

Statement of Compliance with the QCA Corporate Governance Code Brickability Group plc (the “Company” or the “Group”)

Chairman’s introduction

Approved by the board on 21st August 2019.

The board of directors of the Company (the “Board”) adopted the Quoted Companies Alliance (“QCA”) Corporate Governance Code (the “QCA Code”) in line with the London Stock Exchange’s recent changes to the AIM Rules. Under AIM Rule 26, all AIM-quoted companies are required to adopt and comply with a recognised corporate governance code. The Board believe that the QCA Code is most appropriate for the size, scale and complexity of the Company. Our report sets out how the Company complies with the QCA Code as at 21 August 2019 and where the Board believe that a departure from the QCA Code is warranted, an explanation is provided. Annual updates will be given on the Company’s compliance.

John Richards
Chairman

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

The Company’s strategy and business model is designed to promote long-term value for the Company’s shareholders by providing the Company’s shareholders with exposure to the brick and other building materials sector. The Company plans to continue its growth both organically, geographically and through acquisitions.

The Company’s strategy and business model, as well as the key challenges faced by the business, are explained in detail in the AIM admission document and can be found on the Company’s website.

Principle 2: Seek to understand and meet shareholder needs and expectations

The Company remains committed to listening and communicating openly with its shareholders to ensure that its strategy, business model and performance are clearly understood and the Company actively engages in dialogue with shareholders.

The Directors will meet regularly with institutional shareholders, including after the announcement of full-year and half-year results, and are responsible for ensuring that their expectations are understood by the Board. The AGM also provides an opportunity for dialogue with shareholders. The notice of AGM is sent to the shareholders at least 21 days before the meeting and the directors

routinely attend the AGM to be available to answer questions raised by shareholders.

John Richards, Chairman, and Alan Simpson, Chief Executive, are primarily responsible for shareholder liaison, with the assistance of the Company’s investor relations adviser, Montfort Communications.

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board considers the interests of shareholders and all relevant stakeholders in line with section 172 of the Companies Act 2006. Engaging with our stakeholders strengthens our relationships and helps us make better business decisions to deliver on our commitments. The Board is regularly updated on wider stakeholder engagement feedback to stay abreast of stakeholder insights into the issues that matter most to them and our business, and to enable the Board to understand and consider these issues in decision-making. Details of how we seek to understand and meet shareholder needs and expectations are set out at Principle 2, above.

For customers:

- We appropriately engage in formal and informal dialogue to garner feedback from customers to understand the value we bring to our relationships and the wider impact of our activities
- we have implemented a Code of Conduct for all our employees across the Group to ensure that they act in the best interests of the Company

We engage actively with our supplier network to ensure that together we support the end customers’ needs and are aligned to the Company aims in delivering high quality products and services.

The Board regularly meet employees across the Group’s different companies and locations and all employees are encouraged to raise and discuss any areas of interest or concern they may have. We seek to create a motivational and supportive work environment to promote high performance and low turnover. Employees who have been with the company more than two years or hold key positions have been given share options so they share in the creation of long term shareholder value.

In the wider community, we actively support a number of charitable organisations directly and indirectly.

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

The Board is in the process of creating a risk register and establishing a risk management process for identifying, assessing and mitigating the principal risks and uncertainties facing the Group. The Company's risk register will be considered by the Board on a quarterly basis, with ad hoc reviews conducted as required. More detail about the identified principal risks and uncertainties can be found in the AIM admission document Part III.

The Board is responsible for establishing and maintaining the Company's system of internal financial controls and the Audit Committee assists the Board in discharging its duties relating to internal financial controls. Internal financial control systems are designed to meet the particular needs of the Company and the risk to which it is exposed, and by its very nature can provide reasonable, but not absolute, assurance against material misstatement or loss. As part of this process, the Directors have also implemented a more formal system of internal financial control, which has developed as the Group has scaled with the acquisitions it has made in the last financial year.

Such internal financial controls include strategic planning, approval of annual budgets, regular monitoring of performance against budget (including full investigation of significant variances), control of capital expenditure and ensuring proper accounting records are maintained. The Directors have reviewed the effectiveness of the procedures presently in place and consider that they are appropriate to the nature and scale of the operations of the Company. The Directors will continue to reassess internal financial controls as the Company expands further.

The Board also engages independent professional advice on risk assessment matters where appropriate. It is the Board's policy to ensure that the management structure and the quality and integrity of the personnel are compatible with the requirements of the Group.

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

The Board consists of the Chairman, the Chief Executive, the Chief Financial Officer and three Non-Executive Directors. The biographical details of the Board members can be found in the AIM admission document page 23.

The Board has determined that David Simpson and Giles Beale are independent in character and judgment and satisfy the independence criteria under the QCA Code.

The Board meets formally at least four times throughout the year in order to, amongst other things, approve financial statements, dividends and significant changes in accounting practices and key commercial matters, such as decisions to be taken on whether to take forward or to cancel a material collaboration project or commercial agreement. There is a formal schedule of matters reserved for decision by the Board in place. The Directors commit the requisite amount of time to their respective roles to ensure that they discharge their individual and collective responsibilities in an effective manner. The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

The Board is supported by an Audit Committee, Remuneration Committee, Nominations Committee and Disclosure Committee, further details of which are set out on the Company's website, including the terms of reference for these committees.

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board considers its overall size and current composition to be suitable and have an appropriate balance of sector, financial and public markets skills and experience as well as an appropriate balance of personal qualities and capabilities. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board based upon the skills, knowledge and experience required to ensure the Board operates effectively. The Nomination Committee is expected to meet when necessary to do so. The Nomination Committee also identifies and nominates suitable candidates to join the Board when vacancies arise and makes recommendations to the Board for the re-appointment of any Non-Executive Directors. The Nomination Committee will make recommendations to the Board based on a number of factors including the skills necessary for execution of the company strategy and diversity.

In order to develop their skills and keep up to date with market developments and corporate governance matters, the Board receives training from the Company's Nominated Adviser. All directors are also able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

Biographies for each of the directors, including details on their experience and skills, are set out on the Company's website.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board's effectiveness and the individual performance of Directors are considered regularly by the Board on an informal basis, via feedback to the Chairman. Directors are encouraged to provide feedback on all areas of the board efficacy, having due regard to the balance of skills, experience, independence and knowledge contributed by members of the Board, as well as the successful operation of the Board as a unit, its diversity and other factors relevant to its effectiveness.

As the Board has just recently been established, there is presently no formal process for independent review of directors' performance. Over the next twelve months it is intended to implement formal review procedures.

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

Our values and culture are the foundation of our strategy and are adopted by all members of our Group. Morality and ethics are central to our values. They are a clear statement of our commitment to excellence and define the approach we take in our interaction with customers, shareholders and each other.

As a team we:

- Do what we say
- Deliver focussed performance
- Encourage entrepreneurial spirit
- Show excellence in all we do
- Value people and teamwork
- Deliver customer satisfaction
- Behave ethically

Our values are incorporated in all our operating procedures and define our management approach and Group culture. The Board ensures that ethical behaviours are expected and followed by approving a set of internal policies on matters such as anti-bribery and whistleblowing, and by ensuring that appropriate systems and controls are in place to ensure compliance with those policies. Feedback from all stakeholders, as described in further detail in relation to principle 3, allows the Board to monitor the Company's corporate culture and its consistency with Company objectives, as well as 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

Whilst the Board is collectively responsible for defining corporate governance arrangements, the Chairman is ultimately responsible for corporate governance. The governance structures within the Company have been assessed by the Board and are considered appropriate for the size, complexity and risk profile of the Company. This will be reviewed by the Board to ensure governance arrangements continue to be appropriate as the Company changes over time. The Board meets formally at least four times throughout the year. The Board and its Committees receive appropriate and timely information prior to each meeting: a formal agenda is produced for each meeting, and Board and committee papers are distributed several days before meetings take place. Any director may challenge Company proposals and decisions are taken democratically after discussion. Any director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all directors. Any specific actions arising from such meetings are agreed by the Board or relevant Committee and then followed up by the Company's management.

There is a formal schedule of matters reserved for the decision of the Board that covers the key areas of the Company's affairs.

The schedule includes:

- approval of the annual operating and capital expenditure budgets and any material changes to them;
- oversight of the Group's operations ensuring competent and prudent management, sound planning, an adequate system of internal control, adequate accounting and other records and compliance with statutory and regulatory obligations;
- review of performance in the light of the Group's strategic aims, objectives, business plans and budgets and ensuring that any necessary corrective action is taken;
- approval of the annual report and accounts, including the corporate governance statement and remuneration report;
- approval of the half-yearly report and interim management statements;
- approval of any significant changes in accounting policies or practices;

- ensuring maintenance of a sound system of internal control and risk management including: (i) approving the Group's risk appetite statements; (ii) receiving reports on, and reviewing the effectiveness of, the Group's risk and control processes to support its strategy and objectives; (iii) approving procedures for the detection of fraud and the prevention of bribery; (iv) undertaking an annual assessment of these processes; and (v) approving an appropriate statement for inclusion in the annual report;
- approval of major capital projects, contracts entered into by the Group that are material strategically or by size, contracts entered into by the Group not in the ordinary course of business, or major investments by the Group including the acquisition or disposal of interests of more than 3 per cent in voting shares;
- approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting, and any circulars, or admission documents; and
- other matters including health and safety policy, insurance and legal compliance.

The Chairman, Chief Executive, Chief Financial Officer and Non-Executive Directors have clearly defined roles and responsibilities. The role of the Chairman is to lead the Board and ensure it is operating effectively in approving and monitoring the strategic direction of the Company. The role of the Chief Executive is to propose strategic direction to the Board and to execute the approved strategy by leading the executive team in managing the Company's business.

The role of the Non-Executive Directors are to act as a sounding board for the Chairman and a source of reciprocal feedback for other members of the Board and shareholders, where required.

The Board is supported by an Audit Committee, Remuneration Committee, Nominations Committee and Disclosure Committee, further details of which are set out on the Company's website, including the terms of reference for these committees.

At present, the Company does not produce formal Audit Committee, Remuneration Committee and Nominations Committee reports for the purposes of its annual report, given the size and scale of the Company's current operations. The Board however continually review this position and at such time as it is deemed appropriate to do so, will include formal Audit, Remuneration and Nominations Committee reports in the Company's annual report.

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

The Company is committed to open communications with all its shareholders. Communication will be primarily through the Company's website, the annual report and accounts, announcements, the AGM and one-to-one meetings with large existing or potential new shareholders. All shareholders will receive a copy of the annual report and an interim report at the half year is available on the Company's website. Copies of historical annual reports (including the Independent Auditors Report, the Directors' report and details of directors' remuneration) and notices of general meetings covering the period since the shares of the Company were admitted to trading on AIM are also available on the Company's website. The Company reports on the responsibilities and activities of each of the Committees in the annual report.