

# Tarmac Holdings Limited

## Section 172(1) statement

The Companies (Miscellaneous Reporting) Regulations 2018 (the “Regulations”) have been in force with effect from 1 January 2019. The Regulations aim to extend sustainable and responsible governance practice beyond listed companies to private limited companies. Amongst other things, the Regulations require Tarmac Holdings Limited (the “Company”) to report how the directors of the Company have considered their duties under section 172 (of the Companies Act 2006 (the “Act”)) (“Section 172”), to promote the success of the Company, during the reporting period.

The Company is part of the Tarmac sub-group of companies in the UK and is ultimately owned by CRH plc (“CRH”). CRH and its subsidiaries are referred to as the Group. In the management of its subsidiaries, the Group defines the measurement of success as long term value creation for the benefit of both the immediate entity and the wider Group with consideration to the Company's immediate stakeholders and those of the Group also.

The Group recognises the need to have appropriate levels of governance across its subsidiaries as part of its approach to risk mitigation. The Group maintains strong levels of governance at both an enterprise wide and legal entity level, and as a result of increased regulation, CRH and its UK subsidiary boards recognise the need to formalise and implement key standards across its UK subsidiaries. As such the Company intends to, during the course of 2020, adopt a UK subsidiary governance policy (the “Policy”), which provides detailed guidance for directors and management on the application and execution of Section 172 duties.

### ***Purpose***

Tarmac is the UK’s leading sustainable building materials and construction solutions business. Our innovative services and solutions help to deliver the infrastructure needed to grow the economy today and create a more sustainable built environment to support our future prosperity. Our values are at the heart of our business, integral to everything we do. Our values are set out on our website which can be found at <https://www.tarmac.com/about-us/>.

CRH has a number of group wide policies in place to support the execution of its purpose, which drives overall engagement with employees, shareholders and wider stakeholders across the Group as well as determining the culture. CRH’s Code of Business Conduct, which applies across the Group including Tarmac and its directors and employees, provides guidance to assist employees in putting the Group’s core ethical values of integrity, honesty and respect for the law into practice in their daily duties and ultimately in decision making.

Our culture is the combination of values, attitudes and behaviours demonstrated by Tarmac and its employees in its activities and relations with stakeholders. Demonstrating the desired culture helps us to maintain our reputation for high standards of business conduct. When making decisions, including strategic decisions that impact our stakeholders, a key principle applied by our directors is to always consider whether the decision they are about to take leads to a positive long-term increase in shareholder value.

### ***Decision making and corporate governance process***

Decision making within Tarmac is undertaken by the executive management committee (“ExCom”). Certain members of ExCom are also statutory directors of the Company and as such the statutory directors receive updates directly as part of the ExCom meetings. ExCom meet regularly and decisions made are always driven by the need to promote the success of Tarmac. ExCom have clear processes to follow and operate within delegations of authorities provided to it when considering decisions, including principal decisions which are those considered to be strategically and commercially material decisions which impact the Company’s key stakeholders. Responsibility for decision making that exceed delegated authority and on principal decisions, is delegated to the board of CRH except where they cannot be delegated under the Act. The Company’s board of directors (the “Board”) will meet annually to confirm and ratify any decisions made on its behalf by CRH and ExCom. The Company operates as a holding company as part of the Group and therefore its governance processes are proportionate to its corporate purpose and identity within the Group.

As part of the governance process, board paper preparers must ensure sufficient information is provided to the Board providing high levels of quality and integrity. The governance process provides a framework to ensure everyone involved in and contributing to the decision making process understands the duties which the directors are obligated to consider in the decision making process and applicable regulations, in order to be able to provide relevant information and therefore lead to effective decision making. These governance processes will be formalised in the Policy.

### ***Directors’ training***

The Group's Legal and Compliance programmes support the Group in operating sustainably and consistently with its values. The Group's Legal and Compliance team provides advice, guidance and support to 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, communications and legal advice on compliance and business issues.

Employees and directors of the Group, which include the directors of the Company, are provided with regular Code of Business Conduct training. Certain employees, determined according to the risk profile of their role, undertake annual advanced compliance training covering Modern Slavery, Anti-Bribery, Anti-Trust, Anti-Fraud and Anti-Theft. The training provided enables the directors to be committed to operating the business to the highest ethical, moral and legal standards when making decisions and putting the Group's core ethical values of integrity, honesty and respect for the law into practice in their daily duties.

During the year external training sessions, facilitated by the Company Secretary, were provided to the Board to support them in their roles and discharging their responsibilities as statutory directors. This included training on directors' statutory duties under the Act, along with an update on the Regulations and wider regulatory responsibilities. Under the Policy, all newly appointed directors will receive director training within 3 months of being appointed and all directors will refresh their training at least once every calendar year. The provision of training will be facilitated by the Company's Legal Department.

### ***Board composition***

The Company's Board, which comprises five directors, collectively have a broad range of skills, knowledge and industry experience, including general management, finance and operations.

Before any director is appointed to the Board, consultation with the Group is undertaken to ensure the composition of the Board is appropriate, taking into consideration the skills and experience of the appointee and the overall diversity mix.

### ***Stakeholder engagement***

The principal activity of the Company's business is to hold shares in its subsidiary companies as part of the wider corporate structure of the Group. The Company's key stakeholders are its shareholders and other Group companies. As part of the Group, the Board must consider how the decisions made on behalf of the Company affect both the shareholder and the other Group companies to ensure the success of the Company and value creation for the shareholder and ultimately, CRH. The Group's treasury activities are coordinated through a central function who manage the financial risks of the Group and secure funding for the Group. On behalf of the Company, the Group frequently engages with its creditors and credit agencies as part of the Group's financial risk management processes and to ensure the Company's levels of borrowings are appropriate for its needs.

Where a principal decision is to be made, an impact assessment will be undertaken by the Board or on its behalf, the results of which will be documented for recommendation to the Board or CRH where the decision has been delegated. The impact assessment will provide an assessment of the impact of the principal decision on key stakeholders, how each key stakeholders' interest was considered throughout the assessment process, details of any risks identified and resulting actions proposed to be taken to monitor and mitigate those risks and consideration of any potential impacts on the Company's reputation and how that impact will be monitored. The Company maintains a stakeholder register, recording details of impact assessments and principal decisions made. On an annual basis, the Board will review and confirm the Company's key stakeholders, recording how the Directors formed the opinion that they are key stakeholders.

### ***Principal decisions***

The Board and the board of CRH have the necessary skills and experience required to identify the impacts of their decisions on the Company's stakeholders, and where relevant, the likely consequences of the decisions in the long-term.

In line with the Regulations and in accordance with the approach taken during the financial year under review, principal decisions are those which are strategically material to the purpose of the Company, its stakeholders and the Group. On this basis, the company has made no principal decisions throughout the financial year.