlying the Viability Statement included on page 29 of our Risk Governance section. We also considered an assessment of the Group's risk management and internal control systems. This had regard to risk management strategies and all material controls, including financial, operational and compliance controls that could affect the Group's business.</p>
<p>IT Governance &amp; Cyber Security</p> 	<p><b>What did we do?</b></p> <p>We continued to monitor the Group's IT governance and information security programme and ability to address cyber security threats.</p>
<p>Change in Reporting Currency</p> 	<p><b>What did we do?</b></p> <p>Having regard to the structural shift in the Group's exposure to US dollars over recent years and the benefit of reducing the potential for volatility in the Group's reported earnings (arising from foreign exchange translation) together with reviewing the proposed implementation plan and related controls, the Committee was satisfied with the appropriateness of this change.</p>

# Audit Committee Report - continued

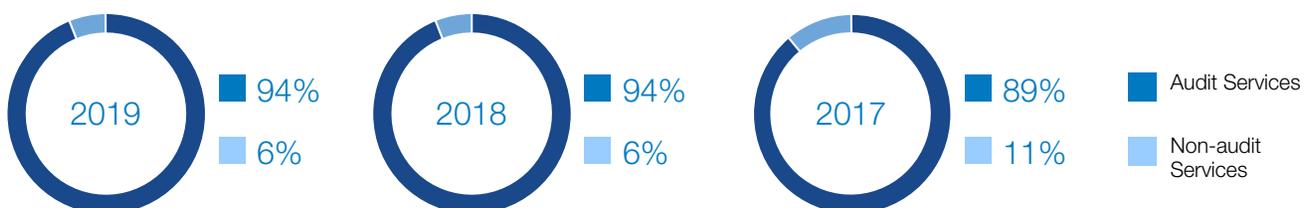
## Areas Identified for Focus during the 2019 External Audit Planning Process

Table 6

<p>Impairment of Goodwill</p> 	<p><b>What did we do?</b></p> <p>Through a review of the relevant management papers and in conjunction with both management and EY, we reviewed management's impairment testing methodology and processes. For the purposes of its impairment testing process, the Group assesses the recoverable amount of each of CRH's cash-generating units (see details in note 16 to the Consolidated Financial Statements) based on a value-in-use computation. Following its deliberations, the Committee was satisfied that the methodology used by management and the results of the assessment, together with the disclosures in note 16, were appropriate.</p>
<p>Impairment of Property, Plant &amp; Equipment, and Financial Assets</p> 	<p><b>What did we do?</b></p> <p>In addition to the goodwill impairment testing process discussed above, the Group also undertook its assessment of the potential for impairment of other non-current assets (property, plant &amp; equipment and financial assets) as and when indicators of impairment arise. The Committee considered the methodology used by management in that process and was satisfied that the accounting treatment (including the associated disclosures) was appropriate.</p>
<p>Contract Revenue Recognition</p> 	<p><b>What did we do?</b></p> <p>IFRS 15 <i>Revenue from Contracts with Customers</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 percentage of completion. If it is anticipated that the contract will be onerous (i.e. its unavoidable cost exceeds the economic benefit of the contract), a provision is created. Following discussion with management and EY, recognising that the majority of contracts were completed within the financial year, the Committee was satisfied that the recognition of contract revenue (including the associated disclosures) was appropriate for the Group in 2019.</p>
<p>Accounting for Acquisitions &amp; Divestments</p> 	<p><b>What did we do?</b></p> <p>During 2019, the Group completed 62 acquisitions and investments at a total cost of c. €0.7 billion. On the divestment front, the Group completed 11 transactions and realised business and asset disposal proceeds of c. €2.1 billion. Following discussion with management and EY, the Committee was satisfied that the accounting treatment (including the associated disclosures) applied to all acquisitions and divestments during 2019 was appropriate.</p>

## Percentage of Audit and Non-audit Fees

Table 7



related matters; assignments which typically involve relatively low fees. The 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 EY for non-audit work in 2019, which amounted to €1.1 million and represented 6% of the total fees for the year, did not compromise their independence or objectivity. Details of the amounts paid to the external auditors during the year for audit and other services are set out in note 5 to the Consolidated Financial Statements on page 153 (see also table 7 on page 66). Further details in relation to the Group's policy regarding non-audit fees are set out in Section 2 of the Governance Appendix.

### Internal Audit Effectiveness

In December 2018, the Committee received and approved the Internal Audit Charter and audit plan for 2019. During the year, the Committee received regular updates from the Head of Internal Audit outlining the principal findings from the work of Internal Audit and management's responses thereto.

External Quality Assessments of Internal Audit are conducted periodically to ensure that the Internal Audit function continues to work efficiently and effectively and in compliance with good practice standards.

### Audit Committee Effectiveness and Priorities for 2020

During 2019, the Committee and the Board reviewed the operation, performance and effectiveness of the Committee and I am pleased to confirm that the Committee continues to operate effectively. I would like to thank my fellow Committee members for their commitment and input to the work of the Committee during 2019.

Looking ahead to 2020, the Committee will continue to focus on external audit planning, and specifically the change of external auditors from EY to Deloitte, together with the key ongoing areas outlined in table 5 page 65.

#### **Shaun Kelly**

*Chairman of Audit Committee*  
27 February 2020



In 2019 our Americas Materials Division launched a communications campaign to celebrate the people and teams across the Division that collectively make it successful. The campaign featured six employees and their families in a three-part video series, and profiled this Environmental Health & Safety (EHS) Coordinator from ICON Materials in Auburn, Washington, who has been with the company for over 30 years.



# Nomination & Corporate Governance Committee Report

“ Ensuring that the Board continues to have the requisite skills to support the Company's strategy will be a priority for my tenure as Chairman. ”

Richie Boucher  
Chairman

## Chairman's Overview

Following my appointment as CRH Chairman, the Board appointed me as Chairman of the Nomination & Corporate Governance Committee with effect from 1 January 2020 and I am pleased to present the report of the Committee for the year ended 31 December 2019. The report outlines the main areas of focus of the Committee in the past year and the areas of priority going forward.

The Board has designated responsibility to the SESR Committee for working with management and monitoring improvements in I&D below Board level. The SESR Committee's work in this area is summarised on pages 60 to 63.

## Committee Membership

The Committee currently consists of five non-executive Directors, considered by the Board to be independent. The biographical details of each member are set out on pages 56 to 58. The Chief Executive normally attends meetings of the Committee.

## Board Composition & Renewal

Renewal of the CRH Board is an ongoing and dynamic process, with the focus of the Committee being on ensuring that the Board includes a diverse group of individuals based on a broad set of factors and that renewal is aligned with CRH's strategy and the needs of the business.

During 2019, the Committee recommended to the Board that the following be appointed as non-executive Directors:

- Johan Karlström (September 2019); and
- Shaun Kelly (December 2019)

Johan Karlström was President and Chief Executive Officer of Skanska AB, a leading multinational construction and project development company until 2017. Over a thirty-year career with Skanska, he held a variety of leadership roles in Europe and America, before becoming President and Chief Executive in 2008. His background and his knowledge of our industry will be an important addition to the collective skills and experience of the Board.

Shaun Kelly was, until September 2019, the Global Chief Operating Officer of KPMG International, where he was responsible for the execution of the firm's global strategy and for the delivery of various global initiatives. Over a thirty-year career with KPMG, the majority of which was spent in the US, he held a variety of senior leadership positions. Through his career with KPMG, Shaun has extensive knowledge and experience in auditing, financial reporting, strategic development and operational management.

Following a recommendation from the Committee the Board asked Gillian Platt, who has completed her initial three-year term as a non-executive Director, to serve a second term.

At the conclusion of the 2020 AGM, Pat Kennedy and Henk Rottinghuis will retire from the Board. In addition to Nicky Hartery, who retired at year end, during 2019 Don McGovern and Bill Teuber stepped down from the Board. I would like to thank each of them for their service and commitment to CRH.

Going forward, ensuring that the Board continues to have the requisite skills to support the Company's strategy will be a priority for my tenure as Chairman. A particular area of focus for renewal in the next two to three years will be on

further enhancing the Board's expertise through having additional colleagues, from diverse backgrounds, join the Board who have extensive experience of capital intensive businesses with similar activities in North America or Europe.

As shown in table 9, the Board is balanced in terms of tenure with five non-executive Directors in their first term of three years; four in their second term and one undertaking a third term of three years.

The Committee uses the services of external search agents for Board searches. The agencies used for the appointments of Johan Karlström and Shaun Kelly were Egon Zehnder and Leaders Mores. Neither firm has any other connection with CRH other than, in the case of Egon Zehnder, the provision of executive recruitment services from time to time and in connection with the Chairman succession process outlined below.

## Chairman Succession

Nicky Hartery retired as Chairman on 31 December 2019. The process which resulted in my appointment as Chairman was led by Gillian Platt, Senior Independent Director, who chaired the Nomination & Corporate Governance Committee and the Board when Chairman succession was being dealt with. As part of that process, a specification for the role of Chairman was developed by the Board and both internal and external candidates were considered. Gillian met with a number of shareholders prior to the Board's decision on the next Chairman to hear their views on the process and the key attributes required for the role. Their feedback was considered by the Committee and the Board.

## Board of Directors

### Summary of Board Changes - 2019/2020

Table 8

<b>Retirement/Resignation:</b> Don McGovern - April 2019 Bill Teuber - June 2019 Nicky Hartery - December 2019	<b>Appointments:</b> Johan Karlström - September 2019 Shaun Kelly - December 2019	<b>Renewal of Three Year Terms:</b> Gillian Platt - February 2020	<b>Not seeking re-election at 2020 AGM:</b> Patrick Kennedy - April 2020 Henk Rottinghuis - April 2020
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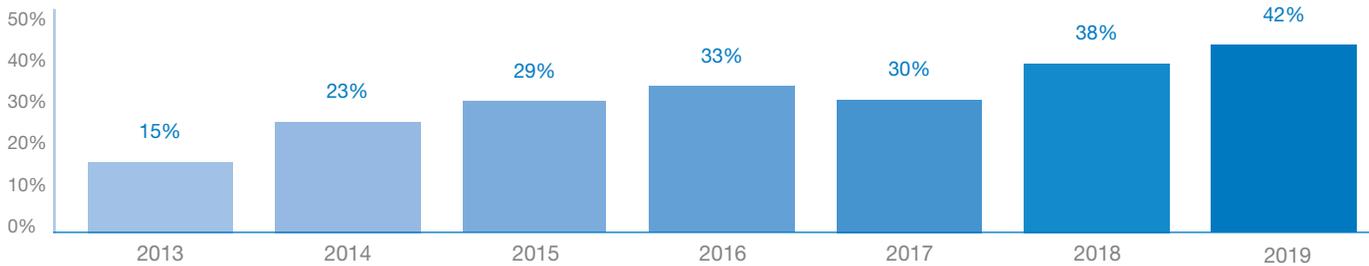
### Membership of the CRH Board (as at 31 December 2019)

Table 9



### Gender Diversity - % of Female Directors (as at 31 December)

Table 10



### Summary of Director Competencies

Table 11

	Accounting, Internal Control & Financial Expertise	Financial Services	Governance	Industry Expertise	IT & Cyber Security	M&A, Private Equity, Emerging Markets	Org change, succession planning, talent management	Remuneration	Safety & Sustainability	Strategy
R. Boucher		👤	👤			👤	👤	👤		👤
J. Karlström			👤	👤					👤	👤
S. Kelly	👤		👤		👤	👤	👤			👤
P.J. Kennedy						👤			👤	👤
H.A. McSharry			👤					👤		👤
A. Manifold	👤			👤		👤			👤	👤
S. Murphy	👤	👤		👤	👤	👤			👤	👤
G.L. Platt			👤				👤	👤	👤	👤
M.K. Rhinehart	👤		👤	👤			👤		👤	👤
L.J. Riches		👤	👤			👤		👤		👤
H.Th. Rottinghuis			👤	👤		👤			👤	👤
S. Talbot	👤					👤			👤	👤

# Nomination Committee Report - continued

## Inclusion and Diversity

Inclusion and diversity are key factors in the specifications given to search agents when developing long and short lists of candidates for consideration by the Committee. The percentage of women directors has increased from 15% in 2013 to 42% at 31 December 2019 and will be 50% at the conclusion of the 2020 AGM. In addition to gender, the Board's focus on diversity includes social and ethnic backgrounds, business and geographic experience, as well as cognitive and personal strengths. This objective is embedded in the Board's policy on diversity which is set out on pages 71 and 72.

## Committee Composition

During the year, the Committee considered and made recommendations to the Board regarding changes to the composition of the Board's Committees. On the recommendation of the Committee, Shaun Kelly was appointed as permanent Audit Committee Chairman on his appointment to the Board. Heather Ann McSharry acted as interim Audit Committee Chair in the period between Bill Teuber's resignation from the Board and Shaun's appointment. Heather Ann McSharry has succeeded me as Chairman of the Remuneration Committee. She was a member of the Remuneration Committee for a number of years prior to her appointment as the CRH Remuneration Committee Chairman.

The current committee memberships of each Director are set out on pages 56 to 59.

## Senior Executive Succession

The area of senior executive succession is a priority for the Board. An external agency is currently working with the management team and provides updates to the Board on assessment and development programmes for c. 100 CRH individuals, with the objective of ensuring maximum flexibility when considering appointments for key roles. Consideration of the benefits of the recruitment of external hires to complement and enhance our management teams is an important component of CRH's strategy to ensure the Company has a management team of the highest calibre and quality. In addition, the Nomination & Corporate Governance Committee is leading, on behalf of the Board, a related process in relation specifically to senior executive succession. The overall approach of the Committee is to consider succession planning over short, medium and long term timelines.

## Board Effectiveness

As reported in the 2018 Annual Report and Form 20-F, the most recent external evaluation of the effectiveness of the Board and its Committees was carried out by Independent Audit, which met Board members, the Head of Internal Audit, the Company Secretary and a number of the senior executive management team in one-to-one interviews. During 2019, as part of the annual internal Board evaluation, the Senior Independent Director undertook an internal Board evaluation review which built upon the priorities identified as part of the Independent Audit review, reinforced the areas of focus for future Board renewal outlined above, and identified ways to further enhance the strategic planning process and the efficient workings of the Board.

## Additional Directorships

The Chief Executive, Albert Manifold, was appointed as a non-executive Director of LyondellBasell Industries N.V., one of the world's largest plastics, chemicals and refining companies in April 2019. Prior to him accepting the position he discussed the requirements of the role with the Nomination & Corporate Governance Committee and the Board. The Committee and the Board were satisfied that this external position would not have an adverse impact on his responsibilities as CRH Chief Executive and was of the view that the additional perspectives obtained would be beneficial to him and to the Company.

The Board also considered the appointments of Heather Ann McSharry and Lucinda Riches as non-executive Directors of Uniphar Group plc and Greencoat UK Wind plc, respectively, during 2019 and was satisfied that the responsibilities resulting from these new positions would not adversely impact on their time commitment to CRH.

## Corporate Governance

The Committee is responsible for reviewing the independence of Board members and has recommended to the Board that all of the non-executive directors be deemed to be independent. The Committee also monitors developments in best practice in relation to corporate governance and makes recommendations to the Board in relation to changes and enhancements to current procedures. Each year the Chairman, Senior Independent Director and Remuneration Committee undertake an extensive engagement with shareholders prior to the AGM to hear their views on AGM proposals and on governance topics of interest to shareholders. In 2019, shareholders representing 20% of the share register took up the offer of a meeting. The Committee and the Board considered the feedback from these sessions and from other shareholder interactions during the year.

### **Richie Boucher**

*Chairman of the Nomination  
& Corporate Governance Committee  
27 February 2020*

## Board of Directors

### Membership Structure of the Board

We consider the current size and composition of the Board to be within a range which is appropriate. 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. Section 1 of the Governance Appendix on the CRH website ([www.crh.com](http://www.crh.com)) contains further details on the Board's structures and the Board's policies with regard to the appointment and retirement of Directors.

### Role and Responsibilities

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 12.

The Group's strategy, which is regularly reviewed by the Board, and business model are summarised on pages 14 to 17.

### Matters Reserved to the Board

Table 12

- Appointment of Directors
- Strategic plans for the Group
- Annual budget
- Major acquisitions and disposals
- Significant capital expenditure
- Approval of full-year results and the Annual Report and Form 20-F
- Approval of the interim results

The Board has delegated some of its responsibilities to Committees of the Board. While responsibility for monitoring the effectiveness of the Group's risk management and internal control systems has been delegated to the Audit Committee<sup>1</sup>, the Board retains ultimate responsibility for determining the Group's risk appetite and 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.

### Independence of Directors

The Nomination & Corporate Governance Committee has reviewed the interests of each Director and the Board has determined that each non-executive Director remains independent.

### Chairman

Richie Boucher was appointed Chairman of the Group with effect from 1 January 2020. On his appointment as Chairman, he met the independence criteria set out in the 2018 Code. Although he holds other directorships, the Board has satisfied itself that these do not adversely impact on his role as Chairman.

### Policy on Diversity

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

- international business experience, particularly in the regions in which the Group operates or into which it intends to expand;

Attendance at Meetings during the year ended 31 December 2019

Table 13

Name	Board		Acquisitions		Audit		Finance		Nomination (i)		Remuneration		SESR (ii)	
	Total	Attended	Total	Attended	Total	Attended	Total	Attended	Total	Attended	Total	Attended	Total	Attended
R. Boucher	6	6	7	7	-	-	4	4	-	-	6	6	-	-
J. Karlström (iii)	2	2	-	-	1	1	-	-	-	-	1	1	1	1
S. Kelly (iv)	1	1	-	-	1	1	-	-	-	-	-	-	-	-
N. Hartery	6	6	7	7	-	-	4	4	13	13	-	-	5	5
P.J. Kennedy	6	6	-	-	-	-	-	-	13	12	6	6	5	5
D.A. McGovern, Jr. (v)	1	1	-	-	1	1	-	-	5	5	2	2	-	-
H.A. McSharry	6	6	-	-	6	6	-	-	13	13	6	5	-	-
A. Manifold	6	6	7	7	-	-	-	-	-	-	-	-	5	5
S. Murphy	6	6	7	6	-	-	4	4	-	-	-	-	-	-
G.L. Platt	6	6	-	-	-	-	-	-	13	13	6	6	5	5
M.K. Rhinehart	6	6	-	-	5	5	-	-	11	11	-	-	4	3
L.J. Riches	6	6	7	7	6	6	4	4	-	-	-	-	-	-
H. Th. Rottinghuis	6	6	7	6	6	6	-	-	-	-	-	-	5	5
S. Talbot	6	5	6	6	3	3	3	3	-	-	-	-	2	2
W.J. Teuber, Jr. (vi)	3	2	-	-	1	1	1	1	-	-	-	-	-	-

(i) Nomination & Corporate Governance Committee.

(ii) Safety, Environment & Social Responsibility Committee.

(iii) Appointed September 2019.

(iv) Appointed December 2019.

(v) Retired April 2019.

(vi) Resigned June 2019.

- skills, knowledge and expertise (including education or professional background) in areas relevant to the operation of the Board;
- diversity in all aspects, including nationality, gender, social and ethnic backgrounds, cognitive and personal strengths; 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. To date, the Board has not set any policy regarding age. The ages of the Directors range from 51 to 66, which the Nomination & Corporate Governance Committee believes is appropriate at the current time.

## Committees

The Board has established six permanent Committees to assist in the execution of its responsibilities. The current permanent Committees are:

- Acquisitions;
- Audit;
- Finance;
- Nomination & Corporate Governance;
- Remuneration; and
- Safety, Environment & Social Responsibility

Ad-hoc Committees are formed from time to time to deal with specific matters.

Each of the permanent Committees has Terms of Reference<sup>1</sup>, 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 Chairmen of the Committees attend the AGM and are available to answer questions from shareholders.

Each of the Committees has reviewed their respective Terms of Reference. The Terms of Reference of each Committee are available on the CRH website, [www.crh.com](http://www.crh.com).

## 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 2019 are provided in table 14 below. The Company has not been advised of any changes in holdings since 31 December 2019.

## Stock Exchange Listings

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

## Legal and Compliance

CRH's Legal and Compliance programmes support the Group in operating sustainably and consistently with its values. CRH's Legal and Compliance team provides advice, guidance and support to executive and operational management and works closely with them to provide training to our employees. Legal and Compliance provides support on a range of matters including establishing policies and procedures, providing compliance training and communications, providing legal advice on compliance and business issues, monitoring and investigating Hotline calls,

competition/antitrust law, and ensuring the Group is informed of any changes to regulation and/or reporting requirements. During 2019, Legal and Compliance priorities included antitrust/competition law, international trade compliance, Hotline awareness and policy refresh.

## Code of Business Conduct

The foundation of Legal and Compliance programmes is the Code of Business Conduct (CoBC) and supporting policies, which sets out our standards of legal, honest and ethical behaviour. The CoBC complies with the applicable code of ethics regulations of the SEC arising from the Sarbanes-Oxley Act and it also reinforces the fundamental CRH principle that "there is never a good business reason to do the wrong thing." The CoBC is applicable to all employees of the CRH Group, including the Chief Executive and senior financial officers. A detailed review and benchmarking exercise has resulted in recommendations for refresh and the CoBC will be updated in the first half of 2020.

CRH's Internal Audit function works side-by-side with Legal and Compliance in monitoring compliance with the CoBC and supporting policies, and in providing an integrated approach to assurance. This cross-functional collaboration supports CRH's goal: to ensure CRH leads with integrity.

## Awareness and Training

In line with our commitment to maintain high ethical business conduct standards, the CoBC and Advanced Compliance Training (which includes Anti-bribery, Anti-fraud, Anti-theft and Competition/Antitrust topics) e-Learning modules were enhanced to include both a first time and refresher element to the programme in 23 languages.

## Substantial Holdings

Table 14

As at 31 December 2019, the Company had received notification of the following interests in its Ordinary Share capital, which were equal to, or in excess of, 3%:

Name	31 December 2019		31 December 2018		31 December 2017	
	Holding/ Voting Rights	% at year end	Holding/ Voting Rights	% at year end	Holding/ Voting Rights	% at year end
BlackRock, Inc. (i)	53,813,273	6.82	65,387,207	8.01	75,119,286	8.95
Standard Life Aberdeen plc.	Holding below 3%		Holding below 3%		25,643,747	3.05
UBS AG	26,380,604	3.34	26,380,604	3.23	26,380,604	3.16

(i) 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.

1. The Terms of Reference of these Committees comply fully with the 2018 Code; CRH considers that the Terms of Reference are generally responsive to the relevant NYSE rules, but may not address all aspects of these rules.

## CRH Hotline

CRH engages an external service provider to administer an independent 24/7 multi-lingual confidential “Hotline” facility. The CRH Hotline allows employees, customers, suppliers and other external stakeholders to raise good faith concerns that may be relevant to the CoBC, inappropriate or illegal behaviour or violations of any CRH policies or local laws. All concerns are handled discreetly and are professionally investigated with appropriate actions taken based on investigation findings. CRH is committed to creating an atmosphere where employees feel empowered to speak up when they have good faith concerns. Retaliation or reprisals are not tolerated at CRH.

## 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, regularly meet with institutional shareholders (each year covering over 60% of the 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 16 provides a brief outline of the nature of the activities undertaken by our Investor Relations team.

In addition to the above, major acquisitions and disposals are notified to the Stock Exchanges in accordance with the requirements of the Listing Rules and development updates, giving details of other acquisitions or disposals completed and major capital expenditure projects, are issued periodically.

During 2019, the former Chairman, Senior Independent Director and Company Secretary again participated in a number of meetings with some of the Group’s major shareholders, in advance of the 2019 AGM. Also, as outlined on page 60, Mr Boucher met with a significant portion of the Group’s shareholders following his appointment as Chairman designate. There was also continued engagement with the Group’s major shareholders on remuneration matters.

## US Listing - Additional Information

Table 15

<p>Additional details in relation to CRH’s general corporate governance practices are set out in the Governance Appendix, which has been filed as an exhibit to the Annual Report on Form 20-F as filed with the SEC. For the purposes of the Annual Report on Form 20-F, the Governance Appendix, and in particular the following sections thereof, are incorporated by reference herein:</p>	
<p><b>Section 1 - Frequently Asked Questions</b></p> <ul style="list-style-type: none"> <li>• <b>Page 3:</b> For what period are non-executive Directors appointed?</li> <li>• <b>Page 5:</b> What are the requirements regarding the retirement and re-election of Directors?</li> </ul>	<p><b>Section 2 - Operation of the Board’s Committees</b></p> <ul style="list-style-type: none"> <li>• <b>Page 6:</b> Audit Committee: Role and Responsibilities</li> <li>• <b>Page 6:</b> Audit Committee: Meetings</li> <li>• <b>Page 8:</b> Audit Committee: Non-audit Fees</li> </ul> <p>Details of the executive Directors’ service contracts and the policy for loss of office are set out on page 81 of the 2018 Annual Report and Form 20-F.</p>

## Investor Relations Activities

Table 16

<ul style="list-style-type: none"> <li>• <b>Formal Announcements:</b> including the release of the annual and interim results and the issuance of trading statements. These announcements are typically accompanied by presentations and webcasts or conference calls</li> <li>• <b>Investor Roadshows:</b> 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</li> <li>• <b>Industry Conferences:</b> attendance at key sector and investor conferences affords members of the senior management team the opportunity to engage with key investors and analysts</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Investor Briefings:</b> 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 provides an opportunity for investors and analysts to meet with CRH’s wider management team</li> <li>• <b>Media Briefings:</b> each year, the Company provides media briefings on numerous issues</li> </ul>
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## The following are available on [www.crh.com](http://www.crh.com)

Table 17

Corporate Governance	Investors
<ul style="list-style-type: none"> <li>• Governance Appendix</li> <li>• Directors’ Remuneration Policy</li> <li>• Terms of Reference of the Acquisitions, Audit, Finance, Nomination &amp; Corporate Governance, Remuneration and Safety, Environment &amp; Social Responsibility Committees</li> <li>• Memorandum and Articles of Association of the Company</li> <li>• Pre-approval policy for non-audit services provided by the auditors</li> <li>• Compliance &amp; Ethics statement, Code of Business Conduct and Hotline contact numbers</li> </ul>	<ul style="list-style-type: none"> <li>• Annual and Interim Reports, the Annual Report and Form 20-F (separate documents up to 2015) and the annual Sustainability Report</li> <li>• News releases</li> <li>• Webcast recordings of results briefings</li> <li>• General Meeting dates, notices, shareholder circulars, presentations and poll results</li> <li>• Answers to Frequently Asked Questions, including questions regarding dividends and shareholder rights in respect of general meetings</li> </ul>