

## Corporate Governance

The Directors are committed to maintaining the highest standards of corporate governance and this statement describes how the Principles of Good Governance as set out in the Combined Code, are applied.

### Board of Directors

The Board consists of seven executive and five non-executive Directors. Each of the executive Directors has a combination of general industry and business experience, functional skills and experience in the construction materials market. The non-executive Directors are independent and exercise this independence in their advisory and monitoring roles on the Board.

All of the Directors bring an objective judgment to bear on issues of strategy, performance, resources and standards. The Board of Directors reserves for itself a formal schedule of matters on which it takes the ultimate decision. These cover the acquisition and disposal of businesses and other material assets, the raising of capital, strategic plans, operating budgets, treasury and risk management policies, structuring the organisation, recruitment of senior executives and overall personnel policy. Certain other matters are delegated to the Board Committees, further details of which are set out below.

The Board meets regularly throughout the year. There are twelve scheduled Board meetings and occasional other meetings if issues arise which require urgent Board consideration. All Directors are properly briefed on issues arising at Board meetings, supplied with appropriate and timely information for such meetings and given the opportunity to probe and question the information supplied and to seek such extra information as they consider appropriate. The Group's professional advisors are available for consultation with the Board and attend Board meetings as required. Procedures have been agreed for the Directors to take independent professional advice, if necessary, at the Group's expense. All Directors have access to the advice and services of the Company Secretary whose appointment and removal is specifically reserved for the approval of the Board as a whole.

The Memorandum and Articles of Association require that one third of the non-executive Directors must retire by rotation each year and go forward for re-election at the Annual General Meeting. All new Directors appointed must go forward for election at the following Annual General Meeting. Appointment of non-executive Directors is for a three year term and their reappointment is not automatic.

The Board has appointed the following subcommittees:

#### **Audit Committee**

The Audit Committee comprises four non-executive Directors, namely Kevin O'Connell (chairman), Danny Kitchen, Rory O'Hanlon and Pat Molloy, and meets periodically with internal and external auditors to discuss and review the Group's internal controls, and the scope and effectiveness of internal and external audit. The Finance Director and Company Secretary normally attend these meetings.

#### **Remuneration Committee**

The Remuneration Committee comprises four non-executive Directors, namely Kevin O'Connell (chairman), Danny Kitchen, Rory O'Hanlon and Pat Molloy. This Committee considers and approves salaries and the other terms of the Remuneration Package for the executive Directors.

#### **The Nomination Committee**

The Nomination Committee comprises the five non-executive Directors, namely Kevin O'Connell, Danny Kitchen, Rory O'Hanlon, Pat Molloy and Sam Rusk and also the Group Chairman Eugene Murtagh (chairman). This committee is responsible for considering nominations to the Board.

#### **Communication with Shareholders**

Communication with shareholders is given a high priority and there are regular meetings with individual institutional shareholders as well as general presentations at the time of release of the annual and interim results.

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The results and the Chairman's report and analysis thereon, are issued promptly and are also published on the company's web site. All shareholders who attend the company's Annual General Meeting are given the opportunity to question the Chairman and the Board on any aspect of the Group's business.

### Compliance

The Directors confirm that, except in relation to the matters mentioned below, the Company has complied throughout the accounting period with the provisions of the Combined Code:

*Directors' remuneration* Disclosures regarding Directors' remuneration have been drawn up on an aggregate basis, in accordance with the current Listing Rules of the Irish Stock Exchange.

*Re-election of Directors* A resolution to amend the Company's Articles of Association so that one third of the executive Directors retire by rotation and are subject to re-election each year is proposed for the AGM in May 2000.

*Combined role of Chairman and Chief Executive Officer* The role of chairman and chief executive officer are combined and filled by Eugene Murtagh. The Board believes that this is the most appropriate structure for the Group at its current stage of development and that there is sufficient balance within the Board as a whole, including a strong and independent non-executive element, to facilitate a sound decision making process and control environment. Kevin O'Connell was appointed as the senior independent Director with effect from 29th January 1999.

### Internal Control

The Group has adopted the transitional approach for the Combined Code set out in the letter from the Irish Stock Exchange to listed companies in October 1999. The Board notes that many of the recommended guidelines are already in practical usage within the Group. The Board expects to have the procedures in place in June 2000

necessary to fully implement the guidance *Internal Control: Guidance for Directors on the Combined Code*. This takes account of the time needed to build upon a detailed risk assessment process, which was commenced during 1999 throughout the Group.

### **Internal Financial Control**

The Board of Directors has overall responsibility for the Group's system of internal financial control and has delegated responsibility for the implementation of this system to executive management. The system of internal financial control by its nature provides reasonable, but not absolute, assurance against material misstatement or loss and includes:

- a clearly defined organisation structure with formal lines of authority and accountability;
- regular assessment of major business risks, including investment and financing;
- a comprehensive annual budgeting process and a review by the Board of actual performance compared with budget on a monthly basis;
- clearly defined and appropriate levels of authorisation for all transactions;
- the Audit Committee and an internal audit function.

The Directors review the effectiveness of the systems of internal financial controls on an ongoing basis.

### **Going concern**

The Directors have reviewed budgets, projected cashflows and other relevant information, and on the basis of this review are confident that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors consider it appropriate to adopt the going concern basis in preparing the financial statements.