

Corporate governance

The Directors are committed to maintaining the highest standards of corporate governance and this statement describes how CRH applies the Principles of Good Governance set out in section 1 of the Combined Code, derived by the Committee on Corporate Governance from the Committee's Final Report and from the Cadbury and Greenbury Reports.

Board composition

It is the practice of CRH that a majority of the Board comprises non-executive Directors and that the Chairman be non-executive. At present, there are five executive and nine non-executive Directors. One non-executive Director is a former executive of the Company. Biographical details are set out on pages 36 and 37. All of the Directors bring independent judgement to bear on issues of strategy, performance, resources, key appointments and standards. The Board meets regularly throughout the year and all Directors have full and timely access to the information necessary to enable them to discharge their duties. There is a formal schedule of matters reserved to the Board for consideration and decision but other matters are delegated to Board Committees. Membership of the Committees is set out on page 37.

The *Acquisitions Committee* has the power to approve acquisitions and capital expenditure projects within limits agreed by the Board.

The *Audit Committee*, which comprises only non-executive Directors, meets a minimum of five times per year. Its brief is to review the interim and annual financial statements, internal control matters and the scope and effectiveness of internal and external audit. The Finance Director and Internal Audit Director normally attend meetings of the Committee, while the external auditors attend as required and have direct access to the Committee Chairman at all times.

The *Finance Committee* advises on financial and accounting policies and practices.

The *Nomination Committee* advises the Board on all Board appointments.

The *Remuneration Committee*, which consists solely of non-executive Directors, determines the Group's policy on executive remuneration and considers and approves salaries and other terms of the remuneration package for the executive Directors.

Senior Independent Director Mr. A. O'Brien was appointed as the Senior Independent Director with effect from 27th February 2002.

Directors' remuneration

The Board's report on Directors' remuneration is set out on pages 42 to 47.

Communications with shareholders

Communications with shareholders are given high priority and there is regular dialogue with institutional shareholders, as well as presentations at the time of the release of the annual and interim results. The Group's website, www.crh.com, provides the full text of the Annual and Interim Reports, the Form 20-F, which is filed annually with the US Securities and Exchange Commission, and copies of presentations to analysts and investors. News releases are made available, in the News & Media section of the website, immediately after release to the Stock Exchanges.

The Company's Annual General Meeting affords individual shareholders the opportunity to question the Chairman and the Board. In addition, the Company responds throughout the year to numerous letters from shareholders on a wide range of issues.

Internal control

The Directors have overall responsibility for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Directors confirm that the Group's ongoing process for identifying, evaluating and managing its significant risks is in accordance with the Turnbull guidance (*Internal Control: Guidance for Directors on the Combined Code*, published in September 1999). The process has been in place throughout the accounting period and up to the date of approval of the Annual Report and financial statements and is regularly reviewed by the Board.

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 respective 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.

The Board receives, on a regular basis, reports on the key risks to the business and the steps being taken to manage such risks. It considers whether the significant risks faced by the Group are being identified, evaluated and appropriately managed, having regard to the balance of risk, cost and opportunity. In addition, the Audit Committee meets with internal auditors on a regular basis and satisfies itself as to the adequacy of the Group's internal

control system. The Audit Committee also meets with and receives reports from the external auditors. The Chairman of the Audit Committee reports to the Board on all significant issues considered by the Committee and the minutes of its meetings are circulated to all Directors.

The Directors confirm that they have conducted an annual review of the effectiveness of the system of internal control up to and including the date of approval of the financial statements. This had regard to the processes for identifying the principal business risks facing the Group, the methods of managing those risks, the controls that are in place to contain them and the procedures to monitor them.

Going concern

After making enquiries, the Directors 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 financial statements.

Compliance

The Directors confirm that the Company has complied throughout the accounting period with all of the provisions set out in section 1 of the Combined Code.