

Corporate Governance Report

Nicky Hartery



Chairman

Chairman's Introduction

This Corporate Governance report sets out CRH's governance structures and highlights the main areas of focus for the Board during 2016. Details of CRH's general governance practices, which are largely unchanged from prior years, are available in the governance appendix on CRH's website, www.crh.com (the 'Governance Appendix')*.

CRH implemented the 2014 UK Corporate Governance Code (the 'Code') and complied with its provisions in 2016. A copy of the Code can be obtained from the Financial Reporting Council's website, www.frc.org.uk.

Board focus during 2016 and priorities for 2017

In the 2015 Annual Report, I highlighted acquisition integration, risk management, IT and cyber security, talent management, succession planning and strategy as areas of particular focus for 2016. The Board has devoted a significant amount of time to reviewing and considering each of these areas in conjunction with management during the course of the year and is pleased with the progress to date. With the successful completion in 2016 of the integration of the major acquisitions from 2015, this item is no longer of particular focus for the Board; however the other five areas will continue to be priorities for the Board in 2017.

The potential for an adverse impact on the building materials sector resulting from the UK vote to leave the European Union is a topic which we will be monitoring given CRH's extensive operations in the UK and the potential for a negative economic effect in Mainland Europe.

During 2016, we extended our normal Board visit itinerary by holding meetings in Europe, the US and Asia, visiting the operations of Tarmac (UK), CRL (US) and Republic Cement (the Philippines). We also visited the Group's Asia headquarters in Singapore. This has required significant time commitment from my non-executive colleagues for which I would like to record my appreciation.

Auditor Tendering/Rotation

The Audit Committee has considered the issue of auditor tendering/rotation in the context of new European Union requirements mandating auditor rotation in advance of the 2021 audit. Details regarding the Audit Committee's recommendations in this regard are set out in the Audit Committee Chairman's report on pages 64 to 65.

Board Renewal and Succession Planning

Details of Board changes during 2016 and to date in 2017, and the Board renewal process generally, are set out in the Nomination & Corporate Governance Committee section of this report on page 67.

Given the relatively extensive Board renewal process in recent years, I am very focused on ensuring that our induction programme is extensive and responsive to the needs of individual Directors. Based on feedback from non-executive Directors, and in conjunction with the Company Secretary, we have an ongoing process for refining and improving the programme.

As part of the Group's general succession planning process, the Nomination & Corporate Governance Committee has started the process of considering the requirements of CRH for my successor as Chairman. The Committee, led by the Senior Independent Director for this purpose, is continuing with this process during the course of 2017.

Remuneration

At the 2016 Annual General Meeting (AGM) shareholders approved a new remuneration policy. The Board believes the new policy gives the Remuneration Committee appropriate tools to incentivise management in a way which is balanced, rewards performance against our key strategic objectives and is designed for the long-term benefit of shareholders. However, the Board noted that a number of shareholders did not support the new arrangements. The introduction to the Directors' Remuneration Report by the Chairman of the Remuneration Committee outlines the actions taken by the Remuneration Committee to understand the concerns raised by shareholders.

* 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 18, 19 and 102 to 107 form part of, and are incorporated by reference into, this Corporate Governance Report.

Independence of non-executive Directors/Re-election

The Board has determined that each non-executive Director is independent. In addition, I have evaluated the performance of each Director and I recommend that shareholders vote in favour of the reappointment of each Director at the 2017 AGM.

Reporting

Prior to the 2016 financial year, CRH prepared annual reports in two formats; one satisfying the requirements of Irish company law, various European Union regulations and directives and Stock Exchange listing requirements*, and a second report containing mostly the same information but in a format that complied with the requirements of the United States Securities and Exchange Commission (SEC). In order to make the reporting process as efficient as possible, CRH has issued this combined Annual Report and Form 20-F in respect of its 2016 financial year.

Culture

My colleagues on the Board and I acknowledge and fully embrace our primary role in setting and maintaining CRH's culture. This culture is based on our core philosophies of transparency and fairness, and on our belief that "there is never a good business reason to do the wrong thing". Diversity of thought, respect, constructive challenge and having no topics which are out of bounds are integral to the way we operate as a Board. These philosophies and characteristics are the basis of the tone that the Board sets for management and employees generally. I believe that they are also strongly reinforced by the Board's governance structures which have as a focus: communicating our business model, strategy and the resulting outputs in a clear and unambiguous way; actively monitoring and managing our key risks; making decisions in the long-term interests of shareholders; aligning the interests of management with investors; taking the views of wider stakeholders into account; and fostering a "Speak-Up" culture across the Group.

Conclusion

In an increasingly complex environment, solid governance foundations are vital to good long-term decision-making and to maximising value for shareholders while being a valued contributor to society. I believe that our governance structures enable us to meet these aims.

Nicky Hartery

Chairman

28 February 2017

* The primary (premium) listing of CRH plc is on the London Stock Exchange (LSE), with the listing on the Irish Stock Exchange (ISE) 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 the ISE. For further information, shareholders should consult their own financial adviser. Further details on the Group's listing arrangements, including its premium listing on the LSE, are set out on page 70.

Corporate Governance Report - continued

Audit Committee Report

Ernst J. Bärtschi



Chairman of Audit Committee
Audit Committee Financial Expert
(as determined by the Board)

Chairman's Overview

On behalf of the Audit Committee, I am pleased to introduce the Audit Committee Report for the year ended 31 December 2016. The purpose of this report is to provide shareholders with an insight into the workings of, and principal matters considered by, the Committee in the past 12 months. General details in relation to roles and responsibilities of the Committee, its operation and the policies applied by it can be found in the Governance Appendix.

Table 2 on page 65 outlines the key areas that the Committee focused on in 2016.

Audit Committee Membership

The Committee currently consists of four non-executive Directors considered by the Board to be independent*. The biographical details of each member are set out on pages 60 and 61. Together the members of the Committee bring a broad range of relevant experience and expertise from a wide variety of industries which is vital in supporting effective governance.

External Auditors

Tender/Rotation of Audit

The Committee has recommended to the Board that, subject to the then prevailing circumstances and any intervening developments of Group-wide significance, a tender process for the external audit be conducted in 2018. Further details in relation to the factors taken into account in making this recommendation are set out in table 2 on page 65.

Following completion of his five-year term at the conclusion of the 2015 year-end audit, Breffni Maguire ceased to be our lead external audit engagement partner and was replaced by Pat O'Neill. On behalf of the Committee, I would like to thank Breffni for his contribution during his tenure.

Effectiveness

The Committee, on behalf of the Board, is responsible for the relationship with Ernst & Young (EY) 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. Each year the Committee considers the experience and knowledge of the EY 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 EY, the most recent of which took place in late 2014. The 2014 review captured the views of relevant stakeholders across the Group and members of the Committee. The results indicated a high level of satisfaction with EY and the services provided by them to CRH. 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.

Non-audit Fees

In 2016, the external auditors provided a number of audit-related services, including Sarbanes-Oxley Section 404 attestation**, and non-audit services, including due diligence services associated with proposed acquisitions and disposals. EY were also engaged during 2016 in a number of jurisdictions in which the Group operates to provide help with local tax compliance, advice on taxation laws and other related matters; assignments which typically involve relatively small 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 2016, which amounted to €1.4 million and represented 7% of the total fees for the year, did not compromise their independence or integrity. Details of the amounts paid to the external auditors during the year for audit and other services are set out in note 3 to the Consolidated Financial Statements on page 141 (see also table 1 on page 65). 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 2015, the Committee received and approved the Internal Audit plan for 2016, which focused significantly on the integration of the LH Assets and CRL. During the year, the Committee received regular updates from the

* 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 SEC.

** A copy of Section 404 of the Sarbanes-Oxley Act 2002 can be obtained from the SEC's website, www.sec.gov.

Head of Internal Audit outlining the principal findings from the work of Internal Audit and management's responses thereto.

Audit Committee Effectiveness and Priorities for 2017

Building on the Committee's previous reviews of its operation and effectiveness, the Committee again reviewed its operation during 2016. This involved an assessment of the Committee's primary role and responsibilities, the time allocated for considering key issues, the format and content of the information provided to the Committee and the priorities for 2017 and

onwards. The resulting recommendations will be implemented over the course of 2017.

The key areas of focus for the Committee in 2017 will continue to be on internal control, external audit planning, IT governance and cyber security and Enterprise Risk Management. In addition, the Committee will consider, in conjunction with management, the potential use of shared service centres across the Group's finance functions.

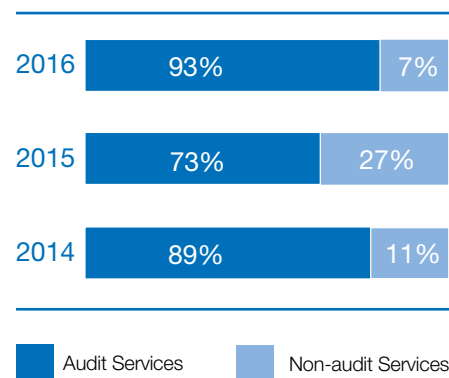
Ernst Bärtschi

Chairman of Audit Committee

28 February 2017

Percentage of audit and non-audit fees

Table 1



Key Areas of Focus in 2016

Table 2

| Issue | Description |
|--|--|
| Financial Reporting and External Audit | <p>We reviewed the 2015 Annual Report, the 2015 Annual Report on Form 20-F, together with the annual, half-year and trading statements for recommendation to the Board.</p> <p>In July, we met with EY to agree the 2016 external audit plan. Table 3 on page 66 outlines the key areas identified as being potentially significant and how we addressed these during the year.</p> |
| Impairment Testing | <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. Details of the impairment recorded during the year, which amounted to a total of €23 million, are set out in note 14 to the Consolidated Financial Statements on page 155.</p> |
| Integration of Acquisitions | <p>The Group acquired a number of significant assets and businesses in 2015. Accordingly, a particular focus for the Committee during 2016 was ensuring, together with management, the successful implementation of CRH's internal control structures to the newly acquired entities.</p> |
| Enterprise Risk Management | <p>The Committee continued to monitor progress in respect of the formalisation of the Group's Enterprise Risk Management framework and the methodology and process underlying the Viability Statement included on page 98 of the Directors' Report (further details in relation to CRH's risk governance are outlined on pages 18 and 19).</p> <p>We also considered an assessment of the Group's risk management and internal control systems. This had regard to all material controls, including financial, operational and compliance controls that could affect the Group's business.</p> |
| IT Governance and Cyber Security | <p>We continued to monitor progress in refining the Group's IT governance and information security programme and cyber security capabilities.</p> |
| External Auditors | <p>EY have been the Group's external auditors since 1988. Following an assessment of EY's continued independence, objectivity and performance, and having received confirmation of their willingness to continue in office, the Committee has recommended to the Board their continuance in office for the 2017 financial year. As in prior years, their continuance in office will be subject to a non-binding advisory vote at the 2017 AGM.</p> <p>The Committee considered the possibility of putting the external audit engagement out to tender in 2016. However, given the continued management focus during the year on the operational and financial integration of the significant acquisitions completed in 2015, the appointment of a new Group Finance Director and the Committee's continued satisfaction with the performance of EY (details of the Committee's processes in reviewing the effectiveness of the external audit are set out on page 64), it was concluded that it would not be in the best interests of the Group to carry out a tender process in 2016.</p> <p>Given the deadlines imposed by European Union rules for the rotation of external auditors (which for CRH will require new external auditors to be in place for the 2021 year-end audit), the Committee also discussed the timing for any future tender of the external audit engagement. Having considered the Group-wide resource commitment required in 2017 to deliver a number of key financial and performance-related initiatives (including planning for a number of significant accounting standard changes), it is the Committee's current intention, subject to the then prevailing circumstances and any intervening developments of Group-wide significance, to carry out a tender process in 2018. However, this will continue to be monitored during 2017, with the Committee's overriding aim being that any tender is carried out at a time that is in the best interests of the Group and its shareholders.</p> |

Corporate Governance Report - continued

Audit Committee Report - continued

Areas identified for focus during the 2016 External Audit Planning Process

Table 3

| Area of Focus | Audit Committee Action |
|---|---|
| Impairment of Goodwill | <p>For the purposes of its annual impairment testing process, the Group assesses the recoverable amount of each of CRH's cash-generating units (CGUs – see details in note 14 to the Consolidated Financial Statements) based on a value-in-use computation. The annual goodwill impairment testing was conducted by management, and papers outlining the methodology and assumptions used in, and the results of, that assessment were presented to the Audit Committee. Following its deliberations, the Audit Committee was satisfied that the methodology used by management (which was consistent with prior years) and the results of the assessment, together with the disclosures in note 14, were appropriate.</p> <p>A number of the business units identified for divestment as part of the previously announced Group-wide portfolio review but which have not yet been divested were reintegrated back into the Group's standard impairment testing processes during 2016. Similar to prior years, a separate assessment was carried out in 2016 in respect of the remaining business units identified for divestment as part of the previously announced Group-wide portfolio review. The valuation of each business unit (based on the estimated fair value less costs of disposal) was reassessed in 2016 on a standalone CGU basis and compared with its carrying value. The Audit Committee reviewed and considered the methodology used by management in the reassessment process and was satisfied that it was appropriate.</p> |
| Impairment of Property, Plant and Equipment, and Financial Assets | <p>In addition to the goodwill impairment testing process discussed above, the Group also annually assesses the need for impairment of other non-current assets (property, plant and equipment and financial assets) as and when indicators of impairment exist. The Audit Committee considered the methodology used by management in that process and was satisfied that it was appropriate.</p> |
| Contract Revenue Recognition | <p>IAS 11 <i>Construction Contracts</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 stage of completion of the contract activity at the balance sheet date. If it is anticipated that the contract will be loss-making, the expected loss must be recognised immediately. Following discussions with management and EY, the Audit Committee was satisfied that contract revenue recognition was not a material issue for the Group in 2016 as the majority of contracts were completed within the financial year.</p> |
| Accounting for Acquisition of LH Assets | <p>Given the significant scale of the acquisition of the LH Assets in 2015, both in terms of monetary value and geographical spread, the Audit Committee considered with management and EY the judgements and estimates used by management in:</p> <ul style="list-style-type: none"> • the finalisation of the provisional accounting adjustments to opening balance sheet assets and liabilities; • the fair value accounting for property, plant and equipment; and • the recognition of provisions related to the acquisition <p>In each case the Audit Committee was satisfied that these were appropriate.</p> |

Nomination & Corporate Governance Committee Report

Nicky Hartery



Chairman of Nomination & Corporate Governance Committee

Chairman's Overview

Board Renewal

The Nomination & Corporate Governance Committee regularly reviews the Board's skill mix, experience and tenure in order that the renewal process is orderly and planned. A skills matrix has been developed to aid this process and is used by the Committee to identify candidates for the role of non-executive Director. The Committee is also responsible for making recommendations to the Board in relation to executive appointments and succession planning generally.

During 2016, and to date in 2017, the Committee identified and recommended to the Board that the following individuals be appointed:

- Bill Teuber (non-executive Director), appointed to the Board with effect from 3 March 2016; and
- Gillian Platt (non-executive Director), appointed to the Board with effect from 1 January 2017

The search criteria for the appointments included candidates with expertise in finance, technology, talent and change management and with experience in the regions in which CRH operates and emerging markets. External agents, which have no other connection with the Group, were used to identify candidates in each case (Boardworks and KornFerry).

Succession Planning

As mentioned in my introduction to the Corporate Governance Report, the Committee is continuing the process of considering the requirements of CRH for my successor as Chairman.

Committee Composition

Following Gillian Platt's appointment to the Board, the Committee recommended to the Board that she be appointed to the Nomination & Corporate Governance Committee and to the Remuneration Committee.

Board Effectiveness

An internal evaluation of the Board's effectiveness was carried out during the year. In addition, the recommendations made by ICSA Board Evaluation following their external evaluation in 2015 were reviewed and actions were agreed and implemented.

Corporate Governance

In 2016, revised guidance was issued by the Pre-emption Group (an independent body representing listed companies, investors and intermediaries) in relation to the annual authorities requested from shareholders regarding pre-emption rights. Having taken this guidance into consideration, the Committee recommended to the Board that two separate authorities be sought from shareholders at the 2017 Annual General Meeting: one resolution authorising the Directors to issue up to 5% of the issued Ordinary Share capital of the Company for cash, with a second resolution authorising the Directors to issue up to an additional 5% of the issued share capital, provided any issuance relates to a specific acquisition or capital expenditure proposal. The Board has approved the inclusion of the revised authorities on the agenda of the 2017 AGM (further details of which are set out in the Directors' Report on page 99).

Nicky Hartery

Chairman of Nomination & Corporate Governance Committee

28 February 2017

Corporate Governance Report - continued

Nomination & Corporate Governance Committee Membership

The Nomination & Corporate Governance Committee consists of five non-executive Directors, considered by the Board to be independent. The biographical details of each member are set out on pages 59 to 61. The Chief Executive normally attends meetings of the Committee.

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) 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 of the Board

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 4.

The Group's strategy, which is regularly reviewed by the Board, and business model are summarised on pages 10 to 13.

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*, 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.

Chairman

Nicky Hartery was appointed Chairman of the Group in 2012. On his appointment as Chairman, he met the independence criteria set out in the Code. Although he holds a number of other directorships, including a Canadian listed company (see details on page 59), the Board has satisfied itself that these do not 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, the Nomination & Corporate Governance Committee looks at the following four criteria when considering non-executive Director candidates:

- international business experience, particularly in the regions in which the Group operates or into which it intends to expand;
- skills, knowledge and expertise in areas relevant to the operation of the Board;
- diversity, including nationality and gender; 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.

Committees

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

- Acquisitions
- Audit
- Finance
- Nomination & Corporate Governance
- Remuneration

In addition, ad-hoc Committees are formed from time to time to deal with specific matters.

Each of the permanent Committees has Terms of Reference**, 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 reviewed their respective Terms of Reference in December 2016 and minor changes were approved to the Terms of Reference of the Finance and Remuneration Committees.

The Terms of Reference of each Committee are available on the CRH website, www.crh.com.

Matters reserved to the Board

Table 4

- 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

* In accordance with Section 167(7) of the Companies Act 2014.

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

Membership of the CRH Board (as at 28 February 2017)

Table 5

Independence (determined by CRH Board annually)

| Independent | Non-Independent |
|-------------|-----------------|
| 75% | 25% |

Tenure of non-executive Directors (excluding Chairman)

| 0-3 years | 3-6 years |
|-----------|-----------|
| 50% | 50% |

Geographical Spread (by residency)

| Ireland | North America | Mainland Europe | UK |
|---------|---------------|-----------------|----|
| 50% | 25% | 17% | 8% |

Gender Diversity

| Male | Female |
|------|--------|
| 67% | 33% |

Attendance at meetings during the year ended 31 December 2016

Table 6

| Name | Board | | Acquisitions | | Audit | | Finance | | Nomination & Corporate Governance | | Remuneration | |
|-----------------------|-------|----------|--------------|----------|-------|----------|---------|----------|-----------------------------------|----------|--------------|----------|
| | Total | Attended | Total | Attended | Total | Attended | Total | Attended | Total | Attended | Total | Attended |
| E.J. Bärtschi | 7 | 7 | - | - | 8 | 8 | 7 | 7 | - | - | - | - |
| M. Carton | 7 | 7 | 7 | 7 | - | - | 7 | 7 | - | - | - | - |
| W.P. Egan (i) | 1 | 1 | - | - | - | - | - | - | 1 | 1 | 4 | 4 |
| U-H. Felcht (i) | 1 | 1 | 1 | 1 | - | - | 1 | 1 | - | - | - | - |
| N. Hartery | 7 | 7 | 7 | 7 | - | - | 7 | 7 | 6 | 6 | 4 | 4 |
| P.J. Kennedy | 7 | 7 | 2 | 2 | 2 | 2 | - | - | 5 | 5 | 5 | 5 |
| R. McDonald (ii) | 4 | 4 | 4 | 4 | - | - | 3 | 3 | - | - | - | - |
| D.A. McGovern, Jr. | 7 | 7 | - | - | - | - | - | - | 6 | 6 | 9 | 9 |
| H.A. McSharry | 7 | 7 | - | - | 8 | 8 | 1 | 1 | - | - | 5 | 5 |
| A. Manifold | 7 | 7 | 7 | 7 | - | - | - | - | - | - | - | - |
| S. Murphy (iii) | 7 | 7 | 6 | 6 | - | - | 6 | 6 | - | - | - | - |
| L.J. Riches | 7 | 7 | - | - | - | - | - | - | 6 | 6 | 9 | 9 |
| H. Th. Rottinghuis | 7 | 7 | 7 | 7 | 8 | 7 | - | - | - | - | - | - |
| W.J. Teuber, Jr. (iv) | 6 | 6 | - | - | 6 | 6 | 6 | 6 | - | - | - | - |
| M.S. Towe (v) | 7 | 6 | - | - | - | - | - | - | - | - | - | - |

(i) Retired April 2016

(ii) Retired September 2016

(iii) Appointed January 2016

(iv) Appointed March 2016

(v) Retired from the Board at end December 2016

All Directors attended the 2016 AGM.

Corporate Governance Report - continued

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 2016 are provided in table 7.

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 the Irish Stock Exchange (ISE) and its American Depositary Shares are listed on the New York Stock Exchange (NYSE).

Regulatory, Compliance & Ethics

The Group Regulatory, Compliance & Ethics (Group RCE) programme has continued to develop in scope and reach. An external benchmarking review was completed during 2016 which included an assessment of the compliance programmes in place and their integration into the CRH businesses. This assessment included a number of site visits, as well as an online survey amongst a random selection of some 5,000 international employees. The resulting Report, which was issued in early 2016, confirmed that CRH has generally set the right tone in the area of compliance and that the Group has good policies and training in place to support compliance requirements. The Report also provided useful advice and insight to assist CRH

in developing further organisational effectiveness in the regulatory, compliance and ethics area.

Awareness and Training

CRH's compliance priorities for 2016 in the areas of training, review activities and awareness were communicated to all operating businesses in the Group and were supported by the introduction of various initiatives which include the following:

- full integration of CRH's recent and largest acquisitions into the CRH compliance programmes;
- leveraging from the Group's risk management processes, a roll-out of a bottom up compliance risk assessment;
- enhanced annual Compliance Certification process;
- verification of Hotline contact functionality and refined Hotline procedures put in place; and
- review and development of current training programmes

The focus on training to the CRH Code of Business Conduct (COBC) continues for all relevant employees. During 2016, 23,500 employees participated in COBC training and a further 8,000 completed advanced instruction on competition/antitrust law and anti-bribery, anti-corruption and anti-fraud training. In line with its commitment to maintain its high ethical business standards, CRH continues to enhance its compliance training offerings and, during the last quarter of 2016, has fully reviewed and

updated its online COBC training as well as developing online competition/antitrust, anti-bribery, anti-corruption and anti-fraud training which will be rolled out in 2017.

Policies and Guidance

In 2016, the Anti-Fraud Policy was revised and updated. The new Anti-Fraud & Anti-Theft Policy was distributed via the CRH management network in the last quarter of 2016. In addition, codes, policies and guidance have been reviewed in the following areas: competition/antitrust compliance; "Speak Up" policy; gifts and hospitality; and donations. The review of these policies was completed by year-end and recommendations were made for some additional guidance content in each area.

The CRH COBC has scored an 'A' rating by New York Stock Exchange Governance Services and incorporates some welcome features, including learning aids, an ethical decision-making guide and a clear focus on the core values of the Group: honesty, integrity and respect for the law. The COBC is available in 23 languages, is provided to all relevant employees and is available on the CRH website, www.crh.com.

Hotline

A robust communications plan is in place to complement the training programmes. A 24/7 multi-lingual confidential "Hotline" facility called "Speak Up" is also available to employees to report issues that concern them, for example issues concerning business ethics. The "Hotline" is maintained by an independent operator. All

Substantial Holdings

Table 7

As at 31 December 2016, the Company had received notification of the following interests in its Ordinary Share capital, which were equal to, or in excess of, 3%. Between 31 December 2016 and 28 February 2017, the Company has been advised that BlackRock, Inc.'s holding is 74,847,872 (8.98%) and that Baillie Gifford & Co. has reduced its holdings below 3%.

| Name | 31 December 2016 | | 31 December 2015 | | 31 December 2014 | |
|--|---------------------------|------------------|---------------------------|------------------|---------------------------|------------------|
| | Holding/ Voting Rights | % at year end | Holding/ Voting Rights | % at year end | Holding/ Voting Rights | % at year end |
| Baillie Gifford Overseas Limited and Baillie Gifford & Co. | 33,171,299 | 3.98 | 41,193,797 | 5.00 | - | - |
| BlackRock, Inc. (i) | 74,809,499 | 8.98 | 74,030,167 | 8.99 | 40,681,647 | 5.49 |
| Harbor International Fund | 21,853,816 | 2.62 | 21,853,816 | 2.65 | 21,999,275 | 2.96 |
| UBS AG | 26,380,604 | 3.16 | 26,380,604 | 3.20 | 26,380,604 | 3.56 |

(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.

issues raised, whether through the “Hotline” or otherwise, are fully reviewed and appropriately investigated, with the applicable action taken based on the investigation’s findings. Group RCE continues to monitor that all concerns raised are subject to appropriate investigation and that outcomes and recommendations are acted upon. The collective goal is to ensure that the message is clearly understood that at CRH “there is never a good business reason to do the wrong thing”.

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 9 provides a brief outline of the nature of the activities undertaken by our Investor Relations team.

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

During 2016, the Chairman, Senior Independent Director and Company Secretary again participated in a number of conference calls with some of the Group’s major shareholders in advance of the 2016 AGM. The meetings were organised to provide those shareholders with an opportunity to discuss the resolutions on the 2016 AGM agenda and corporate governance matters generally.

We also respond throughout the year to correspondence from shareholders on a wide range of issues.

US Listing - Additional Information

Table 8

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:

Section 1 - Frequently Asked Questions

- Page 3: For what period are non-executive Directors appointed?
- Page 3: What are the requirements for the retirement and re-election of Directors?

Section 2 - Operation of the Board’s Committees

- Page 6: Audit Committee: Role and Responsibilities
- Page 6: Audit Committee: Meetings
- Page 8: Audit Committee: Non-audit Fees

In addition, details of the executive Directors’ service contracts and the policy for loss of office are set out in the 2016 Directors’ Remuneration Policy, a copy of which has been filed as an exhibit to the Annual Report on Form 20-F as filed with the SEC and is incorporated by reference herein.

Investor Relations Activities

Table 9

- **Formal Announcements:** 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.
- **Investor Roadshows:** 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.
- **Industry Conferences:** attendance at key sector and investor conferences affords members of the senior management team the opportunity to engage with key investors and analysts.
- **Investor Briefings:** 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 provide an opportunity for investors and analysts to meet with CRH’s wider management team.
- **Media Briefings:** each year, the Company provides media briefings on numerous issues.

The following are available on the CRH website (www.crh.com)

Table 10

Corporate Governance

- Governance Appendix
- Directors’ Remuneration Policy (2016 - 2019)
- Terms of Reference of the Acquisitions, Audit, Finance, Nomination & Corporate Governance and Remuneration Committees
- Memorandum and Articles of Association of the Company
- Pre-approval policy for non-audit services provided by the auditors
- Compliance & Ethics statement, Code of Business Conduct and Hotline contact numbers

Investors

- Annual and Interim Reports, the Annual Report and Form 20-F (separate documents up to 2015) and the annual Sustainability Report
- News releases
- Webcast recordings of results briefings
- General Meeting dates, notices, shareholder circulars, presentations and poll results
- Answers to Frequently Asked Questions, including questions regarding dividends and shareholder rights in respect of general meetings