

# Summary

## Strategic rationale

- Product offer extension into gap-filling adjacencies in the water management and climate management space
- Differentiated, specifiable, value-adding product solutions
- Legacy material substitution, with moulded and extruded plastic alternative solutions in materials where Polypipe has market-leading expertise
- Common end users (house developers and RMI) and routes to market (via merchants and specialist distributors)
- Revenue was £16.4m for the year to end April 2018

## Strategic link:

- Legacy material substitution – through alternative solutions
- Innovative and smart engineering solutions – provides gap-filling adjacencies
- Customer-focused complete solutions – provides value-adding solutions, to ensure health and safety and solve site-specific issues

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# DIRECTORS AND OFFICERS



## RON MARSH <sup>N</sup> <sup>R</sup> Independent Non-Executive Chairman

### Current role:

Ron Marsh was appointed to our Board of Directors on 28 March 2014 as the Senior Independent Director and as Independent Non-Executive Chairman on 27 May 2015 and is Chair of the Nomination Committee.

### Experience

Mr Marsh is currently a Non-Executive Director of R. Faerch Plast A/S, the Senior Independent Director of Walstead Group Limited and was, from 1989 until 2013, Chief Executive of RPC Group. Mr Marsh is also Chairman of the UK-based Packaging Federation and the Alliance for European Polymers which was established under the auspices of EuPC (European Plastic Converters) in 2015. Mr Marsh has a Bachelor of Arts in History from Oxford University.



## MARTIN PAYNE <sup>N</sup> Chief Executive Officer

### Current role:

Martin Payne is a member of our Board of Directors and is our Chief Executive Officer, a position he has held since 2 October 2017. Mr Payne was formerly Chief Financial Officer, having joined Polypipe in this role in May 2016.

### Experience

Before joining Polypipe, Mr Payne served as Group Finance Director at Norcross plc, a leading supplier of branded showers, taps, bathroom accessories, tiles and adhesives. His previous experience includes holding senior financial positions at JCB, the construction equipment manufacturer, and at IMI plc, the British-based engineering company. He is a Fellow of the Chartered Institute of Management Accountants and has a Bachelor of Arts in Economics from Durham University.



## PAUL JAMES Chief Financial Officer

### Current role:

Paul James is a member of our Board of Directors and our Chief Financial Officer, having been appointed to the Board on 5 March 2018.

### Experience

Before joining Polypipe, Mr James served as Group Financial Controller of Dixons Carphone plc, and prior to this role held the position of Group Financial Controller and Treasury Director of Inchcape plc and senior financial positions at British American Tobacco plc. He is a Fellow of the Institute of Chartered Accountants in England and Wales and has a Bachelor of Science in Civil Engineering from Edinburgh University.



## GLEN SABIN Chief Operating Officer

### Current role:

Glen Sabin is our Chief Operating Officer and was appointed to our Board of Directors on 2 October 2017.

### Experience

Mr Sabin has over 40 years' experience in the construction industry, having started as an engineer with George Wimpey before moving into a commercial career, initially with Redland plc, followed by 22 years with Marshalls plc. Mr Sabin joined the Group in November 2004 as Managing Director of our UK Civils business before becoming Managing Director of our Building Products business in 2013, with additional overall responsibility for Civils and Building Services. He was Managing Director of the Plumbing and Drainage Division from 2016 to October 2017.



## PAUL DEAN <sup>A</sup> <sup>N</sup> <sup>R</sup> Senior Independent Director

### Current role:

Paul Dean was appointed to our Board of Directors on 28 March 2014 as an Independent Non-Executive Director and is Chair of the Audit Committee. Mr Dean was appointed Senior Independent Director on 27 May 2015.

### Experience

Mr Dean is also a Non-Executive Director and Audit Chair of Porvair plc, Focusrite plc and Wincanton plc. He is the Senior Independent Director at Porvair plc. Mr Dean was Group Finance Director of Ultra Electronics Holdings plc from 2009 to 2013. Previously he had the same role at Fosco Group from 2001 to 2008, including when it floated in 2005. Mr Dean has a Master of Arts in History from Oxford University.

**MONI MANNINGS** N A R**Non-Executive Director****Current role:**

Moni Mannings was appointed to our Board of Directors on 28 March 2014 as a Non-Executive Director and was Chair of the Remuneration Committee until 31 January 2019.

**Experience**

Mrs Mannings is a Non-Executive member of the Boards of Investec Bank plc, Dairy Crest Group plc and Cranfield University. She is also a Board Trustee of the charity Barnardo's. Mrs Mannings was a senior partner of Olswang LLP until 31 March 2016 and had been a partner there since 2000. Previously she was also a Board Member of the Solicitors Regulation Authority and Chair of its Equality, Diversity and Inclusion Committee. Mrs Mannings has a Bachelor of Law from the University of Southampton.

**MARK HAMMOND** N A R**Non-Executive Director****Current role:**

Mark Hammond was appointed to our Board of Directors on 16 April 2014 as a Non-Executive Director.

**Experience**

Mr Hammond joined HBOS plc in June 2003 and served as Head of Integrated Finance from 2006 until 2010. Prior to joining HBOS plc, Mr Hammond held roles with Gresham Trust plc, The Royal Bank of Scotland plc and PricewaterhouseCoopers LLP where he qualified with the Institute of Chartered Accountants of Scotland in 1991. Mr Hammond has a Master of Arts in Economics and Accountancy from the University of Aberdeen. Mr Hammond has previously been a Director of The Big Green Parcel Holding Company Limited and David Lloyd Leisure Group Limited and the Deputy Managing Partner of Caird Capital LLP, the adviser to Cavendish Square Partners LP. Mr Hammond currently sits on the Board of Governors of Beechwood Park School, Markyate, Hertfordshire.

**LOUISE HARDY** N A R**Non-Executive Director****Current role:**

Louise Hardy was appointed to our Board of Directors on 25 June 2018 as a Non-Executive Director and was appointed as Chair of the Remuneration Committee on 1 February 2019.

**Experience**

Ms Hardy has over 25 years' experience in the construction sector, including working for Laing O'Rourke as Infrastructure Director within CLM, the consortium delivery partner for the Olympic Delivery Authority for the London 2012 Olympics. Ms Hardy has also worked at Bechtel Limited, AECOM and London Underground Limited. Ms Hardy is a Non-Executive Director of Crest Nicholson Plc, Sirius Minerals plc, North West Cambridge Development as well as Ebbsfleet Development Corporation, a non-departmental public body. Ms Hardy has a Bachelor of Science from the University of Warwick and is a fellow of the Institution of Civil Engineers.

**EMMA VERSLUYS****Group Legal Counsel and Company Secretary****Current role:**

Emma Versluys is our Group Legal Counsel and Company Secretary and is Secretary to the Board and its three Committees, a position she has held since June 2017.

**Experience**

Before joining Polypipe, Ms Versluys was Deputy Company Secretary at Provident Financial plc, and has also held company secretarial roles at Serco plc and Alliance UniChem plc. She is an Associate of the ICSA: The Governance Institute and is also a solicitor.

**COMMITTEES**

In addition to the Polypipe Group plc Board, there are three Committees:

**KEY:** A Audit Committee N Nomination Committee R Remuneration Committee ● Chairman of Committee

# INTRODUCTION FROM THE CHAIRMAN

“The Board is conscious of the increasing importance which corporate culture plays in delivering long-term business success and the role it should play in monitoring and overseeing culture.”

**Ron Marsh**

Independent Non-Executive Chairman



## DEAR SHAREHOLDER,

I am pleased to present the Company's Corporate Governance Report for the year ended 31 December 2018, on behalf of the Board.

This year has seen two further changes to the Board, with Paul James being appointed as Chief Financial Officer on 5 March 2018 following the appointment of the former CFO Martin Payne as Chief Executive Officer in October 2017, and the appointment of Louise Hardy as a Non-Executive Director on 25 June 2018. This brings the Board up to full complement following the changes over the last 18 months and I believe that we have a strong and diverse Board in place with the necessary motivation and an appropriate balance of experience and skills to lead the Company in its next phase of development.

During the year the Board has placed much focus on the consistent leadership of the Group through this period of change, as well as its strategic development, in light of which presentations by the Group's financial advisers and brokers and the annual strategy day proved very valuable.

The following pages of this report and the Directors' Remuneration Report set out in greater detail how the principles and provisions of the UK Corporate Governance Code (April 2016) (the UK Code) have been applied and how the Board and its Committees have fulfilled their responsibilities during the year to ensure that robust governance practices are embedded across the Group. The report also serves to provide insight into how the Board and management team run the business for the benefit of shareholders and other stakeholders. As always, we welcome questions or comments from shareholders either via our website at [www.polypipe.com](http://www.polypipe.com) or in person at the Annual General Meeting (AGM).

## BOARD EVALUATION

Following the externally facilitated review of our Board's performance in 2016, an internal review of the Board, its Committees and individual Directors was carried out in 2018 using an evaluation questionnaire. The results of the evaluation, which were discussed by the Board at its meeting in November 2018, concluded that the Board continues to function strongly and collaboratively. Suggestions for minor improvements were made, and the outcome of the evaluation process is discussed in more detail on page 65 of this report.

## CULTURE

The Board is conscious of the increasing importance which corporate culture plays in delivering long-term business and economic success and its role in shaping, monitoring and overseeing culture. There was regular interaction during the year between the Board and members of the senior management teams across the Group, and careful consideration was given during the due diligence process to the potential cultural impact of the acquisitions made during the year.

## BOARD DIVERSITY

The Board is committed to and supports diversity in the widest sense, acknowledging the advantages that come from having diverse viewpoints in the decision-making process at Board and senior management level and across the wider workforce. The Board is committed to working towards achievement of 33% women on the Board and in senior management positions by 2020 as set out in the Hampton-Alexander Review.

**Ron Marsh**  
Chairman

19 March 2019

# CORPORATE GOVERNANCE STATEMENT

## Chairman

### Key Responsibilities

It is the Chairman's duty to provide overall leadership and governance of the Board. In performing this role, the Chairman sets the Board agenda, ensures that adequate time is available for discussion of all agenda items and promotes a culture of openness, challenge and debate at Board meetings. The Chairman is also responsible for ensuring that the Directors have an understanding of the views of major shareholders.

## Chief Executive Officer

### Key Responsibilities

The Chief Executive Officer (CEO) is responsible for executive management of the Group's business, consistent with the strategy and commercial objectives agreed by the Board. He leads the senior management team in effecting decisions of the Board and its Committees and is responsible for the maintenance and protection of the reputation of the Group. The Chief Executive Officer is also responsible for ensuring that the affairs of the Group are conducted with the highest standards of integrity, probity and corporate governance.

## Chief Financial Officer

### Key Responsibilities

The Chief Financial Officer (CFO) supports the Chief Executive Officer in carrying out their responsibilities.

The CFO is responsible for managing the Company's finances through financial planning, management of financial risks and ensuring the accurate reporting of finances.

## Chief Operating Officer

### Key Responsibilities

The Chief Operating Officer (COO) supports the Chief Executive Officer in carrying out their responsibilities.

The COO ensures the effective operational controls and reporting procedures for the business to be able to grow and achieve the strategic objectives.

## Audit Committee

### Key Responsibilities

- Overseeing financial reporting
- Internal control systems
- Risk management systems
- Internal and external audit functions

## Nomination Committee

### Key Responsibilities

- Board succession planning
- Determining the skills and characteristics needed in Board candidates to ensure a diverse skillset

## Remuneration Committee

### Key Responsibilities

- Setting remuneration policy for Executive Directors
- Operating the Company's share incentive arrangements
- Senior management remuneration

# CORPORATE GOVERNANCE STATEMENT

## How the Board works

### COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

This report, which is also available on the Company's website, explains key features of the Company's governance structure and is designed to provide a greater understanding of how the principles of the UK Code, published in April 2016 by the Financial Reporting Council (FRC), have been applied and the areas of focus during the year. The UK Code can be found on the FRC's website at [www.frc.org.uk](http://www.frc.org.uk).

In accordance with the Listing Rules of the Financial Conduct Authority, the Board confirms that throughout the year ended 31 December 2018 and as at the date of this report, the Company has complied with the principles of the UK Code.

The report also includes items required by the FCA's Disclosure Guidance and Transparency Rules. The Board has ultimate responsibility for the approval of the Annual Report and Accounts. It has considered the content of the Annual Report and Accounts and confirms that, taken as a whole, it is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's position and performance, business model and strategy.

### THE BOARD AND ITS COMMITTEES

The Board is responsible for the leadership and direction of the Group and is ultimately responsible to the Company's shareholders for the Group's long-term success. The Board takes the lead in areas such as strategy, financial policy and making sure we maintain a sound system of internal control. By delegating authority to its Committees, the Board directs and reviews the Group's operations within an agreed framework of controls, allowing risk to be assessed and managed within agreed parameters.

The Board has established a formal schedule of matters reserved for its approval and has delegated other specific responsibilities to its principal committees: the Audit, Nomination and Remuneration Committees. These are clearly defined within the terms of reference of the respective Committees. The schedule of matters reserved for the Board includes the consideration and approval of:

- strategy and overall management and leadership of the Group;
- financial items – including the Group's annual budget, dividend policy, annual and half-yearly accounts, accounting policies, and monetary limits;
- the risk management system and internal controls;
- contracts with third parties not in the ordinary course of business;
- legal, administration and pension arrangements;

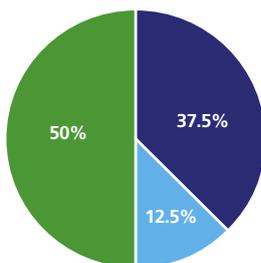
- the Group's corporate governance arrangements;
- the operation of the Company's share option schemes as recommended by the Remuneration Committee;
- Directors' and Officers' insurance coverage and the commencement or settlement of any litigation;
- communications with shareholders and the issue of shareholder circulars;
- Board and senior management appointments and arrangements; and
- conflicts of interest where permitted by the Company's Articles of Association.

The Board has also delegated to the Chief Executive Officer the responsibility for implementing the Group's business model and for the day-to-day operational management of the Group. The Chief Executive Officer is supported in carrying out his responsibilities by the Chief Financial Officer, the Chief Operating Officer and the senior management team.

The Board has direct access to the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. The Board may take independent professional advice in the furtherance of its duties if necessary, at the Company's expense.

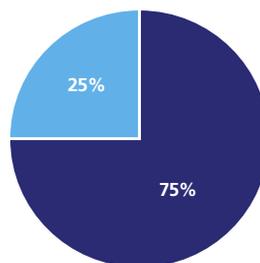
## Board diversity

BOARD TENURE



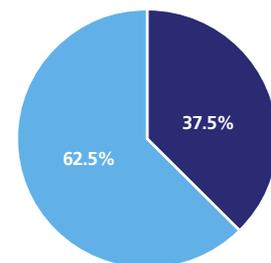
- 0-2 years
- 2-5 years
- 5+ years

GENDER DIVERSITY



- Male
- Female

EXECUTIVE/NON-EXECUTIVE SPLIT



- Executives
- Non-Executives

## BOARD COMPOSITION, QUALIFICATION AND EXPERIENCE

At the year end, the Board comprised the independent Non-Executive Chairman, three Executive Directors and four Non-Executive Directors. Biographical details of the individual Directors can be found on pages 56 and 57. The Non-Executive Directors were appointed for the diversity of their backgrounds as well as their personal attributes and experience. The current Board members bring a wide range of skills and experience to the Board and all actively contribute to discussions.

In accordance with UK Code Provision B.1.1, the Nomination Committee and the Board have considered the independence of each of the Non-Executive Directors. The Board considered the Chairman and all the Non-Executive Directors to be independent throughout the period.

In accordance with UK Code Provision B.7.1, at the 2019 AGM and all future AGMs, the Board is proposing that all of the Directors will be subject to re-election. Louise Hardy will offer herself for election at the 2019 AGM and for re-election annually thereafter.

## ROLE OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles and responsibilities of the Chairman and the Chief Executive Officer are separate and clearly defined.

It is the Chairman's duty to provide overall leadership and governance of the Board. In performing this role, the Chairman sets the Board agenda, ensures that adequate time is available for discussion of all agenda items and promotes a culture of openness, challenge and debate at Board meetings. The Chairman is also responsible for ensuring that the Directors have an understanding of the views of major shareholders.

The Chief Executive Officer is responsible for executive management of the Group's business, consistent with the strategy and commercial objectives agreed by the Board. He leads the senior management team in effecting decisions of the Board and its Committees and is responsible for the maintenance and protection of the reputation of the Group. The Chief Executive Officer is also responsible for ensuring that the affairs of the Group are conducted with the highest standards of integrity, probity and corporate governance.

## INTERACTION BETWEEN THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

As noted above, the roles of Ron Marsh as the Chairman and Martin Payne as the Chief Executive Officer are separate, with a distinct division of responsibilities. The partnership between both is based on mutual trust and facilitated by regular contact between them. The separation of authority enhances the independent oversight of the executive management by the Board and helps to ensure that no one individual on the Board has unfettered authority.

## ROLE OF THE SENIOR INDEPENDENT DIRECTOR

Paul Dean is the Senior Independent Director (SID) of the Company and is available to shareholders if they have concerns that cannot be addressed through normal channels. The role of the SID is to act as a sounding board for the Chairman and an intermediary for the other Directors when necessary. The SID is also available to chair the Board in the absence of the Chairman and has authority to add items to the agenda of any regular or special meeting of the Board. The role of the SID is considered to be an important check and balance in the Group's governance structure.

## APPOINTMENT AND TENURE

The Non-Executive Directors serve on the basis of letters of appointment which are available for inspection at the Company's registered office. The letters of appointment set out the expected time commitment of the Non-Executive Directors who, on appointment, undertake that they have sufficient time to carry out their duties. There is no fixed expiry date and no notice period in their letters of appointment.

The Executive Directors' service contracts are also available for inspection at the Company's registered office. The notice period for the Executive Directors is 12 months.

## DIRECTORS' INDUCTION AND TRAINING/ PROFESSIONAL DEVELOPMENT

The Chairman, with the support of the Company Secretary, is responsible for the induction of new Directors and the ongoing development of all Directors. Paul James and Louise Hardy joined the Board during the year and received a comprehensive induction, involving meetings with all members of the Board on an individual basis, visits to all UK sites, product briefings and training, and individual meetings with the Health and Safety Director, the Company Secretary, the Company's remuneration advisers and the Company's auditor.

As the internal and external business environment changes, it is important to ensure the Directors' skills and knowledge are refreshed and updated regularly. The Board was therefore given presentations during the year by the Company's financial advisers and brokers, as well as several presentations by senior management, in addition to the annual strategy day. At Board meetings held during the year the Company Secretary updated the Board on new legislation and regulations as well as changes to the current legislative and regulatory regimes to which the Company is subject and the Directors also received refresher training during the year on directors' responsibilities.

# CORPORATE GOVERNANCE STATEMENT

## Board induction process



### DIRECTORS' CONFLICTS OF INTEREST

Each Director has a duty under the Companies Act 2006 to avoid a situation where he or she may have a direct or indirect interest that conflicts with the interests of the Company. The Company has robust procedures in place to identify, authorise and manage such conflicts of interest, and these procedures have operated effectively during the year.

All potential conflicts approved by the Board are recorded in a Conflicts of Interest Register which is maintained by the Company Secretary and reviewed by the Board on a regular basis. Directors have a continuing duty to update the Board with any changes to their conflicts of interest.

### DIRECTORS' INDEMNITY AND INSURANCE

Details of the Directors' indemnity arrangements can be found on pages 75 and 76 of the Directors' Report.

### INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. It is also responsible for maintaining sound risk and internal control systems in accordance with section C.2.3 of the UK Code and confirms that:

- there is an ongoing process for identifying, evaluating, and managing the principal risks faced by the Group;
- the systems have been in place for the year under review and up to the date of approval of the Annual Report and Accounts;
- the systems are regularly reviewed by the Board; and
- the systems accord with the FRC guidance on risk management, internal control and related financial and business reporting.

The effectiveness of these systems is also reviewed through the work of the Audit Committee described on pages 70 to 73.

The key risks which the Board has focused on this year together with their potential impact and mitigating actions are set out on pages 42 to 49.

The Company has a risk management framework which adopts a top-down and a bottom-up view of the key risks on which involves both the downward cascade and upward escalation of risks between the Group and the business units. It comprises a risk register template, a risk profile template and assessment guidelines to be used by both the Group and business units when considering risk. It also includes a detailed approach to formally recording and independently assessing Group level risks.

The Board has conducted a review of the effectiveness of the system of internal controls and risk management and is satisfied that it complies with Provision C.2.3 of the UK Code.

### FINANCIAL AND BUSINESS REPORTING PROCESS

The Board recognises its duty to ensure that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the position and performance, strategy and business model of the Company. In addition to the Annual Report and Accounts, the Company also ensures that other price-sensitive reports and other information are published externally.

The Group has a thorough assurance process in place in respect of the preparation, verification and approval of periodic financial reports which is set out in the report of the Audit Committee on pages 70 to 73.

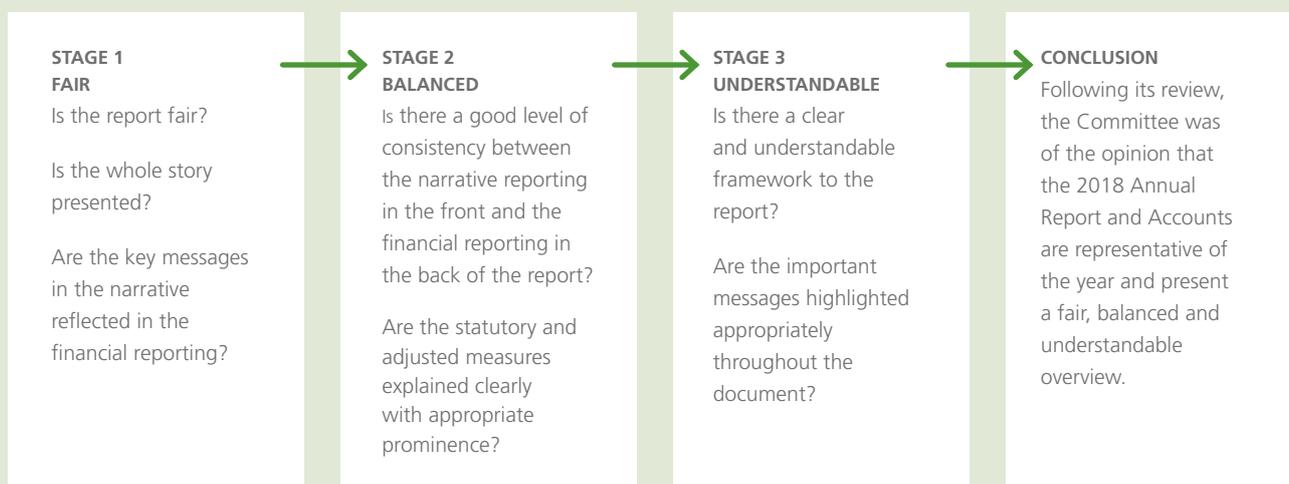
This process includes:

- the involvement of qualified, professional employees with an appropriate level of experience (both in Group Finance and throughout the Group's businesses);
- formal sign-off from appropriate business segment senior executives;
- comprehensive review and, where appropriate, challenge from appropriate Group senior executives and Executive Directors;
- a transparent process to ensure full disclosure of information to the external auditor;
- oversight by the Audit Committee, involving (amongst other duties):
  - a detailed review of key financial reporting judgements which have been discussed by management;
  - review and, where appropriate, challenge on matters including:
    - the consistency of, and any changes to, significant accounting policies and practices during the year;
    - significant adjustments resulting from an external audit;
  - the viability statement assumptions; and
  - the going concern assumption.

The above process provides comfort to the Board that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable.

**Fair, balanced and understandable**

In order to ensure our financial and business reporting is fair, balanced and understandable, the Company follows the process outlined below.



# CORPORATE GOVERNANCE STATEMENT

## BOARD MEETINGS

The Board met regularly during the year, holding ten Board meetings and a number of other meetings and teleconferences to discuss and review progress on issues affecting the Group. A number of Committee meetings were also held during the year. Details of attendance at Board and Committee meetings are shown in the table below.

As the below table demonstrates, every effort is made to ensure that all Directors, where possible, attend scheduled Board meetings. However, in the event that a Director is unable to attend a meeting, they are nevertheless provided with the meeting papers and information relating to the meeting and are able to discuss the issues arising with the Chairman and other Directors.

Senior management from across the Group, and advisers, attend some of the meetings for discussion of specific items in greater depth.

In order to provide the Board with greater visibility of the Group's operations and to provide further opportunities to meet senior management, the Board visits at least one of the Group's business unit locations each year. Such visits allow the Board to gain a deeper understanding of local market dynamics and to assess management performance and potential. During the year, the Board visited the Group's operations in Horncastle, Doncaster, Loughborough, Aylesford and Caerphilly. During these visits the Board members attended management presentations and/or toured the factories and distribution centres.

In November 2018 the Board held its annual strategy day, where it spent a full day with senior management to discuss current performance of the Group and the strategic plan. Members of senior management from across the Group presented the operational and financial performance of their respective businesses in detail to the Board and explained the growth prospects of each market segment in the UK and abroad.

Board dinners are typically held ahead of scheduled Board meetings to provide a more relaxed forum in which the Board members are able to have additional discussions amongst themselves and with the senior management team at that location, which improves the focus of the formal Board meetings.

During the year the Chairman held one meeting with the Non-Executive Directors without the Executive Directors present, and the Non-Executive Directors met on one occasion without the Chairman being present to appraise the Chairman's performance, as discussed below.

	Board Attendance	Audit Committee Attendance	Nomination Committee Attendance	Remuneration Committee Attendance
<b>Current Directors</b>				
Ron Marsh	10 of 10	–	3 of 3	5 of 5
Martin Payne	10 of 10	–	3 of 3	–
Paul James *	9 of 9	–	–	–
Glen Sabin	10 of 10	–	–	–
Moni Mannings	10 of 10	3 of 3	3 of 3	5 of 5
Paul Dean	10 of 10	3 of 3	3 of 3	5 of 5
Mark Hammond	10 of 10	3 of 3	3 of 3	5 of 5
Louise Hardy †	6 of 6	2 of 2	1 of 1	2 of 2

\* Joined the Board on 5 March 2018.

† Joined the Board on 25 June 2018.

## BOARD COMMITTEES

The Board has appointed three Board Committees: the Audit Committee, the Nomination Committee and the Remuneration Committee. The role and responsibilities of each Committee are set out in formal Terms of Reference. These Terms of Reference have been reviewed during the year and adjusted as necessary to improve the Committees' efficiency and to reflect legislative changes and best practice. The updated Terms of Reference are available on the Company's website at [www.polypipe.com](http://www.polypipe.com).

The Committees make recommendations to the Board as they see fit. Each Committee Chair provides an update to the Board on the key discussions and decisions made at the preceding Committee meeting.

## BOARD EVALUATION AND EFFECTIVENESS

Following the externally facilitated Board evaluation carried out in 2016 in accordance with UK Code Provision B.6.2, the Board and its Committees undertook an internal evaluation in 2018, which was facilitated by the Company Secretary and the Chairman. The evaluation consisted of a high-level questionnaire for the Directors' completion which was structured to provide Directors with an opportunity to express their views about:

- Board structure, composition and functionality;
- Board meetings and contents;
- Board administration and governance;
- interaction with management;
- committee structure, functionality and meetings; and
- personal effectiveness and overall Board effectiveness.

The results of the performance evaluation were reviewed by the Board at its meeting in November 2018. The results of the evaluation indicated that the Directors consider the Board to be effective, collaborative and focused, with positive working relationships amongst all of its members. Notwithstanding the above, the Directors recognised the need to continue to improve and develop their contributions, and the following actions were agreed as a result of the exercise and will be progressed over the coming year:

- there would be a change of emphasis in terms of the reports to the Board and resulting discussions to focus on both the historic performance and key areas of focus for the future;
- the area of succession planning for both Board level and the appropriate tiers below Board level would be a key area of focus for 2019 and 2020, including, in particular, the mid-tier skilled workforce;
- presentations by the local management should be scheduled when Board meetings are held at each site, ensuring sufficient time is given to the management to present and engage with the Board; and a session would be held once a year between the Non-Executive Directors and the CEO to discuss succession planning.

In addition, the Chairman discussed with each Director their performance and their training needs and the Senior Independent Director led the assessment of the Chairman's leadership. As a result of these individual reviews, it is considered that the performance of each of the Directors continues to be effective and that each Director demonstrates sufficient commitment to his or her role. It was acknowledged that the objective of the Board in supporting the senior management team to improve the performance of the Group and promote the interests of the shareholders and stakeholders had been achieved and it would continue to constructively challenge the senior management team.

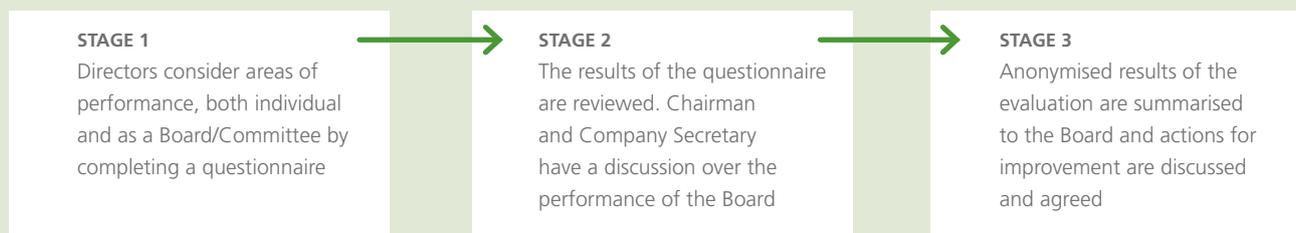
## BOARD CULTURE

The Board is conscious of the increasing importance which corporate culture plays in delivering long-term business and economic success and its role in shaping, monitoring and overseeing culture. The Board encourages an open and transparent culture and encourages the senior management teams across the Group to foster and maintain an open culture which is responsive to stakeholder expectations and the external environment. The Board will continue to work to embed this successfully into its operations in 2019.

The Group's core values of trust, support, experience and innovation underpin our culture along with our purpose, vision and mission. Our aim is to do business responsibly and ensure we promote sustainable operations and minimise adverse environmental and social impacts. This is embedded in management and employee reward schemes, where achieving health and safety targets remain key performance parameters.

# CORPORATE GOVERNANCE STATEMENT

## Board evaluation process



## ANNUAL GENERAL MEETING

The Company's Annual General Meeting (AGM) is to be held on 23 May 2019 at the Holiday Inn, High Road, Doncaster, DN4 9UX. All shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM. A copy of the notice of AGM can be found on the Company's website at [www.polypipe.com](http://www.polypipe.com).

The AGM is the Company's principal forum for communication with private shareholders. The Chairman of the Board and the Chair of each of the Committees will be available to answer shareholders' questions at the AGM.

The notice of AGM will be sent out to shareholders at least 20 working days before the meeting. Results will be announced to the London Stock Exchange via a Regulatory Information Service announcement and published on the Company's website.

## RE-ELECTION OF DIRECTORS

At the Annual General Meeting (AGM), all Directors will retire and submit themselves for election or re-election. As a result of the Board evaluation exercise, as Chairman I am satisfied that each Director continues to show the necessary level of commitment to their role and has sufficient time available to fulfil his or her duties, to justify their re-election. Louise Hardy offers herself for election at the 2019 AGM and for re-election annually thereafter.

Approved by the Board and signed on its behalf.

**Ron Marsh**  
Chairman

19 March 2019

# CORPORATE GOVERNANCE STATEMENT: STAKEHOLDER ENGAGEMENT

Responsibility for shareholder relations rests with the Chief Financial Officer. The Chief Financial Officer, in conjunction with the corporate broker, ensures that there is effective communication with shareholders on matters such as governance and strategy and that an active dialogue is maintained with investors through a planned programme of investor relations activities.



The Chairman, the Senior Independent Director and the other Directors are available to engage in dialogue with major shareholders as appropriate. Board members develop an understanding of the views of major shareholders through analysts' and brokers' briefings and any direct contact initiated by shareholders. The Board believes that there were appropriate mechanisms in place during the year for the Board to understand the views of shareholders and to communicate with them on matters including governance, remuneration, strategy and performance.

## HOW WE ENGAGED WITH SHAREHOLDERS THIS YEAR

- **Investor roadshow** – As part of the investor relations programme, formal meetings with investors were scheduled to discuss the Group's interim and final results, and ad hoc meetings were also held throughout the year to ensure continued engagement with current and potential investors
- **Formal investor meetings** – In the intervening periods, the Company continues its dialogue with the investor community by meeting key investor representatives and holding investor roadshows
- **Capital Markets Day** – In May 2018 the Company held its first Capital Markets Day since it listed in April 2014. The event was well attended and provided potential investors with an insight into the Group's strategy and an introduction to the senior management team
- **Corporate website** – Our corporate website was updated during the year to make it more accessible for all our stakeholders

- **Annual Report and Accounts** – The Annual Report provides key information about the performance of the Group and is a key stakeholder communication tool
- **Annual General meeting** – The AGM gives shareholders the opportunity to meet members of the Board and the senior management team and to ask any questions they may have

## KEY THEMES DISCUSSED WITH SHAREHOLDERS

- Key components of the Group's strategy
- Environmental and sustainability objectives
- High margins and strong cashflow generation and the Company's historical track record of deleveraging
- Innovation and productivity efficiencies
- M&A strategy
- Capital allocation

## HOW WE ENGAGED WITH OTHER STAKEHOLDERS

- **Employees** – Annual employee engagement survey, regular works council forums and health and safety forums, recognition reward schemes, team briefings, continuous improvement workshops, digital media communications and newsletters
- **Suppliers** – Regular review meetings are held with key suppliers on a monthly or three-monthly basis in order to build and maintain a robust working relationship with our supply base
- **Communities and the Environment** – Each operation engages with its local community on an ongoing basis. They will seek to recruit locally, retain a skilled local workforce, build relationships with local community organisations and to support charitable initiatives
- **Customers** – Regular contact with existing and potential customers and distributors in order to strive to meet their needs

 [Read about our Stakeholders on pages 14 and 15](#)

# NOMINATION COMMITTEE



**Ron Marsh**  
Chair of the Nomination Committee

## 2018 KEY ACHIEVEMENTS

- Appointment of Louise Hardy as a Non-Executive Director
- Review of Board composition and skills
- Review of Board and senior management succession plans

## AREAS OF FOCUS IN 2019

- Focusing on the composition of the Board in light of the requirements of the UK Corporate Governance Code, including in particular succession planning for the Non-Executive Directors
- The Committee will continue to consider diversity in 2019, bearing in mind the recommendations from the Hampton-Alexander Review on FTSE Women Leaders and the Parker Review on Diversity of Boards, and will report on this in due course
- The Committee will continue to consider talent management on a Group-wide basis and succession planning for the senior executives, taking into account the challenges and opportunities facing the Group as it implements its strategy and the future skills and expertise needed as a result

## DEAR SHAREHOLDER,

I am delighted to present the Report of the Nomination Committee (the Committee) for 2018. During the year, the Committee has overseen further Board changes, and a more comprehensive description of the activities of the Committee during the year is provided in the following report. I will be available at the AGM to answer any questions about the work of the Committee.

## COMMITTEE MEMBERSHIP AND MEETINGS

The Committee comprises Ron Marsh (the Chairman), all of the Non-Executive Directors, being Moni Mannings, Paul Dean, Mark Hammond and Louise Hardy, and Martin Payne (the Chief Executive Officer). Accordingly, there are six members. The Committee is chaired by the Board Chairman except when considering his own re-election.

In accordance with UK Code Provision B.2.1, the majority of the members were independent. During the year, Louise Hardy was appointed as a Non-Executive Director and as a member of the Committee.

The members of the Committee and details of their attendance at Committee meetings are set out on page 64. Biographies of each member are shown on pages 56 and 57. Under the Committee's Terms of Reference, the Committee will normally meet not less than twice a year and at such other times as the Chairman shall require. The Committee held three scheduled formal meetings during the year under review. After each Committee meeting, the Chairman reports to the Board on the main items discussed.

## ROLE OF THE COMMITTEE

The Committee's main responsibilities are to evaluate the structure, size and composition (including the skills, knowledge, experience and diversity) required of the Board and the Committees; to give full consideration to succession planning of Directors and other senior executives and to assist with the selection process of new Executive and Non-Executive Directors including the Chairman. The Committee's Terms of Reference were reviewed and updated in December 2018 and explain the Committee's role and responsibilities.

The Terms of Reference can be found on the Company's website at [www.polypipe.com](http://www.polypipe.com). The Company Secretary acts as Secretary to the Committee.

In accordance with its Terms of Reference, the Committee is required to:

- review the structure, size and composition of the Board and make recommendations to the Board, as appropriate;
- consider succession planning for Directors and other senior executives, taking into account the challenges and opportunities facing the Group and the future skills and expertise needed on the Board;
- review the leadership needs of the organisation, both Executive and Non-Executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- identify the balance of skills, knowledge, diversity and experience on the Board and nominate candidates to fill Board vacancies;
- identify and nominate for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- review the time commitment required from Non-Executive Directors;
- review the results of the Board performance evaluation process that relates to the composition of the Board; and
- Review and approve the Group's diversity policy and evaluate its effectiveness on a regular basis.

## GOVERNANCE

The effectiveness of the Committee was considered as part of the Board and Committee evaluation detailed on page 65. At its meeting in December 2018, the Committee considered the contents of the review and concluded that the evaluation had found the Committee to be operating effectively and providing robust challenge to the business.

## MAIN ACTIVITIES DURING THE YEAR

During the year under review, the Committee carried out a process to recruit an additional Non-Executive Director, and further information on this process is set out below. The Committee also carried out its duties as listed above and has given particular focus to succession planning for both the Board members as well as senior executives as discussed below. As stated in the Corporate Governance Report, all of the Company's Directors will retire and each will offer themselves for election or re-election at the forthcoming AGM in accordance with UK Code Provision B.7.1. The Chairman confirms that the Committee has considered the formal performance evaluation and the contribution and commitment of all Directors. The Chairman has confirmed to the Board that their performance and commitment is such that the Company should support their re-election.

No Director was able to vote in respect of their own re-election when consideration was given to Director re-election at the AGM.

Information on the Directors' service agreements, shareholdings and share options is set out in the Directors' Remuneration Report on pages 95 to 103.

## SUCCESSION PLANNING

A key activity of the Committee is to keep under review the Company's succession plans for members of the Board and senior managers over the short, medium and long term to ensure that the composition of the Board and senior management team remains appropriately balanced between new and innovative thinking and longer-term stability. Management training is

provided to senior and middle management where appropriate in order to continue to develop the pipeline of internal talent for the future.

In addition, the Committee considers emergency succession planning and is comfortable that a framework is in place should key management roles need to be covered on an interim basis.

Board appointment criteria are considered automatically as part of the Committee's review of succession planning. The Committee believes that limited tenure of the Chairman and Non-Executive Directors and their subsequent enforced retirement as Directors is not always appropriate and matters of Director tenure are viewed on a case-by-case basis. Currently all the Non-Executive Directors and the Chairman have been in post for less than six years, as set out in Provision B.2.3 of the UK Code.

## NON-EXECUTIVE DIRECTOR APPOINTMENT

On the authority of the Committee, a subcommittee comprising Mrs Mannings, the Chairman and the Company Secretary met with three executive recruitment firms following which Warren Partners were engaged to identify potential candidates for the Non-Executive Director role. Warren Partners undertook an extensive search process using the brief provided by the Committee, and reviewed CVs and interviewed various candidates before providing the subcommittee members with a longlist of candidates. The merits of all candidates on the longlist were discussed by Warren Partners and the subcommittee, including feedback from the interviews carried out by Warren Partners. Following this discussion, a shortlist of candidates was prepared by Warren Partners and the five candidates, all of whom were women, were interviewed by the subcommittee. Following this process, the subcommittee recommended three candidates be interviewed by the Executive Directors and the other Committee members. As a result, all Committee members agreed that Louise Hardy had the necessary attributes and skills that were being sought for the

Non-Executive Director role and recommended her appointment to the Board.

## DIVERSITY

The Committee supports diversity, acknowledging the advantages that come from having diverse viewpoints and the influence this can have in decision making. It is the aim of the Committee to always consider the benefits that arise from a diverse Board when making Board appointments. The Company's recruitment and appointment strategy is based on the merits of the individual candidates, without bias towards age, gender, marital or family status, race, sexual orientation, religion or belief or any disability. Currently, two of the eight Directors are female, as well as the Company Secretary. The Company is committed to working towards achievement of 33% women on the Board and in leadership positions by 2020 as set out in the Hampton-Alexander Review.

Details of diversity within our workforce, including at Board and senior management level, can be found in the Supporting our Sustainable Journey section on pages 50 to 53.

## TENURE OF NON-EXECUTIVE DIRECTORS

Appointments to the Board are typically made for an initial term of three years and are ordinarily limited to three consecutive terms in office, subject to annual re-election by shareholders at the AGM.

By order of the Board.

**Ron Marsh**

**Chair of the Nomination Committee**

19 March 2019

# AUDIT COMMITTEE



**Paul Dean**  
Chair of the Audit Committee

## 2018 KEY ACHIEVEMENTS

- Oversight of full year and interim audits
- Review of emerging risks in line with new Code requirements
- Ongoing review of progress of improvements following cyber security review
- Refresh and update of internal audit plan and resources
- Reviewed management's initial assessment of the impact of IFRS 16, Leases, on the Group's consolidated financial statements

## AREAS OF FOCUS IN 2019

- Oversee the financial reporting process and management's implementation of IFRS 16, Leases
- Oversee the assimilation of Grant Thornton UK LLP as the Group's provider of internal audit services
- Oversee management's assessment of accounting for businesses acquired in 2018, including their evaluation and calculation of any contingent consideration
- Oversee management's review of the scope of external audits performed at the Group's various business units

## DEAR SHAREHOLDER,

I am pleased to present the Report of the Audit Committee (the Committee) for 2018.

The Committee is appointed by the Board from its Non-Executive Directors. The Committee has continued to focus on the integrity of the Group's financial reporting, risk management and internal controls, and the quality of the internal and external audit processes. We will continue to keep our activities under review to ensure that we comply with any changes in the regulatory environment.

The Board has asked the Committee to oversee the process for determining whether the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's financial position and performance, business model and strategy.

As a result of its work undertaken during the year and taking into account the result of the performance evaluation (further details are set out on page 65), the Committee considers that it has acted in accordance with its Terms of Reference and has ensured the independence, objectivity and effectiveness of the external and internal auditors.

I will be available at the AGM to answer any questions about the work of the Committee.

## COMMITTEE MEMBERSHIP AND MEETINGS

The Committee is appointed by the Board and comprises four Non-Executive Directors, being Paul Dean, Mark Hammond, Louise Hardy and Moni Mannings. All Committee members are considered independent.

In accordance with the requirements of Provision C.3.1 of the UK Code, Paul Dean is designated as the Committee member with recent and relevant financial experience. All other members of the Committee are deemed to have the necessary ability and experience to understand the financial statements. The Committee as a whole has competence relevant to the sector in which the Group operates.

The Committee discharges its responsibilities through a series of scheduled formal meetings during the year. Each meeting has a formal agenda which is linked to the events in the financial calendar of the Group. Attendees at each of the meetings are the Committee members as well as, by invitation, the Chairman, the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the Group Financial Controller, and the external auditor, Ernst & Young LLP. The Company Secretary is also Secretary to the Committee.

The Committee held three formal meetings during the year. In accordance with best practice, the Committee met with the Ernst & Young LLP lead audit partner without executive management being present.

## ROLE OF THE COMMITTEE

The full responsibilities of the Committee are set out in its Terms of Reference which are available on the Company's website at [www.polypipe.com](http://www.polypipe.com). The Terms of Reference have been reviewed and updated during the year.

The key responsibilities of the Committee are to:

- assist the Board with the discharge of its responsibilities in relation to internal and external audits;
- monitor and review the Group's internal control and risk management systems;
- monitor and review the effectiveness of the Group's internal audit function;
- monitor the integrity of the financial statements of the Group including its annual and half-yearly reports, trading updates, preliminary results announcements and any other formal announcements relating to its financial performance, and reviewing significant financial reporting issues and judgements;

- where requested by the Board, review the content of the Annual Report and Accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's financial position and performance, business model and strategy;
- oversee the relationship with the external auditor including their appointment, reappointment and/or removal; approval of the scope of the annual audit, their remuneration and the terms of engagement; monitor and review their independence and objectivity, the effectiveness of the audit process and the extent of non-audit services performed; and
- report to the Board on how it has discharged its responsibilities.

## GOVERNANCE

In accordance with best practice, the effectiveness of the Committee was evaluated internally this year by means of a questionnaire completed by all Directors, following the external evaluation performed in 2016. At its meeting in November 2018, the Committee considered the results of the internal evaluation and concluded that it had found the Committee to be operating effectively, particularly in relation to the open and robust discussion of audit matters, thus providing the Board with a high level of assurance that they are dealt with appropriately. Areas which the Committee believed could potentially be improved were discussed and included in its action plan for next year.

## MAIN ACTIVITIES DURING THE YEAR

As part of the process of working with the Board to carry out its responsibilities and to maximise its effectiveness, meetings of the Committee normally take place prior to the Board meetings, at which the Chair of the Committee provides an update to the Board.

At these meetings the Committee focused on the following areas:

## Financial reporting

During the year, Committee meetings were held prior to the Board meetings to approve the Group's interim and annual financial statement announcements and to consider the financial reporting judgements made by management. These considerations are made through review of the accounting papers and financial reports prepared by management and reports prepared by the Group's external auditor.

The Committee has considered whether, in its opinion, the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's financial position and performance, business model and strategy.

The Committee has concluded that the disclosures, and the processes and controls underlying their production, were appropriate and consistent and therefore enabled the Committee to report to the Board that it had determined that the Annual Report and Accounts is fair, balanced and understandable.



# AUDIT COMMITTEE

## Significant financial reporting risk, judgement and estimates

The significant risk(s) reviewed by the Committee in respect of the year under review were as follows:

- Revenue recognition and customer rebates – The Committee considered the operating effectiveness of controls surrounding revenue recognition and management's subjective assessment and recognition of customer rebate liabilities at the half year and year end.
- Acquisition accounting – The Committee considered a detailed report by management, prepared with the assistance of PwC LLP, which identified which intangible assets met the recognition criteria as set out in IAS 38, the fair values attributed to those intangible assets, and the useful lives of individual intangible assets, in respect of the businesses acquired in 2018.

The significant estimates reviewed by the Committee in respect of the year under review were as follows:

- Impairment of non-financial assets – The Committee considered a detailed report prepared by management setting out the assumptions used in determining whether goodwill, other intangible assets or property, plant and equipment required impairment for any of the business units. This included a review of the discount rate and growth factors used to calculate the discounted projected future cash flows, the sensitivity analysis applied, and the discounted projected future cash flows used to support the carrying amount of the goodwill.
- Provisions and contingent liabilities – The Committee considered various reports prepared by management which assess the likelihood that targets will be achieved which trigger a liability to the previous owners of the businesses acquired in 2018, quantify the possible range of that liability, and how that liability should be calculated and disclosed in the consolidated financial statements.

- Inventory provisioning – The Committee reviewed the carrying amount of the Group's finished goods inventory and management's assessment and recognition of the appropriate level of provisioning against slow-moving and obsolete items.

## Internal control, internal audit and risk management

Internal audit performs an integral role in the Group's governance structure and provides regular reports to the Committee. The Committee has reviewed and approved the scope of the rolling internal audit work programme in relation to the Group's internal controls and procedures at each of the three meetings held during the year.

The Committee reviews and challenges the results and reports from the internal audit work programme and the adequacy of management's responses and proposed resolutions.

During the year, a review of the Group's internal audit requirements was undertaken and, following a robust process, it was agreed that Grant Thornton UK LLP be appointed to provide internal audit services to the Company from 2019.

The Group's risk assessment process, including how significant financial risks are managed and mitigated, is a key area of focus for the Committee. During the year, the Committee monitored and reviewed the Group's risk management framework and the results of testing performed by the Group's internal audit function on specific elements of that framework. There were no significant internal control failings or weaknesses during the year.

## OTHER ACTIVITIES

Other activities undertaken by the Committee during the year included the following:

- considered the external audit plan and approved the audit fee;
- considered the viability statement and going concern assumption;
- instigated, monitored and reviewed the Group's response to an external review of cyber security performed during the year by PwC LLP;

- considered the impact of new financial reporting standards and legislative requirements on the Group, including IFRS 16;
- reviewed the Committee's performance, effectiveness and constitution; and
- recommended the Report of the Audit Committee for approval by the Board.

## EXTERNAL AUDIT

### Appointment

The Committee carefully considers the reappointment of the external auditor each year prior to making its recommendation to the Board. As part of this process, the Committee considers the independence of the external auditor, the effectiveness of the external audit process, its remuneration, and the terms of engagement. Having reviewed the performance of Ernst & Young LLP in 2018, the Committee has decided to recommend to the Board that Ernst & Young LLP should be reappointed for the 2019 audit and a resolution to this effect will be proposed at the 2019 AGM.

In accordance with current professional standards, the external auditor is required to change the lead audit partner every five years in order to protect auditor independence and objectivity. Ernst & Young LLP were awarded the external audit in 2012 following a competitive tendering process. The lead audit partner was rotated in 2017. In addition, the senior audit manager will be rotated in 2019 following completion of the 2018 full year audit. In accordance with the UK Code, the Competition and Markets Authority (CMA) Order and the EU Audit Directive, it is the Company's intention to put the audit out to tender at least every ten years. Accordingly, the Company plans to run a competitive tender process in or before 2022.

### Independence

The independence of the external auditor was confirmed by Ernst & Young LLP in November 2018 and March 2019 at the Committee meetings. The Committee considered Ernst & Young LLP's presentation on auditor independence and confirmed that it considered the auditor to be independent.

**Non-audit services**

The Group's non-audit services policy restricts the external auditor from performing certain non-audit services in accordance with the Revised Ethical Standard 2016 issued by the FRC. All non-audit services proposed to be performed by the external auditor must be pre-approved and sponsored by a senior executive with a detailed written recommendation including: the nature and scope of the proposed service, the supplier selection process and criteria, the chosen supplier and selection rationale, the relationship of the individual within the external auditor to perform the proposed service with those undertaking the audit work, a fee estimate and the category of non-audit service, if relevant. In addition, the external auditor must provide a written statement of independence approved by the lead audit partner. All non-audit services proposed to be performed by the external auditor with a fee estimate in excess of £10,000 must also be pre-approved by the Committee. This policy and approach further enhances auditor objectivity and independence. There were no exceptions to this policy during 2018.

**Effectiveness of the external audit process**

The Committee operated a formal process for reviewing the effectiveness of Ernst & Young LLP during the year under review.

This process included the following:

- an assessment of the lead audit partner and the audit team;

- a review of the audit approach, scope, determination of significant risk areas and materiality;
- the execution of the audit;
- interaction with management and communication with, and support to, the Committee;
- the quality of any recommendation points; and
- a review of independence, objectivity and scepticism.

After considering the above matters, the Committee considered that the audit had been effective and recommended to the Board that Ernst & Young LLP be reappointed as external auditor to the Group.

**FRAUD, WHISTLEBLOWING AND THE UK BRIBERY ACT**

The Committee monitors any reported incidents under its whistleblowing policy, which has been reviewed during the year. This policy is included in the Employee Handbook and sets out the procedure for employees to raise legitimate concerns about any wrongdoing in financial reporting or other matters such as:

- something that could be unlawful;
- a miscarriage of justice;
- a danger to the health and safety of any individual;
- damage to the environment; or
- improper conduct.

There were two minor incidents during the year which were brought to the attention of the Committee. These were reviewed and discussed by the Committee and action was taken as appropriate in response.

The Committee also reviews the Group's procedure for detecting fraud and the systems and controls in place to prevent a breach of anti-bribery legislation. The Group Finance Manual sets out the procedures to which employees must adhere and is aimed at reducing the risk of fraud occurring. During the year, the Committee was notified of a fraud in the Middle East which was investigated and appropriately managed by local and Group management. The Group is committed to a zero-tolerance position with regard to bribery. Those employees which the Group considers are more likely to be exposed to potential breaches of the Group's Anti-Bribery policy and statutory obligations under the UK Bribery Act have been provided with relevant guidance on compliance with their obligations. The Group maintains a record of all employees who have received this guidance and requests annual confirmations from each relevant individual stating that they have complied with the Group's policy.

By order of the Board.

**Paul Dean**  
**Chair of the Audit Committee**  
 19 March 2019

**External audit process review**



# DIRECTORS' REPORT

## INTRODUCTION

The Directors present their Annual Report and Accounts for the period ended 31 December 2018. In accordance with the Companies Act 2006 as amended, and the Listing Rules and the Disclosure Guidance and Transparency Rules, the reports within the Governance section of the Annual Report and Accounts should be read in conjunction with one another, and with the Strategic Report. As permitted by legislation, some of the matters normally included in the Directors' Report have instead been included in the Strategic Report (pages 06 to 53) as the Board considers them to be of strategic importance.

## THE COMPANY

Polypipe Group plc is a public company limited by shares, incorporated in England and Wales with registered number 06059130. Since 16 April 2014, the Company was and remains listed on the premium segment of the London Stock Exchange. While the Group operates predominately in the UK, it does have operations in France, Italy, the Netherlands and the United Arab Emirates.

## STRATEGIC REPORT

The Companies Act 2006 requires the Company to present a fair review of the development and performance of the Group's business during the financial year and the position of the business at the end of that year. This review is contained within the Strategic Report on pages 06 to 53. The principal activities of the Group are described in the Strategic Report on pages 06 to 16.

## FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies, including information on financial risks that materially impact the Group and financial instruments used by the Group (if any), are disclosed in Note 29 to the Group's consolidated financial statements on pages 153 to 156.

## VIABILITY STATEMENT

In accordance with Provision C.2.2 of the UK Code, the Directors have assessed the prospects of the Group over a longer period than the 12 months required by the 'Going Concern' provision. The Board conducted this review for a period of three years as the Group's Strategic Review covers a three-year period.

During 2018, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. In their assessment of the viability of the Group, the Directors have considered each of the Group's principal risks and uncertainties detailed on pages 42 to 49 of the Strategic Report. The Directors believe that the Group is well placed to manage its business risks successfully, having taken into account the current economic outlook. Accordingly, the Board believes that, taking into account the Group's current position, and subject to the principal risks faced by the business, the Group will be able to continue in operation and to meet its liabilities as they fall due for the period up to 31 December 2021, being the period considered under the Group's current three-year strategic plan.

## GOING CONCERN STATEMENT

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future and for a period of at least 12 months from the date of this report. Accordingly, the Board continues to adopt and consider appropriate the going concern basis in preparing the Annual Report and Accounts.

## DIRECTORS

The current Directors' biographies are set out on pages 56 and 57. In accordance with the UK Code, each Director will retire annually and put themselves forward for re-election at each AGM of the Company. Louise Hardy joined the Board on 25 June 2018 and will offer herself for election at the 2019 AGM, and for re-election annually thereafter.

## APPOINTMENT AND REPLACEMENT OF DIRECTORS

The rules about the appointment and replacement of Directors are contained in our Articles of Association (the Articles). They provide that Directors may be appointed by ordinary resolution of the members or by a resolution of the Directors. Directors must retire and put themselves forward for election at their first AGM following their appointment and every third anniversary thereafter. However, the Directors wishing to continue to serve as members of the Board will seek re-election annually in accordance with the UK Code.

Details of the Non-Executive Directors' letters of appointment are given on page 61 under Appointment and Tenure. The Executive Directors have service contracts under which 12 months' notice is required by both the Company and the Executive Director.

### POWERS OF DIRECTORS

The general powers of the Directors set out in Article 94 of the Articles provide that the business of the Company shall be managed by the Board which may exercise all the powers of the Company, subject to any limitations imposed by applicable legislation or the Articles. The general powers of the Directors are also limited by any directions given by special resolution of the shareholders of the Company which are applicable on the date that any power is exercised.

### COMPENSATION FOR LOSS OF OFFICE

The Company does not have arrangements with any Director that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover. Further information is provided in the Directors' Remuneration Report on pages 95 to 103.

### DIRECTORS' INDEMNITY ARRANGEMENTS

Directors and officers of the Company are entitled to be indemnified out of the assets of the Company in respect of any liability incurred in relation to the Company or any associate company, to the extent the law allows. In this regard, the Company is required to disclose that, under Article 212 of the Articles, the Directors have the benefit of an indemnity, to the extent permitted by the Companies Act 2006, against liabilities incurred by them in the execution of their duties and exercise of their powers.



# DIRECTORS' REPORT

This indemnity has been in place since the Company's application for listing on the London Stock Exchange on 28 March 2014 and remains in place. The Company has purchased and maintained throughout the financial period Directors' and Officers' liability insurance.

## SHARE CAPITAL

As at 31 December 2018 the share capital of the Company was 199,999,862 ordinary shares of £0.001 each, of which 221,211 ordinary shares were held in treasury. Details of the Company's share capital are disclosed in Note 23 to the Group's consolidated financial statements on pages 146 and 147.

### Authority of the Directors to allot shares

The Company passed a resolution at the AGM held on 23 May 2018 authorising the Directors to allot ordinary shares up to an aggregate nominal amount of £133,145.86 (representing approximately two-thirds of the ordinary share capital). No shares have been issued under this authority.

This authority will expire at the Company's AGM to be held on 23 May 2019 and the Directors will be seeking a new authority to allot shares, to ensure that the Directors continue to have the flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares. There are no current plans to issue new shares except in connection with employee share schemes.

### Issue of shares

A special resolution was passed at the AGM held on 23 May 2018 granting the Directors the authority to issue shares on a non pre-emptive basis up to £9,985.93 (representing 9,985,939 ordinary shares or approximately 5% of the ordinary share capital). No shares have been issued under this authority. A special resolution was also passed granting the Directors the authority to issue shares on a non pre-emptive basis in respect of an additional 5% of the ordinary share capital in connection with an acquisition or specified capital investment. No shares have been issued under this authority.

These authorities will expire at the Company's AGM to be held on 23 May 2019 and the Directors will be seeking a new authority to issue shares on a non pre-emptive basis up to £9,989.37. In addition to this, the Directors will seek authority to issue non pre-emptively for cash shares up to £9,989.37 (representing 9,989,375 ordinary shares or approximately 5% of the ordinary share capital) for use only in connection with an acquisition or specified capital investment, in accordance with the Pre-Emption Group Statement of Principles as updated in March 2015.

Excluding any shares issued in connection with an acquisition or specified capital investment as described above, the Directors do not intend to issue more than 7.5% of the issued share capital on a non pre-emptive basis in any rolling three-year period.

### Purchase of own shares by the Company

A special resolution was passed at the AGM held on 23 May 2018 granting the Directors the authority to make market purchases up to 29,937,847 ordinary shares with a total nominal value of £29,937.85, representing approximately 14.99% of the Company's issued ordinary share capital.

The authority to make market purchases will expire at the Company's AGM to be held on 23 May 2019 and the Directors will be seeking a new authority to make market purchases up to 14.99% of the Company's issued ordinary share capital, which will only be exercised if the market and financial conditions make it advantageous to do so. Further details are set out in the explanatory notes on pages 05 to 06 of the Notice convening the AGM.

Particulars of treasury share purchases are also disclosed in Note 23 to the Group's consolidated financial statements.

### Rights attaching to shares

The rights attaching to the ordinary shares are summarised as:

- the ordinary shares rank equally for voting purposes;
- on a show of hands each shareholder has one vote and on a poll each shareholder has one vote per ordinary share held;
- each ordinary share ranks equally for any dividend declared;
- each ordinary share ranks equally for any distributions made on a winding-up of the Company;
- each ordinary share ranks equally in the right to receive a relative proportion of shares in the event of a capitalisation of reserves;
- the ordinary shares are freely transferable; and
- no ordinary shares carry any special rights with regard to control of the Company and there are no restrictions on voting rights.

### AMENDMENT TO THE COMPANY'S ARTICLES

The Company may alter its Articles by special resolution passed at a general meeting of the Company.

### POLITICAL DONATIONS

The Group made no political donations during the year.

### GREENHOUSE GAS EMISSIONS

Information on the Group's greenhouse gas emissions is set out in the Supporting our Sustainable Journey on pages 50 to 53 and forms part of this Report by reference.

### FUTURE DEVELOPMENTS WITHIN THE GROUP

The Strategic Report contains details of likely future developments within the Group. The Group's research and development costs are disclosed in Note 6 to the Group's consolidated financial statements on page 133.

### OVERSEAS OPERATIONS

As explained in the Strategic Report, the Group operates in the UK, France, Italy, the Netherlands and the United Arab Emirates.

### POST BALANCE SHEET EVENTS

There have been no significant post balance sheet events to report.

### PRINCIPAL RISKS AND UNCERTAINTIES

The Board has carried out a robust assessment of our current key risks and these are summarised in the Principal Risks and Uncertainties section of the Strategic Report on pages 42 to 49.

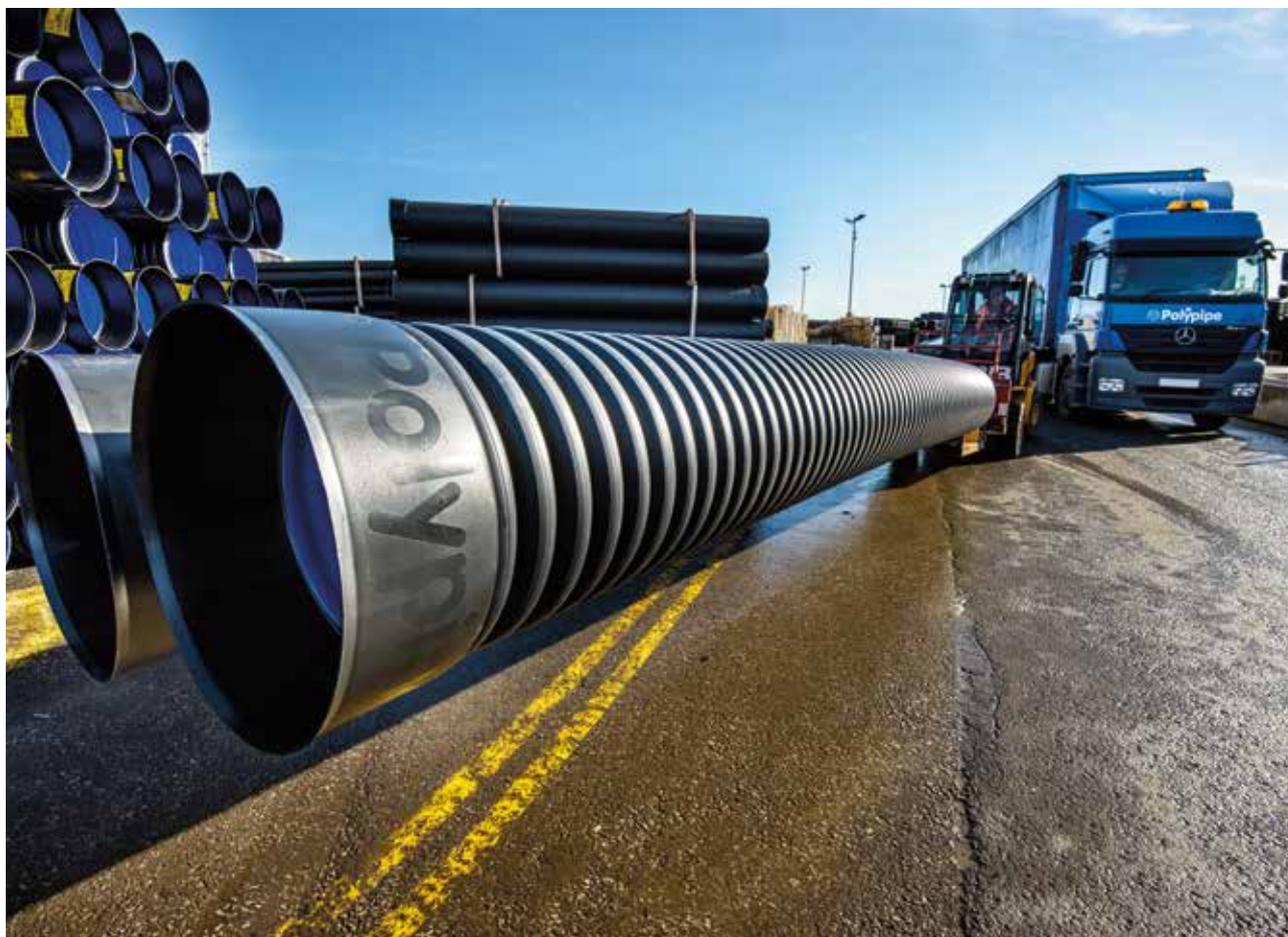
### RESULTS AND DIVIDENDS

An interim dividend totalling 3.7 pence per share was paid on 21 September 2018, reflecting the continued strong cash generation of the Group. The Board recommends a final dividend of 7.9 pence per share. Shareholders will be asked to approve the final dividend at the AGM on 23 May 2019, for payment on 29 May 2019 to shareholders whose names appear on the register on 23 April 2019.

Total ordinary dividends paid and proposed for the year amount to 11.6 pence per share or a total return to shareholders of £23.1m.

### EMPLOYEES

The Company's policies in relation to the employment of disabled persons and gender breakdown and employee involvement are included in the Supporting our Sustainable Journey on pages 50 to 53.



# DIRECTORS' REPORT

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018 and 19 March 2019 the Company was aware of the following interests in voting rights representing 3% or more of the issued ordinary share capital of the Company. This information was correct at the date of notification. It should be noted that these holdings may have changed since they were notified to the Company. However, notification of any change is not required until the next applicable threshold is crossed.

Name of shareholder	As at 31 December 2018		As at 19 March 2019	
	Ordinary shares	% Voting rights	Ordinary shares	% Voting rights
Standard Life Aberdeen plc	22,985,517	11.51 <sup>(1)</sup>	22,758,468	11.39 <sup>(1)</sup>
Franklin Templeton Investments	13,375,127	6.70	13,338,341	6.68
Norges Bank Investment Management	8,551,340	4.28	8,551,340	4.28
Canaccord Genuity Wealth Management	8,698,865	4.35	8,449,802	4.23
JP Morgan Asset Management	6,991,333	3.50 <sup>(1)</sup>	8,063,786	4.04 <sup>(1)</sup>
BlackRock Inc.	7,702,212	3.86 <sup>(1)</sup>	7,818,872	3.91 <sup>(1)</sup>
The Vanguard Group, Inc	5,994,874	3.00 <sup>(1)</sup>	6,270,298	3.14 <sup>(1)</sup>

<sup>(1)</sup> Held indirectly.

## AUDITOR

A resolution to reappoint Ernst & Young LLP as the Company's external auditor and to authorise the Directors to fix the auditor's remuneration will be proposed at the 2019 AGM.

## DIRECTORS' STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITOR

Each of the Directors has confirmed that as at the date of this report:

- So far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The Directors have taken all reasonable steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

## REQUIREMENTS OF THE LISTING RULES

Apart from the details of any long-term incentive scheme as required by Listing Rule 9.4.3.R, which is disclosed in the Directors' Remuneration Report on pages 95 to 103, disclosure of the information listed in Listing Rule 9.8.4R is not applicable.

## ANNUAL GENERAL MEETING

The 2019 AGM will be held on 23 May 2019 at the Holiday Inn, High Road, Doncaster, DN4 9UX. A full description of the business to be conducted at the meeting is set out in the separate Notice of AGM.

By order of the Board.

**Emma Versluys**  
Company Secretary  
19 March 2019

# DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the Group's consolidated financial statements in accordance with applicable law and regulations.

UK company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group's consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law the Directors must not approve the Group's financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing the Group's consolidated financial statements, the Directors are required to:

- present fairly the financial position, financial performance and cash flows of the Group;
- select suitable accounting policies in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group's consolidated financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing the Directors' Report, the Strategic Report, the Remuneration Report and the Corporate Governance Statement in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure Guidance and Transparency Rules.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the Group's consolidated financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board.

**Martin Payne**  
Chief Executive Officer  
19 March 2019

**Paul James**  
Chief Financial Officer  
19 March 2019

# CASE STUDY

## Location: Churchdown Surgery

Client: **Rutter Johnson, EPG**

Application: **Stormwater attenuation Consulting Engineer**

Product: **Permavoid, Polystorm, Permavoid  
Biomat and Permaceptor**

## The Project

### Polypipe bolsters flood defences at new £2.7m medical centre.

Polypipe supplied its Polystorm and Permavoid geocellular water management systems to protect a new £2.7m medical centre from flash floods.

The 1,191sqm Churchdown Surgery in Churchdown, Gloucestershire, can serve 20,000 patients, with consulting rooms, nurse treatment areas, training rooms and a large car park. Polypipe, consulting engineering firm EPG and civil engineer NGB Cheltenham had to deal with a water table that left only 130mm of cover in large hard landscaped areas, which meant a shallow attenuation system was required.

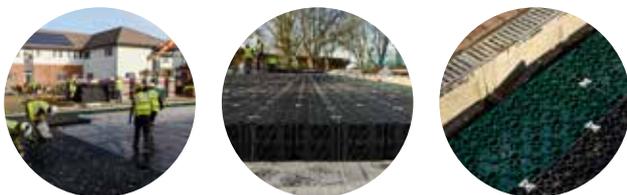
Building on the initial design by the contract engineer Rutter Johnson, a mixed product solution was supplied by Polypipe that included a Permavoid system for use beneath a large permeable paving car park and two Polystorm tanks utilising anti-otatation measures in soft landscape areas.

Due to the high water table, a 150mm deep system using 2,614 Permavoid cells delivered 138m<sup>3</sup> of stormwater storage beneath the hard landscaping surface. Permavoid was also selected due to its high structural load capacity.

In addition, 200 Polystorm PSM1a crates were used in soft landscaped areas, which provided a further 40m<sup>3</sup> of water storage. Both Polystorm attenuation tanks installed beneath the landscaped areas surrounding the car park were wrapped in a fully welded impermeable geomembrane. Both systems are designed to cope with and manage sudden heavy rainfall, which has affected the region in the past decade.

To treat oil and capture silt, 35m of Permachannel, Permavoid Biomat and four Permaceptor separators were used to channel the collected stormwater away from the site and into local water networks.

Following consultation with EPG and NGB, Polypipe delivered a customised Permaceptor much larger than its standard model. Each modified Permaceptor can treat a larger catchment area over 150sqm and was installed to reduce the amount of Permachannel and Permavoid Biomat cells needed within two isolated permeable car park areas separated from the Permavoid tank. As well as this, the main Permavoid tank beneath the car park area had a fully welded membrane to the base and sides.



***“This project provided objectives that we knew Polypipe could deliver upon. With only 130mm cover on the car park we chose to use Permavoid beneath the car parking bays because of its load-bearing capability, and the ability of the system to negotiate the high water table on the site. By working with Polypipe’s technical experts, we were able to design a system that could be considered ‘good practice’ by the SuDS manual, local and national planning documents.”***

– Phil Williams, consultant engineer at EPG