

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE CODE

For the year ended 31 December 2023, and up to the date of this report, the Company has applied the 2018 QCA Corporate Governance Code (the "Code"). Full details of how we have complied fully with the Code throughout the year are provided below.

STRATEGY AND BUSINESS MODEL

Principle 1 of the Code requires that companies establish a strategy and business model which promote long-term value for shareholders. Our strategy and business model, including the key challenges in their execution, are set out in the Strategic Report on pages 46 to 53.

The Board regularly discusses the Group's long-term goals, with maximising shareholder value at the core of those goals, and ensures that a business plan aligned to the delivery of the strategy is in place, and is executed effectively by the Executive Directors. A robust structure of targets, key performance indicators and internal measurement is set by the Board. This ensures delivery of a clearly defined and agreed set of sales, market & business objectives. The Board and a sub-board of senior managers continually monitor these objectives to ensure they are met by the collective teams with the Group.

The Board meets at least five times a year to review the Group's performance and revised forecasts to discuss strategy and to ensure the business is on track to achieve its stated goals.

SHAREHOLDER RELATIONS

Principle 2 of the Code provides that the Board should seek to understand and meet the needs and expectations of shareholders. The Board recognises the importance of creating a clear flow of communication with all shareholders and the investment community.

The key opportunity for engagement with shareholders, potential shareholders and analysts is on the announcement of the full year and interim results. The Executives make presentations of those results, and feedback from the recipients of the presentations is shared with the Board ensuring that the Non-Executives are apprised of the views of major shareholders.

There is regular dialogue between the Executive Directors and the Company's brokers, including in respect of shareholder views, and an "Investor" email address is provided on our website through which shareholders can make contact with the Board. The Chair is available to shareholders if they have concerns that contact through the normal channels of communication to the Executives are inappropriate.

The AGM is an opportunity for shareholders to meet and put questions to the Board and Chairs of the Board Committees, and we look forward to inviting shareholders to attend the AGM this year. We will welcome questions submitted by shareholders on the day of the AGM, and endeavour to publish responses to such questions on the Company's website. Full details of our AGM arrangements are contained in the Notice of AGM.

OUR STAKEHOLDERS

Principle 3 of the Code, the Company should take into account wider stakeholder and social responsibilities and their implications for long-term success. The Board recognises the fundamental importance of stakeholders other than investors and their contribution to the long-term sustainable success of the business and therefore to ensuring their needs are met. Feedback from our stakeholders allows the Board to monitor the Company's corporate culture, as well as the ethical values and behaviours within the business.

We consider our key stakeholders, other than our shareholders, to be our customers, staff, suppliers, the communities we operate in, and the environment. Further details of our stakeholders, methods of engagement with them as well as examples of stakeholder considerations in certain key Board decisions during the year can be found as part of the Section 172 Statement within the Strategic Report on page 45.

Our customers

The Group aims to deal ethically and honestly with customers, building long-term relationships by delivering high quality, value and excellent customer service. Ongoing positive engagement with customers, distribution and stakeholders is at the forefront of the Board's retail strategy. The strategy is constantly monitored. The Group distribution aims are clearly set out within the Approved Distributors Trading Policy and Terms of Business.

Quarterly and annual objectives are set in consultation with our key accounts and relevant buying groups. Objectives, performance and targets are regularly reviewed with call reports monitored by the Sales Directors. This is complemented by strong analytical data. The volume of orders, quality of service and products made are monitored and recorded as a matter of course on a daily basis. Value and a strong process is at the forefront of the Group offering. A culture of open dialogue combined with strong customer relationships help to assess where the Group can make ongoing improvements in key areas for our customers and end users.

Key account review meetings are held throughout the year (attended when appropriate by a Board Director) where issues and performance are monitored, feedback received and follow up action can be taken if required.

Our employees

The Board is dedicated to positive employee engagement; safety, well-being, training, security and progression are at the forefront of the business ethos. The well-being of employees is addressed through training and health and safety management as a preventative process, and regular updates are provided to the Board. The Human Resources department oversees schemes to support employees through a range of medical and supportive facilities, including stress management, legal and social well-being helplines, along with a robust pension and life insurance cover package that provides financial support for the long term.

The Group seeks to align the interests of employees with the success of the Company through a range of share incentive schemes, including all employee sharesave schemes and, for senior staff, nil-cost option awards under the Group's Long-Term Incentive Plan ("LTIP").

The Company ensures that it complies with the requirements of the Immigration Act, anti-bribery and equality legislation and takes appropriate steps to ensure all senior staff are aware of their responsibilities and is committed to maintaining the highest standards for all business activities and ensuring these standards are set out in written policies.

Our suppliers

The Group holds a diverse database of more than 2,500 suppliers, typically 30% of these will be engaged with annually. We strive to honour our payment term obligations and make a mid-month payment run as well as the monthly payments to ensure supplier terms are met. Our payment practices and reporting are in accordance with the recently implemented regulations and are published on the Government's website. By adopting responsible sourcing and sustainable resource and energy planning, we minimise waste and ensure the efficient use of energy, resources, water and raw materials. Energy performance is a key factor in the design, purchase and operation of equipment, vehicles and services.

Our community

Michelmersh is committed to supporting the communities in which we operate, including providing financial support to registered local and national charities and youth sport. The main charitable budget is allocated at Head office under the direction of the Group's Charity Committee and approved by the Board. This comprises of both small donations to local charities, across the Group's areas of operation, as well as larger donations to national charities that the Group may choose to support each year. The Board is particularly keen to support charities with which our employees are personally involved, and the aim is to support causes which can make a real difference to local communities across the country.

The Group is also committed to helping meet the future needs of the construction industry. Education has become a key part of the Group's culture and Board focus. The Group supports education in a number of ways, including student sponsorship, material donations, technical resources, and (where appropriate) providing funds through the Charity Committee.

The environment

The Board is fully committed to the protection of the environment, biodiversity, ecosystems and minimisation of pollution. We ensure compliance with all legal, regulatory and other obligations, have established procedures to ensure any breaches are reported transparently, and monitor, control and report our relevant greenhouse gas emissions in line with our regulated targets.

More information on the actions we take to mitigate our environmental impact and to ensure the sustainability of our business are set out in the ESG Strategy section of the Annual Report on pages 22 to 41.

RISK MANAGEMENT

Principle 4 of the Code requires that the Board ensures that effective risk management, including the consideration of both opportunities and threats, is embedded throughout the Group. The Board has an established risk register which is reviewed at each quarterly Board meeting. Key risks to the business, as well as controls and mitigating factors, have been identified, and the risks are categorised according to likelihood and impact. This allows the Board to assess the effectiveness of controls, and monitor emerging and changing risks on an ongoing basis.

The risk register is reviewed and updated regularly with key personnel across the business, and the Group's open management structure ensures free communication of risk throughout the organisation.

Further information on the key risks faced by the business is set out on page 46 to 53 of the Strategic Report.

THE BOARD

Principle 5 of the Code requires that the Board is maintained as a well-functioning, balanced team led by the Chair.

Our Chair, Martin Warner, is responsible for leading the Board which also currently comprises two Executive Directors (Peter Sharp, the Chief Executive Officer, and Ryan Mahoney, the Chief Financial Officer) and three independent Non-Executive Directors (Paula Hay-Plumb, Tony Morris and Rob Fenwick).

A summary of the roles and responsibilities of each Director are set out on the next page:

Chair:

The Chair is responsible for the leadership of the Board, ensuring its overall effectiveness through overseeing high standards of corporate governance, and allowing stakeholder views to be incorporated as part of the Board's decision making. The Chair's role is also to build collaborative relationships, and promote debate and openness so as to ensure the effective contribution by all Directors and Non-Executive Directors.

Chief Executive Officer:

The Chief Executive Officer ("CEO") is responsible for the daily operation and running of the business of the Group, supported by the management team. The CEO also leads the development and implementation of the strategy and business plan, maintains effective working relationships with the Chair and NEDs, whilst providing leadership in the Company's commitment to its purpose, high business standards, culture and core values, and communication with key stakeholders.

Chief Financial Officer:

The Chief Financial Officer is responsible for helping to drive the direction and success of the Group using his knowledge and understanding of the financial position of the Company, as well as the requirements of the shareholders and market. The Chief Financial Officer ensures rigorous financial discipline whilst developing and delivering the strategic financial objectives agreed with the Board.

Non-Executive Directors:

The Non-Executive Director role is to bring external perspective, independent judgement and objectivity to the Board's decision making and discussion. The Non-Executive Directors bring a range of skills, expertise and knowledge to the Board, and constructively challenge the Executive management of the Company. The Non-Executive Directors are responsible for a range of activities, including monitoring the performance of the Executive Management, determining appropriate levels of remuneration, ensuring financial controls and risk management systems are robust, as well as challenging and supporting Executive Management in the development of the strategy and objectives of the Company. Following a review of the membership of the Board it was agreed that there was an appropriate mix of Executive and Non-Executive Directors, and that Paula Hay-Plumb, Tony Morris and Rob Fenwick continue to be considered independent.

The Non-Executives are committed to devoting adequate time to the business to discharge their responsibilities effectively. As set out in their appointment letters they are required to attend scheduled Board and Committee meetings, and to become more involved for periodic special activity if required. Before accepting any additional commitments that might affect the time that they devote to their roles as Non-Executive Directors of the Company, they must obtain agreement from the Board first.

There were five formally scheduled Board meetings during the year, with additional ad-hoc meetings convened when required.

Attendance at the formally scheduled Board and Committee meetings during the year was as follows:

Director	Board Meetings (5 Meetings)	Audit Committee (3 Meetings)	Remuneration Committee (3 Meetings)	Nominations Committee (2 Meetings)
M Warner	5/5	N/A	2/2	2/2
F Hanna	5/5	N/A	N/A	N/A
P Sharp	5/5	N/A	N/A	N/A
P Hay-Plumb	5/5	3/3	2/2	2/2
T Morris	5/5	3/3	2/2	2/2
R Mahoney	5/5	N/A	N/A	N/A
R Fenwick *	2/2	1/1	1/1	1/1

* Robert Fenwick was appointed to the Board on 1 August 2023 and has attended all Board and Committee meetings since his appointment.

Outside the formal meetings, the Chair meets regularly with each of the Executives individually, promotes an open and constructive environment in the boardroom and actively invites the Non-Executives to express their views. The Non-Executives provide objective, rigorous and constructive challenge to management and hold meetings at which the Executive Directors are not present.

At each Board meeting, the Executives report on financial and operational performance along with upcoming expectations and strategic opportunities. The Non-Executives review the Executives' reports with a balanced view against the Company's business and risk model.

The Board periodically invites the Company's Joint Brokers and legal advisor to address Board meetings to provide comment on current market issues and specific developments. The Company Secretary coordinates internal procedures that relate to corporate governance issues and provide independent guidance to individual Board members.

DIRECTORS' EXPERIENCE, SKILLS AND CAPABILITIES

Principle 6 of the Code provides that between them the Directors should have the necessary up to date experience, skills and capabilities.

Our Chair and Executive Directors have extensive experience in the brick industry, and our Non-Executive Directors have broad experience in relevant sectors (including property, governance, finance and M&A), and Board level experience in the listed company environment, as highlighted in their biographies on page 56. The Board is satisfied that the composition of the Board and its Committees provides an appropriate balance of skills, experience, independence and knowledge.

Each Director maintains and updates their skillset by attending technical briefings from industry forums, and attends seminars and training offered by accounting, legal and financial organisations. These are augmented by interaction with the Company's professional advisors including legal, audit and tax, Nominated Advisor and Registrar. The Executives regularly attend meetings with the brick and ceramic trade body, government departments, the unions and industry regulators, covering a wide range of operational and business subjects.

BOARD PERFORMANCE EVALUATIONS AND SUCCESSION PLANNING

Principle 7 of the Code requires that the Board and Committees evaluate their own performance and seek continuous improvement.

As part of the process for monitoring Board performance, the Non-Executives meet to discuss and assess the performance of the Executives, and the Senior Independent Director facilitates a performance review to appraise the performance of the Chair save in a year where the Chair is retiring.

At the end of the year, the Board also undertook a formal review of Board and Committee performance. Questionnaires for the Board and each of its Committees comprised of questions covering Board and Committee effectiveness, leadership, strategy, composition, diversity, skills and processes. These were circulated to all Directors to complete, and the results were collated by the Company Secretary with a summary report tabled to the Board for discussion at its meeting in February 2024. It was very pleasing that the responses recognised that the relationships had developed over the last 12 months and the universal view was that the Board is operating effectively.

During the year, the Board discussed succession planning for both the Non-Executive Directors and the Executive Directors. The Board understands that this is a vital task so as to ensure that they are able to support the Company in its long-term goals and strategy. The composition of the Board and its Committees is reviewed on an annual basis. The membership of the Board was considered and it was agreed that the current composition of the Board and its Committees was appropriate. The Company's Articles of Association require that any Director who has been in office for three years or more since their last election or re-election by shareholders must retire and, being eligible, may stand for re-election at the AGM. Despite this, it has been agreed by the Board that all Directors will stand for election or re-election at the 2024 AGM, and, as announced on 1 August 2023, Martin Warner shall retire as Chair from the Board.

Nominations Committee

The Nominations Committee reviews the structure and constitution of the Board and plans for succession issues. The balance of the Board is kept under regular review and, following changes to Board composition over the last 12 months, the Nominations Committee has agreed that the current composition of the Board and its Committees is appropriate. The Committee is mindful that the Board does not currently comply with developing guidance on diversity, and will ensure that diversity considerations are included as part of future Board appointment processes.

The Nominations Committee also ensures that newly appointed Non-Executive Directors undergo a comprehensive induction programme. On 1 August 2023 Rob Fenwick joined the Board as a Non-Executive Director and as part of his induction he met with each of the other Board members as well as the Company's Nominated Advisor and Broker, as well as undertaking a full tour of the Group's UK manufacturing facilities, alongside meeting the Company's senior leaders.

CORPORATE CULTURE

Principle 8 of the Code requires that the Company promotes a corporate culture that is based on ethical values and behaviours. The Group undertakes to at all times act as a responsible corporate citizen. Through our employees, we aim to act fairly, openly, professionally and politely with all stakeholders in all areas of activity. We seek to provide the highest quality products and services, to protect the environment and to act ethically in all aspects of the business. In this way, business risk should be minimised, stakeholders can trust the Company and its employees are protected.

The Company ensures that it complies with all relevant legislation (including the Immigration Act, Bribery Act and equality legislation) and takes appropriate steps to ensure staff are aware of their responsibilities. We are committed to maintaining the highest standards for all business activities and ensuring that these standards are set out in written policies.

Feedback from stakeholders (in particular employees, customers and suppliers) allows the Board to monitor the Company's corporate culture, as well as the ethical values and behaviours within the business, and the Non-Executive Directors further test the extent to which this culture is embedded across the organisation in their interactions with employees during site visits.

GOVERNANCE STRUCTURE

Principle 9 of the Code requires that the Company maintains governance structures and processes that are fit for purpose and support good decision making by the Board.

The Chair is responsible for effectively leading the Board and ensuring that the Group's corporate governance framework is appropriate and effective. The Board has adopted the Code as a guide by which to measure its corporate governance procedures, and regularly reviews all aspects of its corporate governance policies and procedures. Each of the Committees' terms of reference and the schedule of matters reserved for the Board were reviewed during the year by the Board, with minor updates approved.

The schedule of matters reserved for the Board includes:

- Approval of the Group's long-term objectives and commercial strategy
- Budget and forecast adoption
- Approval of annual and interim accounts
- Acquisitions and disposals
- Capital projects
- Dividend policy
- Share issues
- Appointment and removal of professional advisors.

Details of the roles and responsibilities of the Chair, Chief Executive Officer, Chief Financial Officer and Non-Executive Directors are described on the Company's website, along with the terms of reference of the Committees. The Company's Corporate Governance Statement, setting out how it has applied the principles of the Code, is also available on the website: (www.mbhplc.co.uk/investor-relations/corporate-governance).

BOARD COMMITTEES

Principle 10 of the Code requires the Company to communicate how it is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders. There are three Board Committees: the Audit Committee, the Remuneration Committee and the Nominations Committee. The Remuneration and Audit Committees each meet as required but at least twice a year; and the Nominations Committee meets at least once a year. More information on the activities of the Audit Committee and Remuneration Committee is set out in their respective reports. Each of the Committees has formal terms of reference, in line with corporate guidelines, and reports back to the Board and to shareholders through the Annual Report as a matter of course. A separate report from the Audit Committee and the Remuneration Committee can be found in the Corporate Governance section.