

Corporate governance statement

The directors support the Combined Code, as defined below, and confirm that the Group's policy is to conduct its business in accordance with the Principles of Good Governance as set out in the Code.

Compliance statement

The Company's shares were admitted to the Official List of the FSA and to trading on the London Stock Exchange's main market for listed securities on 9 October 2006. In accordance with UK Listing Authority requirements, pages 41 to 53 of this report describe how, since that time, the Company has applied the Principles of Good Governance as set out in the updated version of the Combined Code on Corporate Governance published by the Financial Reporting Council in June 2006 (the "Combined Code").

The Board

Board structure

The Board consists of a non-executive Chairman, two executive directors and three non-executive directors. The Board has reviewed the status of each of the non-executive directors and considers them all to be independent in character and judgement. Roger Payne has been identified as the Senior Independent Non-executive Director.

Directors and their interests

Walter de Jonghe retired from the Board on 30 June 2006.

Colin Matthews, David Knott and Bob Tate each retired from the Board on 30 August 2006.

Martin Bettington was appointed a director on 19 January 2001.

Tim Lowth was appointed a director on 24 August 2001.

Bob Davies was appointed a non-executive director on 9 May 2006. He became non-executive Chairman on 9 October 2006.

Roger Payne was appointed a non-executive director on 1 August 2006 and as Senior Independent Non-executive Director on demerger.

Gareth Llewellyn was appointed a non-executive director on 1 August 2006.

Angie Risley was appointed a non-executive director on 1 August 2006.

Biographies of the directors currently serving on the Board are set out on pages 34 to 35.

All directors who joined during the year have undertaken induction training. Furthermore, the training needs of all directors are kept under review and appropriate training identified as part of a continuing process.

Details of the directors' service agreements, emoluments, the interests of directors and any connected persons in the shares of the Company (including the Share Incentive Plan) and in awards or options over such shares granted under the Company's Long Term Incentive Plan and Sharesave Scheme, if any, are shown in the Directors' Remuneration Report on pages 41 to 53.

Operation of the Board

Board meetings are held at regular intervals and the directors are supplied in a timely manner with information necessary to discharge their duties. A formal schedule has been adopted by the directors of matters that are specifically reserved for consideration and decision by the Board. These include the setting of long term strategic and

	Scheduled Board Meetings	Audit Committee Meetings*	Remuneration Committee Meetings*	Nomination Committee Meetings*	Health & Safety and Environment Committee Meetings*
Bob Davies	6 (6)	–	2 (2)	–	1 (1)
Martin Bettington	6 (6)	–	–	–	1 (1)
Tim Lowth	6 (6)	–	–	–	1 (1)
Roger Payne	6 (6)	2 (2)	2 (2)	–	1 (1)
Gareth Llewellyn	6 (6)	2 (2)	2 (2)	–	1 (1)
Angie Risley	6 (6)	2 (2)	2 (2)	–	1 (1)

* Board committees established following the listing of the Company's shares on 9 October 2006.

Figures in brackets indicate the maximum number of meetings in the period in which the individual was a Board member.

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business objectives and supervising the Company's internal control systems. The Chief Executive Officer is responsible for the management of the Group's operations and for implementing Board strategy.

Directors may, from time to time, in furtherance of their duties take independent professional advice at the Company's expense, while also having access to the advice and services of the Company Secretary. The number of full scheduled Board meetings and committee meetings attended by each director during the year are shown above.

All the directors were subject to formal evaluation to ensure their suitability for membership of the Board prior to the demerger of the Company from Severn Trent in October 2006.

Martin Bettington and Tim Lowth have held the posts of Managing Director and Finance Director of Biffa Waste Services Limited, the principal trading company in the Group, for 15 and 6 years respectively prior to Demerger. They thus provided the experience and management continuity required for the listing of the Company's shares.

In preparation for the appointment of non-executive directors required to ensure compliance with the Combined Code, Severn Trent Plc undertook, with the assistance of the Zygos Partnership, a rigorous selection process, culminating in interviews with the Chairman of Severn Trent Plc. Bob Davies demonstrated the necessary executive and non-executive experience to equip him for the post of Chairman. Roger Payne's experience as the Finance Director of a FTSE 100 company qualified him for the post of Chairman of the Audit Committee and Senior Independent Non-executive Director. Angie Risley, then human resources director of Whitbread PLC, and Gareth Llewellyn, group director of corporate responsibility at National Grid plc, brought the necessary expertise to chair specialist Board committees and the breadth of experience to discharge the functions of non-executive directors.

Going forward a formal process will be adopted, led by the Chairman, for the annual evaluation of the performance of the Board, its principal committees, and thereby individual directors. The Chairman will conduct the annual performance evaluation, taking into account the views of the other directors. The results of the overall evaluation process will be communicated to the Board and followed by appropriate action. The Senior Independent Non-Executive Director will conduct an annual performance evaluation of the Chairman, taking into account the views of all directors.

Since demerger, there has also been in existence a board of senior executives, the Executive Committee, which assists the Chief Executive Officer in the management of the operations of the Group as a whole. Chaired by Martin Bettington, Chief Executive Officer, it meets on a regular basis. During the financial year it comprised the following persons: Martin Bettington, Tim Lowth (Finance Director), Richard Chivers (IT Director), Berian Griffiths (Director, EQHS), Nick Gregg (Collection Director), Peter Jones (External Affairs Director), David Knott (Resource Recovery and Landfill Director), Mathew Prosser (Collection Sales Director), Malcolm Saville (Personnel Director), David Savory (Environment and Technical Director), Bob Tate (Director, Special Waste Division) and Keith Woodward (Company Secretary) with Bill Clark (Head of Legal Services) as Secretary.

In order to comply with the Company's Articles of Association adopted in preparation for demerger, it is necessary that all directors submit themselves for re-election. This will also satisfy the Principles of Good Governance as set out in the Combined Code, which recommend that all directors should be required to submit themselves for re-election at least every three years. Accordingly, resolutions will be put to the forthcoming Annual General Meeting to re-elect all the directors. The executive directors, Martin Bettington and Tim Lowth have service agreements with the Company which are terminable by one year's notice from the Company. The non-executive directors, being Bob Davies, Roger Payne, Gareth Llewellyn and Angie Risley, do not have service agreements with the Company but each has a letter of appointment. Further details can be found on page 49.

Following the formal and rigorous evaluation of the non-executive directors prior to the demerger of the Company from Severn Trent in October 2006 and being of the opinion that their performance continues to be effective, independent and committed, the Board recommends that they should be re-elected as non-executive directors at the forthcoming Annual General Meeting.

Relations with shareholders

The Board recognises the importance of representing and promoting the interests of its shareholders and that it is accountable to shareholders for the performance and activities of the Company.

In fulfilment of his obligations under the Code, the Chairman gives feedback to the Board on any issues raised with him by major shareholders. This is supplemented by twice yearly feedback to the Board on meetings between management and investors. The whole Board periodically receives reports from external advisors on investor perceptions and external brokers' reports on the Company are circulated to all directors. All directors are due to attend the Annual General Meeting and shareholders are invited to ask questions during the meeting and to meet with the directors after the formal proceedings have ended.

Remuneration Committee

Details of the constitution and function of the Remuneration Committee are contained within the Directors' Remuneration Report on pages 41 to 53.

Directors' remuneration

Details of the Group's policy in respect of directors' remuneration and the remuneration and pension benefits pertaining to each of the directors is contained within the Directors' Remuneration Report on pages 41 to 53.

Nomination Committee

The Nomination Committee consists of the Company's non-executive directors, under the chairmanship of Bob Davies. The Secretary of the Committee is Keith Woodward, the Company Secretary. Biographical details of the members of the Committee are set out on pages 34 to 35. The terms of reference for the Nomination Committee can be found on the Company's website at www.biffa.co.uk. The purpose of the Committee is to review the structure, size and composition of the Board taking into account the current requirements and future development of the Company and to make recommendations to the Board with regard to any adjustments deemed necessary. The Committee is also responsible for making recommendations to the Board on all new Board appointments. In order to recommend suitable candidates for consideration for appointment to the Board, the Nomination Committee will identify the mix of skills, knowledge and experience that the Board requires to ensure that it is effective in discharging its responsibilities before undertaking a detailed selection process in conjunction with external advisers. The Committee may invite other persons, including the Chief Executive Officer, to attend its meetings.

In view of the rigorous nominations process undertaken prior to demerger, it has not been necessary for the Committee to meet during the year.

Health and Safety and Environment Committee

The Health and Safety and Environment Committee consists of the Company's non-executive directors, under the chairmanship of Gareth Llewellyn. The Secretary of the Committee is Keith Woodward, the Company Secretary. Biographical details of the members of the Committee are set out on pages 34 to 35. The terms of reference for the Health and Safety and Environment Committee can be found on the Company's website at www.biffa.co.uk. The purpose of the Committee is to oversee the Company's health and safety and environmental policy and the arrangements for its implementation and reporting. The Committee is also responsible for overseeing the Company's arrangements for corporate responsibility including relevant Health and Safety and environment management controls. The Committee may invite the executive directors, the EQHS director and the Environmental director, amongst others, to attend its meetings.

Since it was formed, the Committee met twice (once after the year end). It discharged its responsibilities by:

- Reviewing the Company's risk register to determine key relevant areas for review
- Approving the Company's health, safety and environmental audit programme
- Approving the Company's Health and Safety policy
- Instituting a review of the Company's environmental policy
- Reviewing the effectiveness of internal controls by taking reports from divisional directors on the management of health, safety and environmental matters within their respective divisions
- Receiving and reviewing the Company's performance on health, safety and environment

Audit Committee

The Audit Committee is chaired by Roger Payne, who has been identified as having recent and relevant financial experience. Only independent non-executive directors may sit on the Committee and its other members are Gareth Llewellyn and Angie Risley. The Secretary of the Committee is Keith Woodward, the Company Secretary. Biographical details of each member are set out on page 35. The terms of reference of the Committee can be found on the Company's website at www.biffa.co.uk. By invitation of the Committee, other individuals such as the Chairman, the Chief Executive Officer, the Finance Director, the Group Financial Controller, the Head of Internal Audit, the Head of Tax and Treasury and the external auditors attend its meetings. The Committee as a whole and its Chairman individually meet the external auditors and the head of internal audit in the absence of executive management on a periodic basis.

The purpose of the Committee includes reviewing and monitoring the integrity of the Company's financial statements, internal controls, the effectiveness of the internal audit function, the independence and objectivity of the external auditor and the effectiveness of the audit process.

The Committee met twice in the period between the demerger effective date and the end of the financial year and has met once since.

In respect of the financial year it discharged its responsibilities by:

- Reviewing the Group's Interim Report and Preliminary Announcement prior to Board approval
- Approving external and internal audit plans
- Reviewing the results from external and internal audit reports
- Reviewing the effectiveness of the internal audit function and the external auditors*
- Reviewing the Company's internal control and risk management systems
- Establishing processes, including terms of reference for the internal audit function, anti-fraud, whistleblowing arrangements, policy on engagement of external auditors on non-audit work and risk management procedures
- Reviewing and approving an inaugural treasury policy for the Company

* The Group has yet to complete a full year audit cycle. The effectiveness of internal and external audit has been reviewed on a continuing basis and will be reviewed formally at the Audit Committee meeting scheduled for September 2007.

To satisfy itself that auditor objectivity and independence is safeguarded, the Audit Committee received from Deloitte & Touche LLP an explanation of the internal procedures to that end. In addition, the Committee adopted a policy whereby the provision of non-audit services by the external auditors is restricted.

The Committee makes recommendations to the Board in relation to the appointment, re-appointment or removal of the external auditor and approves their remuneration and terms of engagement.

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Internal control

The directors are responsible for the maintenance of the Group's system of internal control and for reviewing its effectiveness. The objectives of the Group are determined by the Board. It has established processes for the identification, evaluation and management of the significant risks capable of preventing the Group from achieving those objectives. The system of internal control is designed to manage rather than eliminate such risk and can provide reasonable, though not absolute, assurance against material misstatement or loss.

The Board reviews through the Audit Committee the system of internal financial control. The Audit Committee also reviews the Company's system of internal control and its risk management systems save those relating to Health and Safety and the Environment which are reviewed by the Health and Safety and Environment Committee.

Major features of the system of internal control include:

- Clearly defined levels of authority
- Preparation and review of a comprehensive annual budget and long range plans
- Monthly reporting and monitoring of financial results and other key business measures
- Group operational policies and processes
- Risk management processes
- Assurance from external and internal auditors

Facilitated by Internal Audit, senior divisional management and the Executive Committee undertook an exercise to identify and evaluate the significant risks facing the Group. These together with the controls to be implemented to manage those risks were adopted by the Board in the Group Corporate Risk Register. This exercise is to be repeated annually. However, the Chief Executive Officer reports to the Board bi-annually on the continued appropriateness of the Corporate Risk Register.

Controls have been implemented at Group and divisional level to manage significant risks.

Executive management reports regularly to the Board on the management of the significant risks.

Significant risks are referred to in the Business Review on page 28.

On the basis of the above the Board is able to confirm that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, that a process has been in place for the year under review and up to the date of approval of the Annual Report and Accounts by the Board and that the ongoing process accords with the Turnbull Guidance.

Compliance with the Principles of Good Governance

The directors confirm that, save as otherwise stated in the Directors' Remuneration Report, in applying the Principles of Good Governance, the Group has complied since the admission of its shares to the Official List of the FSA and to trading on the London Stock Exchange with the Provisions set out in the Combined Code.

11 June 2007