

## **Chairman's Introduction**

All that we do is encompassed by our undertaking at all times “**to act as a responsible corporate citizen**”. This includes not only our customer, supplier and shareholder relationships but also the long-term stable employment we provide at our manufacturing plants which make clay products which enhance the environment as they become an intrinsic part of buildings which will be seen and used for generations to come.

We welcome the opportunity that preparing this document has presented to us as a Board to review our processes and clearly set out our objectives to all our stakeholders.

Martin Warner  
Chairman

## **CORPORATE GOVERNANCE**

Michelmersh Brick Holdings PLC's (“**Michelmersh**” or the “**Company**”) shares are quoted on the AIM market and as from 28<sup>th</sup> September 2018 all AIM companies are required to adopt a recognised corporate governance code. The Company has adopted the Quoted Companies Alliance Corporate Governance Code 2018 (the “**QCA Code**”), and the board of the Company (the “**Board**”) has taken the opportunity to review its guiding principles of delivering growth, maintaining a dynamic management framework and building trust. There are 10 underlying principles and we set out below our response to each of these.

The Company supports all of the principles of the QCA Code and applies these principles in its operations through the Board.

## **DELIVER GROWTH**

***PRINCIPLE 1: Establish a strategy and business model which promotes long term value for shareholders***

The Michelmersh Brick Holdings PLC group (the “**Group**”) has grown by acquiring complementary businesses where products can be cross sold across our customer base. In most cases these products have been used for many years as part of the local vernacular and this creates a strong geographical presence and opportunity for all group products to be promoted both for the repair, maintenance and improvement (RMI) market and for new build where appearance is of prime importance.

Our seven brands, Blockleys, Carlton, Charnwood, Freshfield Lane, Hathern Michelmersh and Floren have each been established for many decades. The Group has a clearly defined premium centric market philosophy and, as a result, the business has grown and innovated from these brands that enjoy rich heritages and have become some of the most trusted names behind many of today's most iconic built environments. The Board and team collectively undertake to continually develop, nurture and improve its premium brands.

The Board regularly discusses the Group's long-term goals, with maximising shareholder value at the core of those goals, its strategy for achieving its goals and ensures a business plan is in place and effectively executed by the Executive Directors (“**Executives**”) to deliver the strategy. We will always seek to provide the highest quality products and services, to protect the environment and to act ethically in all aspects of the business.

Sector risk is continuously analysed and balanced by ensuring broad cross market coverage of customers, products and order intake. The principal markets are defined as Repair Maintenance and Improvement (RMI), Housing & Commercial sectors. The acquisition of Floren, a Belgian brick manufacturer which serves the northern-European and UK markets, has broadened the Group's product mix and geography and hence the regional risk.

A robust structure of targets, key performance indicators (“KPI’s”) 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 within the Group.

We take a long-term approach to maximising value in a highly capital-intensive industry and ensure all plants are well maintained, productive capacity is maximised, capital applied to improve efficiency and to reduce risks of interruption hence maximising shareholder value. It is paramount for investment to be supported by an extended return and as such that there is adequate long-term clay supply.

The key resources and relationships that the Group relies on are:

- the availability of adequate clay reserves;
- continued strong relationship with key customers and markets;
- skilled workforce;
- energy costs within steady and recoverable price structures; and
- financial resources through the banking and investment community.

The Board consider that its challenge is to maintain and nurture the key resources and relationships identified above.

Our substantial fixed asset base includes extensive land holdings with significant clay reserves and often the potential to landfill the void created by clay extraction. There is opportunity to create development land from restored land. We actively engage in the planning process to maximise these opportunities over the long term.

Given the heavy investment in assets, the financial success of the business depends on volumes of quality bricks manufactured and sold, the costs of production and the value of units sold. The business is most profitable when operating at capacity with inventory levels balancing despatches over the season and cycle. The Board measures a range of KPI’s but at the highest level the most important are:

- Production volume
- Despatch Volume
- Cost of production
- Average selling price.

Further details of the Company’s business model and strategy, as well as the key challenges faced by the business, are set out in the Company’s latest annual report.

***PRINCIPLE 2: Seek to understand and meet shareholder needs and expectations***

The Board recognises the importance of creating a clear flow of communication with all shareholders and the investment community. The Chairman’s Statement, the Chief Executive’s Statement and the Strategic Report and Financial Review, together with other information in the Annual Report, provides a detailed review of the business.

The key opportunity for engagement with shareholders, potential shareholders and analysts is on the announcement of the full-year and interim results. Presentations are made by the Executives following which the Company’s brokers prepare a report on the anonymised feedback received from those meetings, which is shared with the Board. This process is one of the ways in which the non-executive directors of the Company (the “Non-Executives”) have an opportunity to develop an understanding of the views of the major shareholders.

The Chairman is available to shareholders throughout the year if they have concerns that contact through the normal channels of the Executives have failed to resolve or for which such channels of communication are inappropriate. This is monitored by feedback from roadshows and regular dialogue with the Company’s brokers. In addition, there is an ‘Investor’ email address on the website for contact with the Board.

Generally, all shareholders are invited to the Company's Annual General Meeting ("AGM") at which there is the opportunity to meet and put questions to the Board and to the Committees' Chair. Due to Covid-19, the AGM in 2020 was not a suitable forum for meeting shareholders and so the Notice of AGM included a request that shareholder submit questions in writing that would be published along with responses on the company website. It is hoped that normal conditions will return and allow a resumption of AGM practices.

The Group's website is regularly updated and provides additional information about the Group including financial reports and presentations, information on the Group's products and its' ethical and business policies. Investors, stakeholders and the wider community can follow progress and events through RNS and regular news stories.

***PRINCIPLE 3: Take into account wider stakeholder and social responsibilities and their implication for long term success.***

The Board recognises the fundamental importance of stakeholders other than investors and their contribution to the success of the business and therefore to ensuring their needs are met.

**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 strong process is at the forefront of the Group offering. A culture of open dialogue combined with strong customer relationships help 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.

The Group aims to remain at the forefront of industry innovation, continuing to lead the way in offering intuitive, informative and supportive product data through the most up-to-date construction technology procedures. The Group was the first brick manufacturer to introduce Building Information Modelling ("**BIM**") files in the UK. The Group is delighted to see a surge in industry support, acceptance and participation which has increased since the Government mandate for BIM on public procured projects in 2016. The Group has also committed itself to upgrading its files alongside the latest BIM software developments. This continual development will provide increased levels of service to our customers over time.

**Staff**

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. 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 option schemes. The sharesave schemes allow regular payments into an effective savings

account that on maturity enables the employee to purchase Michelmersh ordinary shares at a discounted price fixed at the inception of the scheme. These schemes usually run back-to-back for three and five-year periods. The most recent scheme launched in 2018 attracted subscriptions from nearly 30% of employees.

The Group also offers nil cost options to senior staff under the Group's Long Term Incentive Plan that encourages staff retention and rewards individuals. The value of the options is linked to the share price performance of the company.

## **Suppliers**

The Group holds a diverse database of more than 2,500 suppliers: typically 30% of these will be engaged 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.

We ensure that we comply with the Modern Slavery Acts and have policies in place to ensure this is embedded throughout the supply chain.

## **Charity and Community.**

Michelmersh is committed to supporting the communities in which it operates, which includes 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 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. The aim is to support causes which can make a real difference to local communities across the country.

## **Education.**

Michelmersh is 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 such as delivering Continuing Professional Development ("CPD") sessions to students and where appropriate providing funds through the aforementioned Charity Committee. The company contributes considerable time and technical resource to the International Clay Technology Association Training Committee and associated level 2 to level 6 qualifications. This includes writing course material, lecturing and mentoring, study tours and exam invigilation.

## **Training**

All staff are formally inducted into the business and receive the training and instruction required to carry out their duties safely and efficiently. The company promotes and encourages personal development through training and skills enhancement at all levels of the business. The group operates an apprenticeship programme for technical and engineering roles as well as an established supervisory and management training programme. Our associated training providers include EEF – The Manufacturers' Organisation, The Institute of Leadership and Management, The National Examination Board for Occupational Safety and Health, The Institute of Materials, Minerals and Mining and The University of Derby. Where specific training needs are identified, the Group also utilises specialist external training support.

## **Environment**

The company is committed to the protection of the environment, biodiversity, ecosystems and minimisation of pollution. We ensure compliance with all legal, regulatory and other obligations;

report any breaches transparently; and monitor, control and report our relevant greenhouse gas emissions in line with our regulated targets.

The Board and senior managers set and monitor performance and improvement targets for all departments, while providing the guidance, resources and training necessary for employees to succeed in delivering our objectives.

The group controls and improves its performance through a range of management systems:

- ISO 14001 International Environmental Management Standard
- ISO 50001 International Energy Management Standard
- ISO 9001 International Quality Management Standard
- BES 6001 Certified Responsibly Sourced Materials

Our clay quarries are operated by competent quarry managers who extract materials efficiently in accordance with detailed quarry plans that maximise reserves in accordance with environmental and health and safety best practice. The sites continue to create sustainable habitats for a diverse range of animals, including newts, badgers and bats. Many of our quarries contain geological SSSI (Site of Special Scientific Interest) formations and all have local authority approved restoration schemes.

Long term strategies are developed for restoration of our sites when quarrying is finished. These may include landfilling, landscaping or development.

## **Health and Safety**

The Company is fully committed to providing a healthy, safe working environment for all employees and stakeholders affected or involved with the operation. Health and Safety is a fixed agenda item for main board meetings with monthly board reporting of Health and Safety statistics, incidents and initiatives. The Board and employees ensure that health and safety takes priority over all other actions throughout the business. People are a key resource within the Group, therefore the Board are committed to ensuring the welfare of all staff through training, development and performance review.

The Group's operating sites are all Covid Safe workplaces following swift implementation of new operating procedures during a four-week suspension of operations. Ongoing monitoring and reporting software continue to maintain a disciplined approach to the risk that safeguards our employees and business.

The Company endeavours to keep up-to-date with current best practice on all health & safety matters through consultation with our trade body and The Health and Safety Executive. We observe all relevant statutes, regulations and codes of practice associated with health and safety, which ensures that the company meets and exceeds its obligations. The Board and management do the same through the provision of any necessary expert advice. Our processes are independently audited on a regular basis by an appropriate expert body.

Five Health and Safety Committees meet quarterly chaired by the respective site manager. These meetings are the forum for consultation with employee representatives on all matters affecting health and safety. The Board expect immediate action from line management and staff when dealing with day-to-day issues relating to company health, safety & welfare. All employees are authorised to stop any activity if they believe it to be unsafe, reporting any issue immediately to their line manager who will take immediate action to ensure safety is not compromised.

The Group holds four senior health and safety meetings annually where audits and accidents are reviewed and objectives and targets are set. These meetings are chaired by a Board Director and consist of senior management from across the business.

Health and safety performance is monitored and improved using KPI's, accident and near miss investigations and an ever-expanding audit and inspection regime. This ensures compliance with our policies and obligations, whilst highlighting opportunities for improving performance.

The Group has established mechanisms for formal and informal feedback from employees, through the Human Resources department or through the management structure.

***PRINCIPLE 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation***

The Board has developed a risk register for review at each Board meeting. The key risks to the business have been identified, categorised according to likelihood, alongside controls to consider the risks and steps required to mitigate them.

This register is used as a key strategic tool and framework to consider the Group's strategic objectives, mitigate risk balanced against reward to shareholders, and ensure compliance with all statutory obligations including health and safety, financial compliance, staff wellbeing and environmental obligations.

The register is reviewed and updated regularly with key personnel across the business.

The Group's management structure is open with a flat profile that ensures free communication of risk as well as business ethics throughout the organisation. In addition, anonymous whistleblower and suggestion-box schemes are in place.

Further details on the key risks faced by the business are set out in the Company's latest annual report.

**MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK**

***PRINCIPLE 5: Maintaining the Board as a well-functioning, balanced team led by the Chair***

The Board holds a balance of skill, experience and independence with assigned roles that brings corporate teamwork within a framework to maximise the company's long-term performance.

There are a range of decisions that are reserved for the Board, as set out in Principle 9 below, whilst the Executives run the day to day business within the business and risk model overseen by the Board as a whole.

The Board comprises three executive directors and three non-executive directors. The chairman coordinates the balance of the Board under the guidance of the Non-Executives. Bob Carlton-Porter is deemed the Senior Independent Director and provides extensive commercial, corporate and financial experience. Paula Hay-Plumb joined the board in June 2020 bringing a wide range of financial and organisational experience. All of the Non-Executives are deemed to be independent in their roles. Martin Warner has been involved in the business since he formed the company 20 years ago but has distanced himself from day-to-day operations and maintains a strong presence in the UK brick manufacturing industry. Bob Carlton-Porter brings a wealth of business experience from international posts over many years and although he has been a Non-Executive at the Company since 2004, he has maintained a strong and steady role as the Board structure has evolved around him.

The Non-Executives are committed to devoting adequate time to involvement in the business as required and to attend scheduled Board and Committee Meetings and have the capacity to become more involved for periodic special activity if required.

The Board meets at least quarterly to review each quarter's performance and revised forecasts and to discuss strategy and to ensure the business is on track to achieve its stated goals; 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. 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. Each of the Committees is comprised solely of non-executive directors, although Executives may also be required to attend Committee meetings as required.

During 2018 and in 2019 all Board and Committees Meetings were attended by all of their members.

***PRINCIPLE 6: Ensure that between the Directors they have the necessary up to date experience, skills and capabilities***

The Executives are full time board members with commercial, operational and financial experience particularly in the brick industry.

The Board is satisfied that, pending recruitment of a further non-executive, the composition of the Board and its Committees will provide an appropriate balance of skills, experience, independence and knowledge to allow the Board and its Committees to successfully and effectively discharge their duties in line with the requirements of the QCA Code.

Each Director maintains and updates his 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 advisers including legal, audit and tax, Nominated Adviser 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.

### **Directors' Biographies**

#### **Martin Warner MSc FRICS Chairman**

Martin founded Michelmersh with the former Chairman Eric Gadsden in 1997 and served as Chief Executive from that date until 31 December 2015 when he became Deputy Chairman and subsequently Chairman from May 2017. Martin is a Fellow of the Royal Institute of Chartered Surveyors. He is a member of the Audit and Remuneration Committees and chairs the Nomination Committee. He is Chairman of the Brick Development Association and a non-executive director of Aberforth Smaller Companies Trust plc.

#### **Bob Carlton-Porter Non-Executive Director**

An Associate of the Chartered Institute of Bankers, a Fellow of the Association of Corporate Treasurers, and a Fellow of the Chartered Institute of Marketing, Bob is an international industrialist with over 40 years' experience as a financial and commercial director. Following positions in banking, the food and commodity industry he joined Hoechst AG in finance and treasury, leaving to join English China Clays PLC as Group Finance Director. Over the past years he has chaired listed companies in the property sector latterly Newport Holdings PLC, ARAM Resources PLC and ROK Plc. Bob is chairman of the Audit and Remuneration Committees and sits on the Nominations Committee.

#### **Paula Hay-Plumb -Non-Executive Director**

Paula has extensive directorship experience in both the private and public sectors. She is currently a non-executive board member The Crown Estate, Hyde Housing Association, Oxford University Hospitals NHS Foundation Trust and Aberforth Smaller Companies Trust plc, as well as being a Trustee of Calthorpe Estates. In her executive career, Paula was Corporate Finance and Group Reporting Director at Marks & Spencer Plc, between 2003 and 2005, and an executive director and board member of English Partnerships, the UK government backed regeneration agency, from 1994 to 2002, Chief Executive from 1999. Paula is a Chartered Accountant (ACA) and is a Fellow of the Association of Corporate Treasurers. Paula sits on the Audit, Remuneration and Nominations Committees.

### **Frank Hanna Joint Chief Executive**

Frank has over 25 years of brick industry experience. Frank joined Freshfield Lane Brickworks Limited ("FLB") in 1991 having formerly worked for Lesser D&B and Hanson Brick Ltd. Frank was appointed to the Board of FLB in 1996 as sales and technical director before becoming a shareholder in 2000. He was appointed as a Director of the Company on 30 March 2010 and became Joint Chief Executive on 1 January 2016. Frank has chaired both the Brick Federation and PWP within the Brick Development Association and is currently a main board Director of the Brick Development Association and British Ceramic Confederation. Frank is also a member of the Institute of Directors

### **Peter Sharp BA(Hons) Cert IoD MIoD Joint Chief Executive**

Peter has been in the industry for 35 years including 15 years with Michelmersh and 14 years with Ibstock Brick holding various senior positions. He is a Fellow of the Institute of Materials Minerals and a Member of The Institute of Directors. Peter is also on the board of the British Ceramic Confederation, and serves as a trustee of the Institute of Clay Workers Benevolent Fund and the Institute of Clay Technology Education and Training Trust. He joined the Board in May 2011 and became Joint Chief Executive on 1 January 2016. .

### **Stephen Morgan BA ACA Finance Director**

Stephen is a Chartered Accountant having trained with KPMG. He was previously Finance Director and Company Secretary at an AIM listed property company where he experienced a range of corporate acquisitions and disposals. He joined Michelmersh in August 2010 as Interim Finance Director and Company Secretary and was appointed as Finance Director and Company Secretary in November 2010.

The Board periodically invites the Company's Broker and legal adviser to address Board meetings to provide comment on current market issues and specific developments.

The Company Secretary and the Senior Independent Director co-ordinate internal procedures that relate to corporate governance issues and provide independent guidance to individual board members.

### ***PRINCIPLE 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement***

The structure of the Board is kept under regular review by the Chairman and has undergone considerable change and development over the last 36 months.

Paula Hay-Plumb, the newly appointed non-executive will undergo an induction programme which will include visits to Group plants, be introduced to the businesses' products and manufacturing operations and meet key members of the team. They will also meet with the Company's NOMAD and Broker and with each of the other Board members individually as well as liaising with the Company's auditors.

Following the adoption of the QCA Code, an evaluation process has been undertaken to formalise a more structured approach to monitoring Board performance. This includes a bi-annual meeting of the Non-Executives to assess the Executive performance, and an annual meeting of the independent Non-Executives to appraise the performance of the Chairman.

The Chairman meets regularly with each of the Executives individually.

The Chairman 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.

Any external appointments or other significant commitments of the Directors require the prior approval of the Board and they have a contractual duty to avoid situations in which they may have interests which conflict with those of the Company. The external commitments of the Board are set out in their biographies at Principle 6. The Board is content with the level of external directorships held by the Chairman and the independent Non-Executives, as these do not impact on the time that any Director devotes to the Company. Furthermore, the Board believes that this external experience serves to enhance the capability of the Board. No conflicts of interest have been identified.

The Nomination Committee formally reviews Board structure and composition to ensure there are adequate skills, knowledge and experience and additionally to consider succession planning on an annual basis or more frequently where necessary. The Board does not currently comply with guidance on diversity, but does acknowledge that future changes to the Board will be mindful of this fact and seek to remedy the shortcoming.

***PRINCIPLE 8: Promote a culture that is based on ethical values and behaviours***

The Group undertakes to at all times act as a responsible corporate citizen. Through its employees, the Group will act fairly, openly, professionally and politely with all stakeholders in all areas of activity. We will always 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. It is expected that this approach will generate reciprocal attitudes from customers, suppliers, investors and employees.

The Company ensures it that 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.

Feedback from stakeholders, as described in further detail in relation to principle 3, allows the board to monitor the Company's corporate culture, as well as the ethical values and behaviours within the business.

***PRINCIPLE 9: maintain governance structures and processes that are fit for purpose and support good decision- making by the Board***

The Company has adopted the QCA Code as a guide by which to measure its corporate governance procedures.

The Board will review this corporate governance report at least annually and regularly reviews all aspects of its corporate governance policies and procedures with the aim of ensuring an appropriate level of governance is maintained for a company of Michelmersh's size and nature.

The Chairman is responsible for leading the Board's strategic thinking and evaluation of the business model in the context of the Group's risk model. The business model is developed with contributions from the Executives for presentation and challenge by the Non-Executives in the context of a full Board environment.

Along with most companies, there are a range of key matters that are reserved for the Board as a whole:

- Approval of the Group's long-term objectives and commercial strategy
- Budget and Forecast adoption
- Senior and Board appointment and succession planning
- Approval of annual and interim accounts
- Acquisitions and disposals
- Capital Projects

- Financial partners
- Dividend policy
- Share issue
- Appointment and removal of professional advisers

The Executives report on financial and operational performance at quarterly Board meetings 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 interaction with shareholders is conducted by the Executives through results announcement-based presentations to investors, potential investors and investment analysts.

The Audit Committee meets at least twice with the Company's auditors to examine the Audit plan and to receive a report on any matters arising in respect of the audit.

The Remuneration committee meets at least twice a year; initially to set the salary and bonus position of the executives post year end to confirm the outcome of schemes that rely on discretionary or benchmarked performance.

The Nominations Committee, which meets at least once a year, seeks to review the longer-term composition of the Board by considering succession issues and changes in structure or composition that arise from the evolution of the business or the business model. This committee also co-ordinates any Board recruitment or removal processes.

The Terms of Reference of each of these committees are available to view on the Company's website.

## **BUILD TRUST**

### ***PRINCIPLE 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders***

**Audit Committee:** The Board appoints the Chairperson and members of the Audit Committee who are non-executive directors of the Company. The Committee is charged with the monitoring and integrity of all the financial statements made by the Company. It keeps under review the effectiveness of the company's internal controls and risk management systems. It reviews the company's arrangements for its employees to raise concerns and ensures that there are procedures in place that allow proportionate and independent investigation. It considers and makes recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment or removal of the company's external auditors. It oversees the selection process for new auditors. It oversees approval of their remuneration, terms of engagement, independence and objectivity and satisfies itself that there are no conflicts of interest. It meets regularly with the external auditor, including at the planning stage before the audit and at the reporting stage. The Committee Chairperson formally reports to the Board after each meeting held.

**Remuneration Committee:** Members of the Committee are appointed by the Board in consultation with the Chairman of the Remuneration Committee and are drawn from the non-executive directors. The Committee may request the presence of Executive Directors and outside consultations where relevant. The Committee meets at least twice a year and at such times as the Chairman of the Committee shall require with reasonable notice of each meeting together with any related papers been circulated in advance.

All meetings are minuted and circulated promptly to all members and on agreement a copy is lodged in the relevant Minute Book held by the Company Secretary.

The following duties apply:

- that a framework policy for the total remuneration packages of the Executive Directors be established, that consideration be given to all factors and incentives to enhance performance and that equity with the overall pay policy of all employees be consideration,
- consider targets for any bonus policies, to review the LTIPs share incentive policies and rewards and performance targets. If and when required to determine the policy for pension arrangements, contractual terms for good leavers and that for bad leavers, consult with the Chairman (if not a

member of the Committee) of the Board on individual executive packages and to review and keep abreast with all legal compliance.

- review remuneration trends oversee any major changes in employee benefits structures, agree the process of authorising expenses claims from the Chairman and Executives, to ensure that the requirements of Directors Remuneration Report Regulations 2002 and the Combined code are met and to select if required any external remuneration advisers.

The Committee Chairman reports formally to the Board and conveys recommendations and will be responsible for producing an annual report on the company's remuneration policy and practice for inclusion in the Annual Report.

The Company seeks an open and engaging dialogue with all stakeholders.

The investment community is addressed through the Annual Report, the company website, its NOMAD, analyst and industry reports and face to face meetings. The Annual General meeting is not generally well attended but does allow individual shareholders to raise questions of the Board in a public arena.

At the 2020 AGM, all resolutions were passed unanimously by proxy. The following votes were recorded;

	<b>Resolution</b>	<b>FOR/ with CHAIRMAN</b>	<b>AGAINST</b>	<b>WITHELD</b>
1	To receive the company's accounts	96.83%	3.17%	nil
2	To re-appoint Stephen Morgan	99.96%	0.02%	0.02%
3	To re-appoint Peter Sharp	99.96%	0.02%	0.02%
4	To re-appoint auditors	99.96%%	0.02%	0.02%
5	To allot equity securities	99.96%	0.02%%	0.02%
6	To disapply statutory pre-emption rights	99.71%	0.27%	0.02%
7	To allow market purchases	98.50%	0.04%	1.46%

*(reported percentages of votes cast)*

Customers and suppliers are communicated with mainly through operational meetings supported by policy statements and procedures on the company website.

The Company's employees have access to open communication through day-to-day interaction through the management structure but also through targeted dialogue around personal development and wellness co-ordinated through the company's Human Resources department.

The Board is aware that the disclosure under Principal 5 above entails that the Chairman, Martin Warner, and Non-Executive Director, Bob Carlton-Porter, do not satisfy the independence guidelines under the QCA Code by length of service. The other Directors however recognise that they both act with Independent principles, are independent of the management of the Group and bring valuable experience, strength of purpose, and skill to the Board.

***Please refer to the Company's website [www.mbhplc.co.uk](http://www.mbhplc.co.uk) for copies of this and related document including copies of financial reports, policies and publications. The Independent Auditors' Report and the Directors' Remuneration Report are also set out in the Company's Financial Statements.***