

QCA Principles of Corporate Governance:

As an AIM listed company, the company is required to adopt a recognised corporate governance code and disclose any deviations from the chosen code. The Company has decided to adopt the Quoted Companies Alliance (“QCA”) code. High standards of Corporate Governance are a key priority of the Board and details of how the Company addresses key governance issues are set out in the Corporate Governance section of this website by reference to the 10 principles of Corporate Governance developed by the QCA.

This was last updated on 1 October 2018.

Deliver Growth:

Principal 1) Establish strategy and business model which promote long-term value for shareholders

The Board must be able to express a shared view of the company’s purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the company intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing its long-term future.

Compliance:

The Group’s strategy is to maximise shareholder value by focusing on its core structural steel and engineering activities throughout the UK and suitable overseas opportunities where appropriate. This will be achieved through the provision of high technical and professional standards of service to our customers with emphasis on building strong, trusting and long-standing associations. This is detailed on page 16 of the Billington Holdings Plc annual report for the period ended 31 December 2017.

The principal risks and uncertainties that attach to this strategy and how they are mitigated are set out on pages 14 and 17 of the Billington Holdings Plc annual report for the period ended 31 December 2017.

Principal 2) Seek to understand and meet shareholder needs and expectations

Directors must develop a good understanding of the needs and expectations of all elements of the company’s shareholder base.

The Board must manage shareholders’ expectations and should seek to understand the motivations behind shareholder voting decisions.

Compliance:

As an AIM listed company, Billington ensures there is clear, accurate and transparent communication between our Board and shareholders and provides updates on the strategy and progress towards its objectives. We carry this out through using our website, Annual Report and our Annual General Meetings to which shareholders are invited to attend.

Periodic meetings are held with shareholders and presentations on performance and strategy prepared. The presentations are disclosed on the website for all investors to view.

The Board is aware of the need to protect the interests of minority shareholders, and, balancing these interests with those of the more substantial shareholders. At each Board meeting, the Board is updated on the meetings and communications with its shareholders and an analysis of the significant changes in the shareholder base is presented. Research notes by brokers are circulated to all Board members. Throughout the year the Executive Directors meet the larger, institutional shareholders and present to them the investor presentation to enable the current performance and market dynamics to be communicated. Regular feedback is given to the Board following meetings with the shareholders from the financial Public Relations ("PR") advisors, and from the shareholders via the brokers. The Group recognises that whilst the majority of the shareholders are large institutions, consideration should be given to the private shareholders and the Investor Relations section of the Group website is regularly updated and amended with the aim being to provide clear and quality information to all shareholders.

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

Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators and others). The Board needs to identify the company's stakeholders and understand their needs, interests and expectations.

Where matters that relate to the company's impact on society, the communities within which it operates or the environment have the potential to affect the company's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the company's strategy and business model.

Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.

Compliance:

Billington believes that operating in a sustainable and responsible manner is key to the growth and success of the Group. The Company has a number of policies in place that underpin its day-to-day operations, ensuring the safeguarding of both the environment and its stakeholders. This highlights Billington's fundamental commitment to delivering responsible business growth and development.

Engagement Activities

Customers

Transparent communication to our customers and clients is critical to the success of our business. We undertake this through a number of ways in our businesses.

In construction, we seek clients who value a collaborative approach and aim to become their long-term partners. We have assisted some of our primary customers in becoming recognised to BS 11000, the best practice standard and Billingtons has adopted these principles where it considers them appropriate to our business.

Feedback is sought throughout the delivery of contracts. Formal feedback questionnaires are issued at the completion of projects to allow accurate, concise and constructive feedback to be gained to further allow future contract delivery to be improved.

Shareholders

As an AIM listed company, we ensure there is clear, accurate and transparent communication between our Board and shareholders and provide updates on our strategy and progress towards our objectives. We carry this out through using our website, Annual Report and our Annual General Meetings.

Periodic meetings are held with shareholders and presentations on performance and strategy prepared. The presentations are disclosed on the website for all investors to view.

Employees

Employee Communication

We acknowledge that consistent, transparent and timely communication is key to employee engagement and use a number of channels and platforms to communicate with our people at all levels of the business.

Starting from the top of the organisation, we hold bi annual briefings with all employees to ensure that they remain informed of our strategy and priorities as well as our successes and failures.

Our priority is to ensure that employees understand our vision, the priorities of our Group and our five businesses, as well as our strategy and objectives, with specifics as to what we want to achieve, where we want to be and how we plan to achieve that.

We ensure that employees understand what we value as a business, the behaviours we want to encourage/expect of everyone; and engender a culture where they behave accordingly, driving their desire to play their part in a successful business.

We keep our people updated on our strategy, progress against that strategy and their role in the wider context of the Group through platforms such as our Chief Executive's team briefs to staff across our business; newsletters from our Chief Executive with updates on areas of focus, proactive and reactive communication from leadership on themes that affect our employees, business and industry; our intranet is a pivotal tool for communicating with all employees and ensures proactive engagement at all levels.

Employee Survey

Periodically the Company conducts a survey of its employees to ensure that valuable feedback is gained and ideas for improvements acquired and, where considered appropriate, implemented. The objective is to ensure that Billington is recognised as a great place to work and once to which people are proud of.

Supply Chain

We engage with suppliers and subcontractors that align with our business vision and values and actively promote our principles and practices.

Many of our relationships are managed at a local level to help us support local communities and also provide us with flexibility to do what suits the needs of our projects.

We ensure that our supply chain is engaged for works suitable to their size, capabilities and financial position.

We engage with our supply chain in various ways. We aim to work more collaboratively with carefully selected subcontractors by sharing our vision, values and objectives with them and providing visibility of works through regular communication.

Attracting new talent

We are aware of the skills shortage within our industry and actively promote roles in construction. Much of this work is undertaken on a local level, where we engage with schools and colleges to talk to people about opportunities in our business and wider industry, but we also take part in national recruitment events.

The Company is supportive of progressing apprentice talent and has sought to develop, in conjunction with the British Steelwork Constructional Association (“BCSA”) an industry specific fabrication qualification that is tailored to our industry and delivered in the workplace. This has been a great success in attracting and developing new talent.

Inclusion and Diversity

We are in our policy and practice an equal opportunities employer and we enjoy, promote and value a diverse workforce, actively supporting, encouraging and inspiring people from all parts of our community into our business and sector.

Opportunities are given to the most appropriate current and prospective employees irrespective of age, gender and disability and our equal opportunities policy is reviewed annually to ensure adherence to the most current legislation.

The environmental impact of the company’s activities is carefully considered and the maintenance of high environmental standards applied.

Safety, health and environmental issues and risks are continually monitored at all sites and are reviewed on a monthly basis by senior management and the Board.

The Group has a well-developed health and safety management system for the internal and external control of health and safety which is managed by the Group SHEQ Manager. This includes the use of risk management systems for the identification, mitigation and reporting of health and safety management information.

- Organisational structures established with clearly defined lines of responsibility, delegation of authority and reporting requirements to the Group Board.
- Management of operating companies are charged with the ongoing responsibility for identifying risks facing each of the businesses and for putting in place procedures to mitigate and monitor risks.
- Regular discussions between management of the subsidiaries and the Group Executive directors. Each operating company has at least one of the Group Executive directors on its Board.

- An annual budget for each operating company is prepared in detail, reviewed by executive management and formally adopted by the Board. The Board also formally adopts the Group's overall budget and plans.
- Monthly actual results of sales, profitability and cash are reported against budget, and prior year and significant variances are investigated and explained.
- Daily cash monitoring and monthly cash forecasting and treasury reporting to the Group finance function and monthly reporting to the Board.
- Internal financial control is exercised within clearly defined organisational structure which operates a system of financial management controls, including financial reporting procedures and levels of authority for commitment to contracts and expenditure.

Principal 4) Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the company's supply chain, from key suppliers to end-customer.

Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).

Compliance:

The Board has overall responsibility for the systems of risk and internal control and for the reviewing their effectiveness. The internal controls are designed to manage rather than eliminate risk and provide reasonable assurance against material misstatement or loss.

The Board have established Audit and Remuneration Committees a summary of which are detailed in the Corporate Governance section of the website.

The Group also maintains a list of applicable risks on a risk register which are regularly reviewed by the Board.

The Group receives feedback from its external auditors on the state of its internal controls and this is formally fed back to the Audit Committee on an annual basis. In addition, we have external audits provided in maintenance of externally approved accreditations such as ISO9001.

Principal risks and uncertainties for the period to 31 December 2017 are detailed in the Strategic Review on page 17 on the annual report.

The Group maintains appropriate insurance cover against material loss or claims against the Group and the insurance cover is reviewed on an annual basis with its professional advisors.

Maintain a Dynamic Management Framework:

Principal 5) Maintain the Board as a well-functioning, balanced team led by the chair

The Board members have a collective responsibility and legal obligation to promote the interests of the company, and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the Board.

The Board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.

The Board should have an appropriate balance between Executive and Non-Executive directors and should have at least two independent non-executive directors. Independence is a Board judgement.

The Board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively.

Directors must commit the time necessary to fulfil their roles.

Compliance:

The Board is currently comprised of two Executive and three Non-Executive Directors and is chaired by the Non-Executive Chairman.

It is considered that Ian Michael Lawson, Doctor Alexander Ospelt, John Stuart Gordon and Stephen John Wardell are independent.

The Chairman is responsible for leading the Board, facilitating the effective contribution of all members and ensuring that it operates effectively in the interests of the shareholders. The Chief Executive Officer is responsible for the leadership of the business and implementation of its strategy. The Company Secretary is responsible, on behalf of the Chairman, for ensuring that all Board and Committee meetings are conducted properly, that the Directors receive the appropriate information prior to the meeting, for ensuring that governance requirements are considered and implemented and for accurately recording each meeting.

The Board has an established Audit and Remuneration committee, further details of which are contained in the Corporate Governance section on the website.

A description of the roles of the Directors is also included on the above section.

The Directors are aware of, and committed to, the time requirements needed to fulfil their roles.

The Group Board meets formally 11 times per year and on an adhoc basis when necessary.

Details of formal Board meeting attendance for the period to 31 December 2017 are detailed on page 21 of the Billington Holdings Plc Annual Report.

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

The Board must 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 Board should understand and challenge its own diversity, including gender balance, as part of its composition.

The Board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a Board.

As companies evolve, the mix of skills and experience required on the board will change, and Board composition will need to evolve to reflect this change.

Compliance:

Directors who have been appointed to the Company have been chosen because of the skills and experience they offer. Full biographical details including their relevant experience of all Billington Holdings Plc Directors are detailed on page 13 of the annual report are included within Board Profile section of the website.

We believe the Board has the necessary breadth and depth of skills across relevant in areas such as legal, financial and specific sector experience as well as extensive broad ranging business experience to be able to deliver the strategy of the Group.

Appropriate training and briefing is provided to all Directors on appointment to the Board, taking into account their individual qualifications and experience. This is supplemented with visits to the Group's operations and meetings with senior business unit management to develop each Director's understanding of the business. Training and updating in relation to the business of the Group and the legal and regulatory responsibilities of Directors is provided throughout the year by a variety of means to Board members including presentations by executives, visits to business operations and circulation of briefing materials.

Individual Directors are also expected to take responsibility for identifying their training needs and to ensure they are adequately informed about the Group and their responsibilities as a Director. Particular attention was paid to the new Market Abuse Regulation and ensuring all Directors were aware of its implications and their duties.

Non-Executive Directors are continually updated on the Group's business, its markets, social responsibility matters, changes to the legal and governance environment and other changes impacting the Group. During the year, the Directors received updates on various best practice, regulatory and legislative developments.

Any Director who considers it necessary or appropriate may take independent professional advice in furtherance of their duties at the Company's expense. No Directors sought such advice in the year. The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of a Director of an AIM listed company.

As noted above, the Board has put in place an Audit and Remuneration committee.

The Board does not at this time have a formal Nomination Committee. The Board considers that as a consequence of the size of the organisation, along with the number of Board members collective discussion and agreement is reached with all members when decisions regarding possible changes to the composition of the Board are being considered.

A periodic review is undertaken to consider the ongoing position of the absence of a Nomination Committee remains appropriate.

Formal terms of reference have been agreed for all Board Committees and can be found within the Corporate Governance section of the website.

The Board is supported by Darren Kemplay as Company Secretary and Head of Human Resources, Darren is an experienced HR professional with over 29 years' experience across a range of industries. He joined the Group in February 2001 and has provided support and cover for the Group Secretarial function since 2016 and was formally appointed to the role of Company Secretary at the end of 2017.

Principal 7) Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board should regularly review the effectiveness of its performance as a unit, as well as that of its Committees and the individual Directors.

The Board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual Directors or the wider senior management team.

It is healthy for membership of the Board to be periodically refreshed. Succession planning is a vital task for Boards. No member of the Board should become indispensable.

Compliance:

The Company undertakes regular monitoring of personal and corporate performance using agreed key performance indicators and detailed financial reports. Responsibility for assessing and monitoring the performance of the Executive Directors lies with the Chairman and the independent Non-Executive directors.

The Board considers the need for the periodic refreshing of its membership via the Nominations Committee. New Executive and Non-Executive directors are appointed when deemed appropriate by the Board.

The Board considers that the balance of relevant experience amongst the various Board members enables the Board to exercise effective leadership and control of the Group. It also ensures that the decision-making process cannot be dominated by any individual or small group of individuals.

The Code attaches importance to Boards having processes for individual and collective performance evaluation. The performance of the Executive Directors is evaluated annually in conjunction with the remuneration review. The Chairman meets regularly with the Chief Executive Officer to discuss business and performance related matters and with the Non-Executive Directors at least annually as part of the Remuneration Committee procedures.

The senior executive team have a responsibility to identify the need for and timescale for succession planning at an operational level particularly regarding the management of the subsidiary companies, which is carried out by working with and having a regular dialogue with those management teams. The Chairman has the responsibility to identify the need for and timescale for succession planning at senior management and Non-Executive Director level, which is carried out by working with and having a regular dialogue with the individuals concerned on an ongoing basis.

Whilst there is not a formal Board evaluation process in place, the Board are committed to implementing such a process in due course and updates on that process will be added here as appropriate.

Principal 8) Promote a corporate culture that is based on ethical values and behaviours

The Board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage.

The policy set by the board should be visible in the actions and decisions of the Chief Executive and the rest of the management team. Corporate values should guide the objectives and strategy of the Company.

The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the Company.

The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the Company.

Compliance:

The Board and management conduct themselves ethically at all times and promote a culture in line with the standards set out on the website. The Group values its reputation for ethical behaviour and has a set of values that are at the core of its business philosophy.

To conduct business ethically, maintaining the Company's integrity

The Company will communicate fully and openly in its dealings with employees, clients, suppliers and the community, ensuring Billington meets its obligations to the best of its ability. The Group will conduct its business operations in an honest, fair and transparent manner. The Company will strive to meet the highest industry standards across all Group companies and ensure all employees are in the position to successfully deliver these requirements.

To value the welfare of its employees and ensure they have a safe, healthy and productive working environment

Billington values its employees and understands they are key to delivering the sustained growth and development of the Company. The Group ensures every employee has the opportunity to fulfil their potential in a supportive and inclusive environment.

To be regarded as a good neighbour and operate in a sustainable manner

The Group is highly regarded in the industry and aims to maintain this positive reputation. It engages openly and effectively with stakeholders and communities and adopts the highest standards of environmental and sustainability guidelines to minimise its impact within the areas it operates.

[add how the board ensures that the company has the means to determine that ethical values and behaviours are recognised and respected]

The Board seeks to ensure that all of its employees are aware of its ethical values, these are covered in the mandatory induction process for new employees and also assessed for existing employees through the annual appraisal system.

Principal 9) Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The company should maintain governance structures and processes in line with its corporate culture and appropriate to its:

- size and complexity; and
- capacity, appetite and tolerance for risk.

The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the Company.

Compliance:

The Board is responsible for the governance of the Company, governance being the systems and procedures by which the Company is directed and controlled. A prescribed set of rules does not itself determine good governance or stewardship of a company and, in fulfilling their responsibilities, the Directors believe that they govern the Company in the best interests of the shareholders, whilst having due regard to the interests of other 'stakeholders' in the Group including, in particular, customers, employees and creditors.

As an AIM listed Company, Billington Holdings Plc has chosen to adopt the Quoted Companies Alliance ("QCA") code to comply with the UK Corporate Governance Code. High standards of Corporate Governance are a key priority of the Board and details of how the Company addresses key governance issues are set out in the Corporate Governance section of this website by reference to the 10 principles of Corporate Governance developed by the Quoted Companies Alliance. Details of where the company has deviated from the QCA code are also disclosed, as required.

The Chairman is responsible for leading the Board, facilitating the effective contribution of all members and ensuring that it operates effectively in the interests of the shareholders. The Chief Executive Officer is responsible for the leadership of the business and implementation of the strategy.

The Board has an established Audit and Remuneration Committee's, further details are contained in the Corporate Governance section of this website.

The matters reserved for the Board can summarised as follows:

Reviewing, approving and guiding corporate strategy, major plans of action, risk appetite and policies, annual budgets and business plans; setting performance objectives; monitoring, implementation and corporate performance; and overseeing major capital expenditures, acquisitions and disposals;

Monitoring the effectiveness of the Company's governance arrangements and practices, making changes as needed to ensure the alignment of the Company's governance framework with current best practices;

Ensuring that appointments to the Board or its Committees are effected in accordance with the appropriate governance process;

Monitoring and managing potential conflicts of interest of management, Board members, shareholders, external advisors and other service providers, including misuse of corporate assets and abuse in related party transactions; and

Overseeing the process of external disclosure and communications. The Board is also responsible for all other matters of such importance as to be of significance to the Group as a whole because of their strategic, financial or reputational implications or consequences.

At this stage the Board believes that the governance framework is appropriate for a Group of its size but it continues to keep this under review.

Build Trust:

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

A healthy dialogue should exist between the board and all of its stakeholders, including shareholders, to enable all interested parties to arrive at informed decisions about the Company.

In particular, appropriate communication and reporting structures should exist between the Board and all constituent parts of its shareholder base. This will assist:

- the communication of shareholders' views to the Board; and
- the shareholders' understanding of the unique circumstances and constraints faced by the Company.

It should be clear where these communication practices are described (annual report or website).

Compliance:

We recognise the importance of our stakeholders' views and actively listen and respond to their concerns at all levels of the organisation. Engagement is extensive and tailored at both project level and at Group/Division level.

The Directors liaise with the principal shareholders and their views are communicated to the wider Board.

Shareholders can find current and historical RNS announcements, interim reports and annual reports on this website. Annual General Meeting circulars and details of how to access the Annual Report are either emailed or posted directly to all registered shareholders or nominees and results of Annual General Meeting votes are also published on the website. As already stated the Group also maintains email and phone contact details which shareholders can use to make enquiries or requests.

Include details of all voting results

Details of voting results other than at the AGM have not, to date been formally published, the Board is currently assessing the most appropriate way that this information could be made available to shareholders.