



# OUR GOVERNANCE



## PEOPLE

Recruit and retain employees who are empowered to deliver the growing business we aspire to be.

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# Board of Directors



**1** **TIM ROBERTS**  
Chief Executive Officer

**2** **JOHN SUTCLIFFE**  
Executive Director

**3** **AMY STANBRIDGE**  
Company Secretary

**4** **DARREN LITTLEWOOD**  
Group Finance Director

**5** **JOANNE LAKE**  
Deputy Chairman



**6** GERALD JENNINGS  
Non-executive Director

**7** PETER MAWSON  
Non-executive Director

**8** JAMIE BOOT  
Chairman

**9** JAMES SYKES  
Non-executive Director

# Board of Directors



## JAMIE BOOT

Chairman



### Date of appointment

June 1985.

### Independent

No.

### Brings to the Board

#### Key strengths:

- Extensive Group and leadership experience
- Long-term track record in delivering sustainable growth to the Group

Jamie, who is a member of the founding family, has over 30 years' experience as a Director of Henry Boot PLC. He has been a Director of the Company's four principal operating subsidiaries and his role now sees him responsible for the leadership of the Board.



## TIM ROBERTS

Chief Executive Officer

### Date of appointment

January 2020.

### Independent

No.

### Additional roles held

Previously Director of British Land PLC, and Non-executive Director of Songbird PLC.

### Brings to the Board

#### Key strengths:

- Strong strategic and corporate experience accumulated as past long-standing Director
- Strong property and leadership experience
- Extensive experience in delivering significant property development projects

Tim joined Henry Boot as Chief Executive Officer in January 2020. He has responsibility for Group profitability and guides in the achievement of the highest level of return for a given level of risk. He is also responsible for communicating strategy and results to both private and institutional investors. He is also the Director responsible for all health, safety and environmental matters.



## JOHN SUTCLIFFE

Executive Director

### Date of appointment

October 2006.

### Independent

No.

### Additional roles held

Member of the CBI Yorkshire and the Humber Regional Council, Non-executive Director of Beal Developments Ltd and Treasurer at the University of Sheffield. Trustee Director of Henry Boot Pension Trustees Limited, acting as trustee for The Henry Boot Staff Pension and Life Assurance Scheme.

### Brings to the Board

#### Key strengths:

- Strong financial and leadership knowledge
- Experience in implementing and overseeing strategy

John joined the Company and the Board in 2006 as Group Finance Director and was appointed Chief Executive Officer in January 2016. He relinquished the role on 1 January 2020. John will remain in an advisory position with the Company until the end of May, at which point he will retire and step down from the Board.



## DARREN LITTLEWOOD

Group Finance Director

### Date of appointment

January 2016.

### Independent

No.

### Additional roles held

Director of the Company's four principal operating subsidiaries.

### Brings to the Board

#### Key strengths:

- In depth Group and financial experience
- Establishing and delivering strategy whilst protecting assets in the Group

Darren joined the Group in 1999 prior to his appointment as Group Finance Director in 2016. He became qualified as a member of the Chartered Institute of Management Accountants in 2007 and is responsible for all financial and risk matters relating to the Group. He is heavily involved in investor communications and, along with Tim Roberts, is also responsible for communicating strategy and results to both private and institutional investors.

### Committee Membership



Nomination



Audit and Risk



Remuneration



Committee Chairman



## JOANNE LAKE

Deputy Chairman



### Date of appointment

October 2015.

### Independent

Yes.

### Additional roles held

Non-executive Chairman of Mattioli Woods plc, Non-executive Director of Gateley (Holdings) Plc, Non-executive Director of Morses Club PLC, Non-executive Director of Green Man Gaming Holdings plc.

### Brings to the Board Key strengths:

- Extensive financial and investment banking experience
- In depth knowledge on strategy and governance

Joanne has over 30 years' experience in accountancy and investment banking, including with Panmure Gordon, Evolution Securities, Williams de Broe and Pricewaterhouse. She is a Chartered Accountant and a Fellow of the Chartered Institute for Securities & Investment, and of the ICAEW, and is a member of the ICAEW's Corporate Finance Faculty.



## JAMES SYKES

Non-executive Director



### Date of appointment

March 2011.

### Independent

No.

### Additional roles held

Chairman and Partner in the London office of Saffery Champness Chartered Accountants, which he joined in 1987. He is a Non-executive Director of Saffery Champness business in Guernsey.

### Brings to the Board Key strengths:

- Significant strategic land knowledge
- Sound financial background and experience

As a partner in the Private Wealth and Estates Group at Saffery Champness he has many years' experience in the UK strategic land market and brings that experience to Board decision-making generally, but particularly to Hallam Land Management Limited.



## PETER MAWSON

Non-executive Director



### Date of appointment

October 2015.

### Independent

No.

### Additional roles held

Non-executive Chairman of Nexus Planning Limited, Board Representative for Paradise Circus Project for the Great Birmingham & Solihull Local Enterprise Partnership, and Non-executive Chairman of Infinite Global Consulting Inc.

### Brings to the Board Key strengths:

- Wide-ranging experience in senior leadership and practitioner roles across the built environment
- Property development and planning knowledge in both the public and private sector

Peter has a wealth of experience in the management and leadership of professional service firms, together with senior practitioner expertise across the built environment, from both public and private sector perspectives.



## GERALD JENNINGS

Non-executive Director



### Date of appointment

October 2015.

### Independent

Yes.

### Additional roles held

Non-executive Chairman of Social Communications (Leeds) Limited, Non-executive Director of the Ahead Partnership, Non-executive Director of West and North Yorkshire Chamber of Commerce, Non-executive Director at PDR Construction Ltd, and Director of G R Jennings Properties Ltd.

### Brings to the Board Key strengths:

- Widespread industry experience in retail and property
- Successful track record of delivering significant development projects and working with a wide range of stakeholders

Gerald has over 30 years' experience in the retail and property industry. Amongst other projects, Gerald was responsible for the delivery of the one million sq ft Trinity Leeds retail scheme.

# Senior Management and Company Secretary



## AMY STANBRIDGE

Company Secretary

### Date of appointment

October 2018.

### Additional roles held

Head of Legal (Commercial) at Henry Boot PLC, Trustee of St Luke's Hospice, Sheffield.

### Brings to the Board

#### Key strengths:

- Significant recent and relevant legal and corporate governance experience
- Robust knowledge on all aspects of commercial law

Having obtained her qualifications at the Universities of Nottingham (LLB Hons) and Sheffield (PG Dip LP), Amy qualified as a solicitor in 2006 and as a Chartered Secretary in 2019. She is an experienced lawyer with a demonstrated history of working in-house in the public sector and construction industry. With a broad range of expertise across contract and commercial law and practice, construction matters, corporate governance and compliance matters, she has worked at Henry Boot PLC since 2014.



## NICK DUCKWORTH

Hallam Land  
Management Limited

### Date of appointment

Managing Director in 2016.

### Brings to the role

Nick Duckworth, MRTPI, began his career in a private sector planning consultancy, Phillips Planning Services, in 1990. He left there in 1992 and joined Hallam Land's then newly established Northampton office. In 1997 Nick set up the South West office of Hallam Land in Bristol and became the Regional Manager. He was appointed a Director in 2002.



## EDWARD HUTCHINSON

Henry Boot  
Developments Limited

### Date of appointment

Managing Director in 2018.

### Brings to the role

Edward Hutchinson BSc (Hons), MRICS, started his career in quantity surveying before quickly progressing into project management. He joined Henry Boot Developments in 2004 as a Project Manager rapidly rising to the position of Senior Project Manager in 2006. Edward was appointed a Director in 2012 and became Managing Director in 2018.



## SIMON CARR

Henry Boot  
Construction Limited

### Date of appointment

Managing Director in 2009.

### Brings to the role

Simon Carr, BSc (Hons), FRICS, has been with Henry Boot for over 30 years. He is a Board member and past national chair of the National Federation of Builders, a Board member and past president of the Yorkshire Builders Federation, and is a member of the CBI Construction Council. Simon also sits on the Board of trustees for the Wentworth Woodhouse Preservation Trust and is a Non-executive Director of Wildgoose Construction Limited.



### **GILES BOOT**

Banner Plant Limited

#### **Date of appointment**

Managing Director in 2000.

#### **Brings to the role**

Giles Boot, BA (Hons), joined the Henry Boot Group in 1982 and had a variety of management roles in Rothervale Trading Limited, the retail side of the then Group's door manufacturing business. Moving to Banner Plant Limited in 1988, he held a number of positions, including Depot Manager and Business Development Manager, before being appointed to its Board in 1995.



### **DARREN STUBBS**

Stonebridge Homes Limited

#### **Date of appointment**

Managing Director in 2010.

#### **Brings to the role**

Darren Stubbs started work at Tay Homes plc at the age of 16 and by the age of 25 he was Managing Director of his own small housebuilding company based in Leeds. Over the next 15 years he grew the business to achieve an annual turnover of £25m. In 2010 he formed a new housebuilder and property company, Stonebridge Homes Limited, which is a jointly owned company with Henry Boot PLC.



### **TREVOR WALKER**

Road Link (A69) Limited

#### **Date of appointment**

General Manager in 2005.

#### **Brings to the role**

Trevor Walker, IEng MICE, joined Road Link (A69) Limited in 1996 at the start of the 30-year Private Finance Project to operate and maintain the A69 trunk road. He was previously involved in trunk road maintenance in the south of Scotland. He undertook various road and bridge maintenance roles within Road Link (A69) Limited in the early years, helping to establish the Company before his appointment as General Manager in 2005.

# Chairman's Introduction

## JAMIE BOOT

Chairman



The work of embedding the Henry Boot Way has carried on throughout 2019 and has led to a number of important initiatives that have been monitored and encouraged by the Board.

Jamie Boot  
Chairman



### Dear Shareholders,

With the continued political and economic uncertainty that 2019 has brought, the Group has continued to perform well with some challenges. The Board has been instrumental in assessing those macro risks and the opportunities that may be presented, to set the Group up well to move into the future. This is achieved through robust risk assessment and management, and good governance through the Board and its Committees to guide our management team in a strategic way.

2019 saw us carrying out a detailed recruitment exercise to appoint Tim Roberts as Chief Executive Officer of the Group; further details of this process are set out in page 89. There have been no further changes to the Board, and I (with the rest of the Board) look forward to adding Tim's knowledge and experience to our own.

### UK Corporate Governance Code 2018

During 2019 the Board has taken positive strides towards recognising the challenges and opportunities presented by the UK Corporate Governance Code 2018. What has been gratifying is the extent to which changes were already being implemented or called for throughout the Group and within the Board. In particular, our focus on culture, stakeholders (especially employees) and strategy were already issues that we, as a Board, had been refocusing on and consolidating our approach to. This Corporate Governance Report sets out our progress to date and the further planned actions for 2020.

### Strategy

This year, we have continued the important work of developing and documenting our strategy for the Henry Boot Group. At an offsite Strategy Day, the Board welcomed input from the Managing Directors in reviewing, formulating and implementing the approach across the Group to its overall strategy and how it links to key risks, performance indicators, priorities and objectives. Further details of this can be found on pages 38 to 43.

### Culture

We have spoken often in previous years about the important work carried out during the One Henry Boot project, and how it delivered The Henry Boot Way and its three core elements: Purpose, Vision and Values. The work of embedding the Henry Boot Way has carried on throughout 2019 and has led to a number of important initiatives that have been monitored and encouraged by the Board, which is discussed further at page 75.

### Our dedication to engagement with stakeholders

As part of our culture, in keeping with our Values of 'Respect', 'Integrity' and 'Delivery', it has been important for us as a Board to embrace the ethos behind the requirements of section 172 of the Companies Act. Set out throughout this Report are examples of how the Board is working towards better engagement with all of its important stakeholders to produce informed decisions taking into account their views. For more information of how the Board actively considers the Group's various stakeholders in its decision-making, see pages 76 and 77. During 2019 we carried out a wholesale review of our approach to Environmental, Social and Governance matters, and I will be reporting further on the progress of this initiative in next year's Report.

Stakeholder engagement is just one aspect that the Board needs to consider when assessing the longer-term impacts of the decisions it makes. As can be seen from a number of our business operations, we are often operating in an environment where the impacts of the decisions made will not manifest for a number of years, and the cyclical nature of some of our businesses are strategically supported by others. It is our function as a Board to ensure that all factors relating to this are taken into account, to uphold a high ethical standard of business conduct. We are very proud of our progress in this area this year and of laying the foundations to develop this in the years to come.

### Workforce engagement

We often say that the backbone of the Group's robust performance is its excellent workforce, linking strongly to the culture of the Group. The work carried out by the Engagement and Cooperation Working Group (established as a consequence of the One Henry Boot project) has produced some vital initiatives during 2019 to strengthen our approach to employee engagement and, in particular, how matters can be referred by employees to the Board (see page 78).

The following Report sets out our structure, governance processes and key activities undertaken by the Board and its Committees during 2019. We welcome feedback from our stakeholders and I would encourage you to get in touch with us on any governance matters. Normally we would look forward to welcoming all shareholders to our AGM in person. In light of the current COVID-19 pandemic and social distancing rules, and to safeguard the health of our employees and shareholders, we have regretfully taken the decision to hold our AGM behind closed doors. I would strongly encourage shareholders to appoint me as your proxy and submit your voting instructions (more details on how to do this are set out on page 187), and also to submit any questions you may have for the Board in advance, which we will endeavour to respond to via appropriate means. I thank you all for your understanding in this difficult time and look forward to seeing you again soon.

### COVID-19 response

Throughout this year's Annual Report we have referred to the Group's response to the emergence of the COVID-19 pandemic. We have been managing our response to all key stakeholders, including our employees, who have demonstrated a robust and responsive approach to dealing with the effects of the pandemic, which is truly commendable at such a difficult time. As a Board we have been working with the Coronavirus Committee (of which you can read more on page 06) in closely monitoring all ongoing business continuity matters relating to this issue which will no doubt continue to develop throughout 2020.

### Jamie Boot

Chairman

20 May 2020

## Code compliance

During 2019 the Board and its Committees have been carrying out extensive work to ensure wherever possible that compliance with the Code can be achieved, improving its operations and governance. This is demonstrated throughout this Corporate Governance Report and, of particular note, are the Code principles below with references to further detail as applicable.

Given our 130-year history as a family business, and as a FTSE SmallCap company, we have adopted alternative solutions to the provisions where we believe this is appropriate. The Code recognises that good governance can be achieved by other means, and the Board believes the approach we have taken is the most appropriate for the Company and its shareholders, while remaining consistent with the spirit of the Code.

## Code principles



### Division and responsibilities

 Read more on pages 72 to 74



### Board leadership and Company purpose

 Read more on pages 76 to 81



### Composition, success and evaluation

 Read more on pages 84 to 93



### Audit, risk and internal control

 Read more on pages 94 to 98



### Remuneration

 Read more on pages 100 and 111

# Corporate Governance Report



## Division and responsibilities

### Governance structure

The Board's commitment to excellent governance standards has led to a wholesale review during 2019, identifying areas for changes to be made in order to implement the requirements of the Code. In the limited number of areas in which compliance with the Code has not been achieved, the Board has carefully considered these and balanced the requirements of the Code against other factors relevant to the success of the Group as a whole, the position of various stakeholders, or against the need to ensure sufficient time to implement the requirements thoroughly. These areas are captured and explained throughout this Report, and further details can be found at page 99.

### The Board

The Board consists of three Executive Directors and five Non-executive Directors, including the Chairman. During 2019, Tim Roberts was recruited as a replacement for John Sutcliffe on his retirement, with Tim joining the Board with effect from 1 January 2020, and John is due to step down from the Board on 31 May 2020. Biographies are shown on pages 66 and 67. Roles and responsibilities for each Director can be viewed on the website.

 Read more details at [www.henryboot.co.uk](http://www.henryboot.co.uk)

The Board maintains a formal schedule of matters reserved for its decision. This was reviewed during 2019 and aligned with new regulatory and best practice developments, and such matters being brought to the Board now require consideration to be given to input from stakeholders, assessment of key risks and links to strategy.

Key areas of Board responsibility include:

- Strategy and objective setting;
- Approving the Company's half-year and full-year financial results announcements;
- Culture and stakeholder engagement;
- Capital structure and ensuring funding adequacy; and
- The determination and monitoring of the Company's principal and emerging risks including the effectiveness of internal controls.

 Specific **areas considered by the Board during 2019** are detailed on pages 80 and 81

Operational management of the subsidiary companies within the Group sits with their respective boards and Managing Directors. The Henry Boot PLC Board welcomes input from each of these Managing Directors at its meetings on a rotational basis, to discuss business plans and strategy, as well as at the Board's Strategy Day.

### Board Committees

#### AUDIT AND RISK COMMITTEE

**Chair:**

Joanne Lake

**Members:**

Gerald Jennings, Peter Mawson

**Attendees:**

May include other directors, representatives of external and internal auditors

**Agenda:**

External and internal auditor work, monitoring of key and emerging risks, review of full and half-year results (including going concern and viability statements)

 Read more on pages 94 to 96

### Subsidiary Board Meetings

 Read more about the **subsidiary strategic priorities** on page 27

#### LAND PROMOTION

#### Hallam Land Management Limited

**MD meeting attendees:**

Nick Duckworth, two main Board Executives and the Company Secretary

#### Key

- ..... Board oversight
- Board delegation
- - - - Board support

## BOARD OF DIRECTORS

### NOMINATION COMMITTEE

**Chair:**

Peter Mawson

**Members:**

Jamie Boot, James Sykes,  
Joanne Lake, Gerald Jennings

**Attendees:**

May include Executive Directors and Head of HR

**Agenda:**

Review of Board and Committee effectiveness and skills, succession planning, diversity and inclusion

 Read more on pages 88 to 93

### REMUNERATION COMMITTEE

**Chair:**

Gerald Jennings

**Members:**

Joanne Lake, Gerald Jennings

**Attendees:**

May include other Executive Directors and Head of HR

**Agenda:**

Setting and applying Remuneration Policy including salaries, bonuses (achievement and objective setting), share scheme review and application, wider workforce remuneration issues

 Read more on pages 100 and 111

The day-to-day management of the Company's subsidiary businesses and the responsibility for their operational decisions sits with each respective Board of Directors, led by a Managing Director. Subsidiary company Managing Directors attend Group Board meetings on a rotational basis to present their operational business plans and strategy.

### PROPERTY INVESTMENT AND DEVELOPMENT

Henry Boot  
Development  
Limited

**MD meeting attendees:**

Edward Hutchinson,  
two main Board  
Executives and the  
Company Secretary

Stonebridge  
Homes  
Limited

**MD meeting attendees:**

Darren Stubbs, and two  
main Board Executives

### CONSTRUCTION

Henry Boot  
Construction  
Limited

**MD meeting attendees:**

Simon  
Carr, two  
main Board  
Executives and  
the Company  
Secretary

Banner  
Plant  
Limited

**MD meeting attendees:**

Giles Boot,  
two main  
Board  
Executives and  
the Company  
Secretary

Road  
Link (A69)  
Limited

**MD meeting attendees:**

Trevor Walker,  
and two  
main Board  
Executives

### Operations Board

The Operations Board is an executive forum established in January 2016, which focuses on Group working, inter-company cooperation and risk.

### Attendees:

CEO and the Group Finance Director, together with the four main subsidiary company Managing Directors, the Managing Director of Stonebridge Homes Limited and the Company Secretary. Regular updates are fed back to the Board.

# Corporate Governance Report



## Division and responsibilities

### UK Corporate Governance Code 2018

The Board is committed to achieving high governance standards and following best practice. Where we do not strictly follow the Code, considerable thought is given to ensuring that our approach aligns with the spirit of good governance, helps to promote high ethical standards and sustains the success of the Company over the long-term. The governance structures in place are designed to reflect the individuality of the Company and the composition of both its institutional shareholders and individual shareholders, many of whom have family ties to the Company.

For this financial year, as a premium listed company, the Company was subject to compliance with the UK Corporate Governance Code 2018 (Code). Further details of how the Code has been applied are set out throughout this Corporate Governance section.

### Board and Committee meetings

Throughout the year, there were seven Board meetings and a separate offsite Strategy Day. In addition to this, and in order to effectively carry out its duties, the Board delegates authority to Committees to look after specific areas of responsibilities. The Board has formally constituted Nomination, Audit and Risk, and Remuneration Committees which operate within their agreed Terms of Reference. These Terms of Reference have been updated during 2019 to ensure compliance with the requirements of the Code. Each Committee is provided with accurate, timely and clear information, and has access to external consultants where necessary. Further details of each of the Committees can be found on pages 71 to 73, and such details form part of this Corporate Governance Statement.

### Board composition

The names, responsibilities and other details of each of the Directors of the Board are set out on pages 66 and 67. The Board believes it has an appropriate balance of Executive, Non-executive, and independent and non-independent Directors, having regard to the size and nature of the business. There will be a period of five months during 2020 when both Tim Roberts and John Sutcliffe are Directors on the Board, leading to there being less than half the Board comprising of independent Non-executive Directors during that time. This is an important aspect of the handover of the role to the Group's new Chief Executive Officer, and is for a limited time only, following which the Board composition will return to a Code compliant one. Further to review by the Nomination Committee (see page 88), it is felt that the overall combination of experience, skills, knowledge and lengths of service of the current Board members provides an appropriate level of balance which contributes to effective decision-making and helps to mitigate risk.

### Board independence

The Company recognises the importance of its independent Non-executive Directors remaining independent throughout their appointment. It enables them to provide objective advice and challenge the Executive Directors through their knowledge of the wider business environment and as a result of their diverse backgrounds.

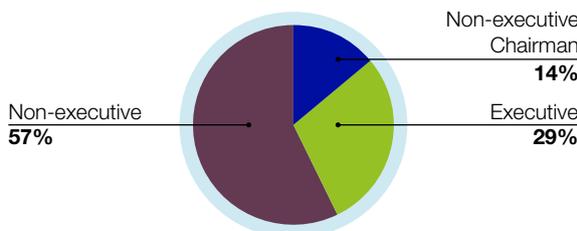
The Non-executive Directors meet without the Executive Directors present, usually the evening before the Board meetings and on other occasions throughout the year.

As discussed in more detail in the Compliance Statement on page 99, Jamie Boot is regarded as non-independent having previously served as Managing Director. James Sykes is also not regarded as independent having been appointed to represent the substantial shareholdings of the Reis family interests (see page 113). During 2019,

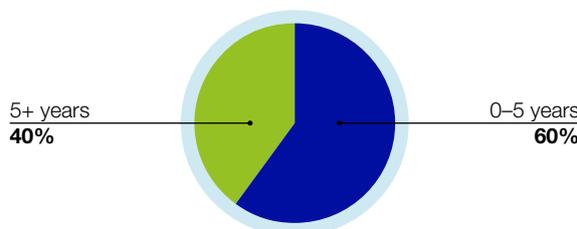
### Board meeting attendance

Jamie Boot <b>Chairman</b>		7
John Sutcliffe <b>Chief Executive Officer</b>		7
Darren Littlewood <b>Group Finance Director</b>		7
Joanne Lake <b>Deputy Chairman</b>		6
James Sykes <b>Non-executive Director</b>		7
Peter Mawson <b>Non-executive Director</b>		7
Gerald Jennings <b>Non-executive Director</b>		7

### Board composition



### Non-executive Board tenure



in compliance with the provisions of the Code, Jamie Boot and James Sykes stepped down from their positions on the Audit and Risk, and Remuneration Committees. Joanne Lake was appointed as the chair of the Audit and Risk Committee, and Gerald Jennings as chair of the Remuneration Committee. Accordingly, all memberships of the respective Committees are in line with the requirements of the Code.

### Coronavirus Committee

A Committee comprising the Executive Directors of Henry Boot PLC, relevant heads of department and other senior leaders throughout the Group, was established in response to the emerging COVID-19 pandemic. Its remit is to direct the Group's response to emerging legislative, administrative and regulatory developments, stimulus opportunities and developing practices, meeting on a regular basis, and reporting actions and required decisions to the PLC Board and Operations Board. Having been established in February 2020, the Committee has with the supervision of the Boards, directed all financial, operational and regulatory responses as required, which have ensured the continued operation of the Group's activities and adjustments as required to the changing demands of the industries in which it operates.



## Board leadership and Company purpose

### OUR CULTURE JOURNEY

In 2017 we launched an internal initiative called the 'One Henry Boot' Project. Its purpose was to define our culture, 'The Henry Boot Way', and to focus on its three core elements: Our Purpose, Our Vision and Our Values. To deliver this project we asked for volunteers from across the Group; this was to ensure we captured the thoughts of employees and could have a culture that reflected all. Since then we have been on a journey to embed 'The Henry Boot Way' throughout our business and it remains a key element in our Group strategy.



# Corporate Governance Report

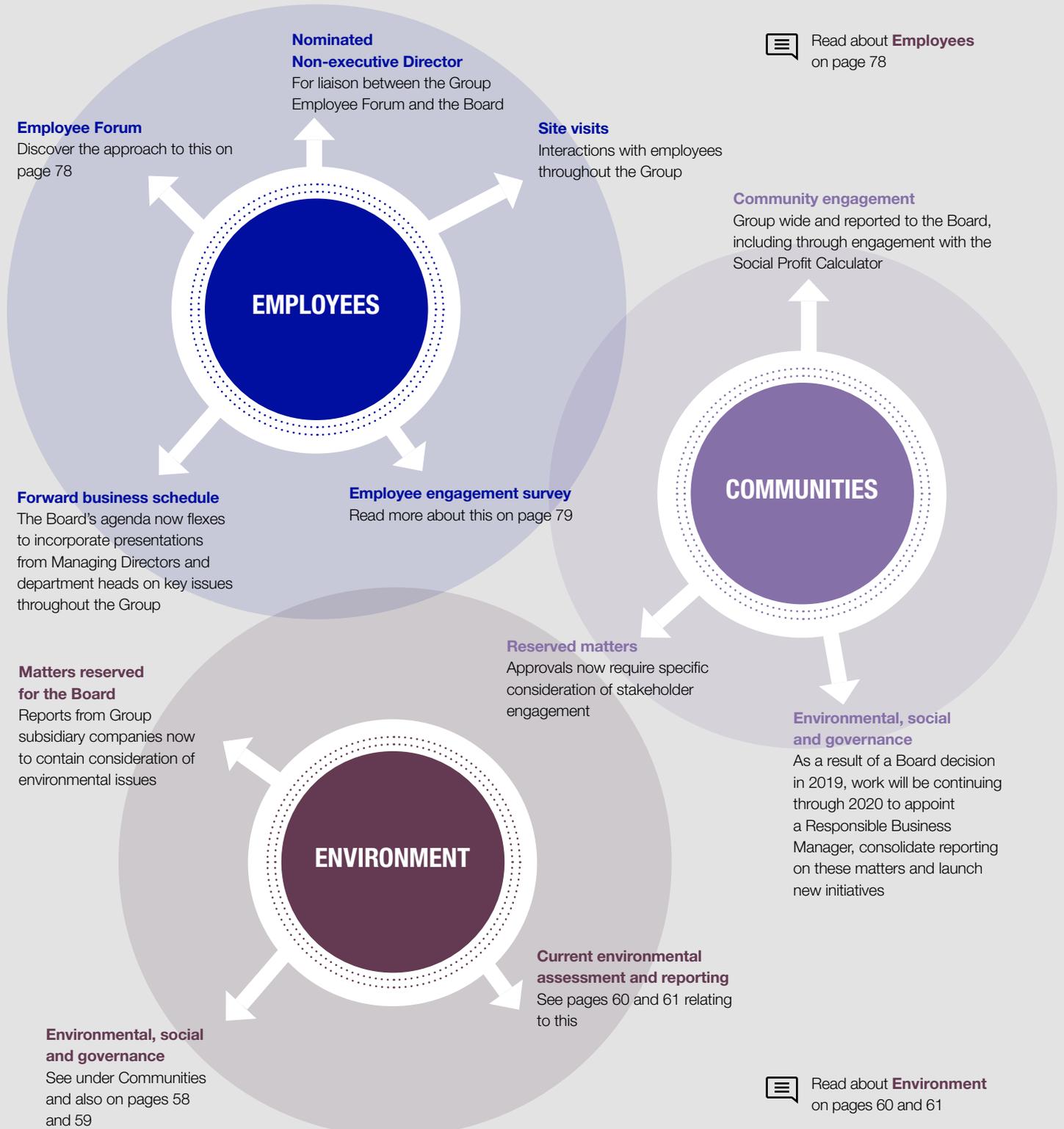


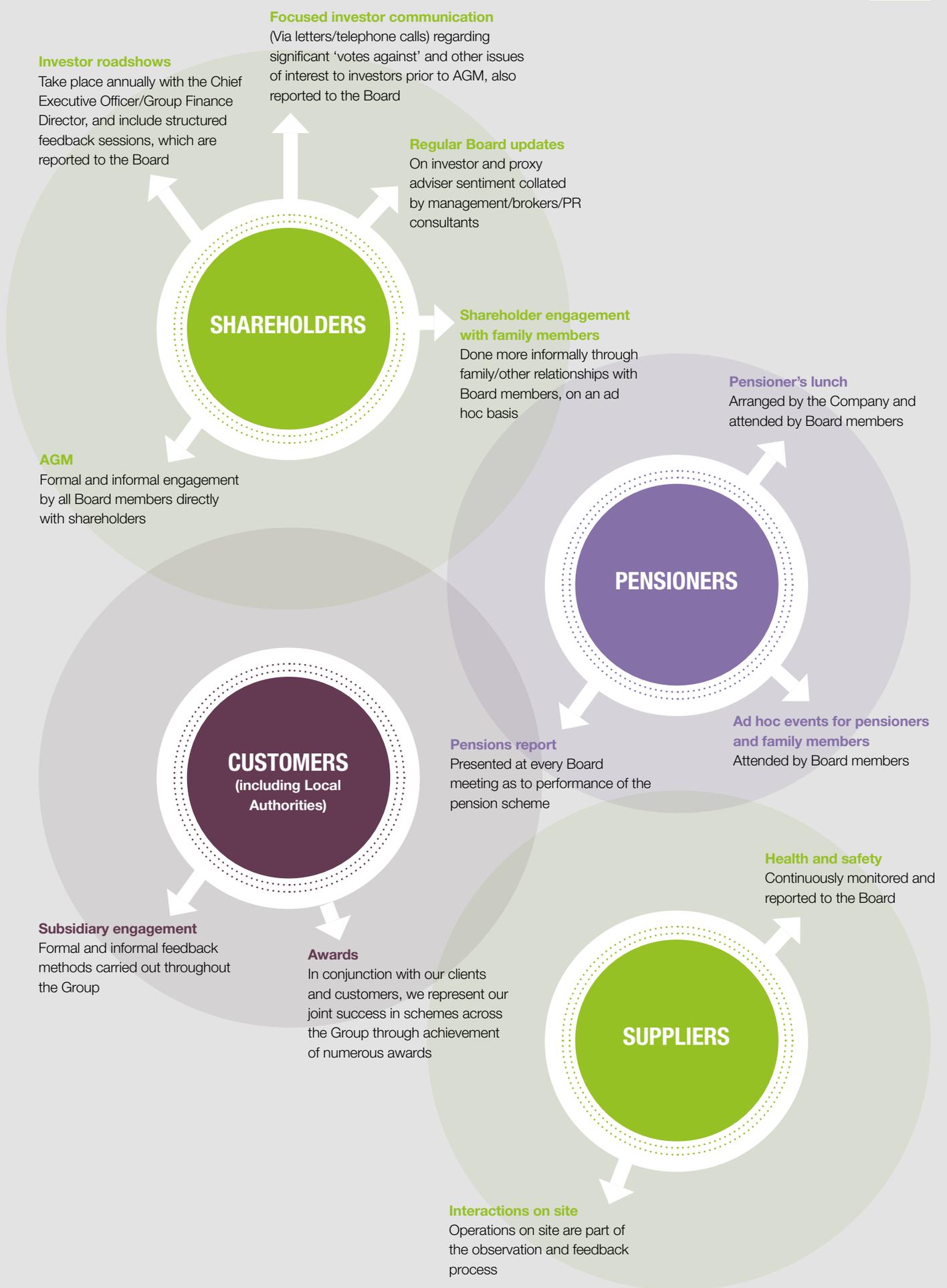
## Board leadership and Company purpose

### HOW THE BOARD ENGAGES WITH STAKEHOLDERS

This year, the Board formally adopted a Board Stakeholder Policy, which was key in setting the existing status of current and future engagement with all of the Group's key stakeholders. These stakeholders were identified through the 'One Henry Boot' project as being those groups whose interests and views are vital to the

operation and culture of the Group. Work will be ongoing during 2020 to ensure those views are incorporated into the Board's decision-making procedures, as well as evolving ways in which methods of engagement are made convenient to those stakeholders.





# Corporate Governance Report



## Board leadership and Company purpose

### EMPLOYEE ENGAGEMENT

It is often said throughout Henry Boot that our employees are our greatest asset.

Ensuring that their views are communicated to the Board and considered as part of its key decisions has been a significant focus for the Board over the past couple of years, and with the impetus of the 'One Henry Boot' project, a number of initiatives have been in progress, which have come to fruition during 2019. Importantly, these lay the groundwork for setting up effective lines of communication, which will strengthen this engagement activity over the coming years and ensure that employee perspectives are being taken into account wherever they can, and in particular, are embedded within the decision-making process.

#### Employee Forum

In order to take forward some key initiatives that were identified as part of the 'One Henry Boot' project, a number of Working Groups were founded during 2018. They combined volunteers from all levels throughout the Group, ensuring representation by all subsidiaries. One of these Working Groups, focusing on engagement and collaboration across Henry Boot, generated and developed a number of important schemes to boost partnership working and workforce engagement with management. A key part of this was establishing the idea of Employee Forums, with each main wholly owned subsidiary (and Henry Boot PLC) having its own Subsidiary Employee Forum (SEF), the chair of each would meet to form the Group Employee Forum (GEF). The following process was followed to achieve this:



It was very important for us to think of ways we could ensure that all subsidiaries felt engaged and had their voices heard. By establishing individual subsidiary forums, who each then nominated representatives to discuss matters at Group level, we felt this would ensure that people throughout the organisation would be easily able to access and speak to their SEF members about issues that were important to them.



**Amy Stanbridge**

Company Secretary and member of the Engagement and Collaboration Working Group

Having been established during the latter half of 2019, the SEFs and GEF have been carrying out the following activities:

The ways in which the GEF's views have been considered during Board decision-making and communicated to employees will be developed further during 2020.

## Other employee engagement initiatives

### Employee survey

Henry Boot's key strategic priorities, which are centred around safety, people, growth and delivery, can only be enhanced by seeking feedback from our workforce and ensuring, where possible, that we are addressing areas of concern that may be leading to disengagement in the workforce. Henry Boot aims to achieve high levels of engagement through a number of methods, to create a culture and an environment where our people can be the best version of themselves at work.

In late 2019 the Group commissioned a specialist employee survey provider to undertake an anonymous employee engagement survey that would seek to build on the work carried out on the 'Henry Boot Way' and would provide us with a framework of questions that could be repeated on an annual basis with little or no amendment in order that we can assess progress. The survey consultants include occupational psychologists and work design specialists, who were instrumental in the question design and worked with the Engagement and Collaboration Working Group to formulate the survey questions, and were also shared with the GEF. The responses provide insight into Henry Boot as a whole as well as individual subsidiaries, and will be shared and discussed with the Operations Board, PLC Board and Employee Forums, for feedback and development of ways of addressing any key outcomes.



The Employee Forum gives a voice to every person within the Group. It provides a platform to share ideas and best practices between departments, regions and subsidiaries. Many of the suggestions received relate to staff wellbeing, which is vital for attracting and retaining the best people. It's great being part of a business that continually asks its employees 'How can we be better?'

**Jennifer McNamee**  
Chair of the Group Employee Forum

## Diversity and inclusion

Being a diverse and inclusive workplace is a further strategic priority that Henry Boot is keen to embrace linking to its main strategic objectives. We aim to embrace the differences that people bring to the table, whether that be due to gender, age, race, religion, ability, social background or any other aspect of an individual that makes them unique. It is recognised that the industries we work in have some challenges relating to this issue and that, although increasing diversity and inclusion will not occur over a short period of time, it takes commitment, clear policies and goals, and investment in building the talent pipeline. In late 2019 the Group commissioned a specialist consultancy to undertake employee-led research into the current



I was delighted to be asked to be the NED liaison with the Group Employee Forum. The Board recognises and welcomes the role the Forum will play in acting as a unique and proactive conduit with the Group's employees. As the work of the Forum gathers pace and momentum it will be increasingly important in helping the NEDs and Executive Directors understand the concerns and issues employees may have but more critically will help inform the Board on strategic issues. I believe the Forum has already seen its role as a means of upwards and downwards communication, and I look forward to working with the Forum as its work progresses.

**Gerald Jennings**  
Non-executive Director nominated to liaise with the GEF



attitudes and approach to diversity and inclusion at Henry Boot; this was recognised by the Group as being a key area to develop and strengthen. The report produced contains key areas of development for discussion and agreement in order to take the Group's approach forward, which will be the subject of consultation with the GEF, PLC Board and Operations Board throughout 2020, to commission further consultant-led initiatives that will provide the building blocks for us to develop our approach to this for the long-term.

## Wellbeing

Employee wellbeing is a fundamental aspect to Henry Boot. We recognise that it plays an important role in the success of any business but importantly in creating a positive working environment where our people can thrive.

In 2019 the Board tasked a Working Group to review our wellbeing offering and benchmark it against standards set in the industries we work in. Whilst there was room for improvement, on the whole we found our offering to be above average and had various provisions in place which supports employees' wellbeing.

One of the outcomes that needed to be addressed was that employees were not fully aware of what provisions were in place. So it was decided to create a platform called SMILE, which combined all of our wellbeing offering into one place and made it accessible to all employees.

SMILE is an online platform which splits our wellbeing provisions into three categories: Wealth, Health and Lifestyle. The platform acts as a support mechanism and help employees source and find the guidance that they need.

We appreciate there are many aspects to wellbeing and whilst we use the SMILE platform as an interface, the Board will continue to monitor the wellbeing of all employees to ensure the Group continues to provide a positive working environment.

# Corporate Governance Report



## Board leadership and Company purpose

### BOARD OVERSIGHT AND ENGAGEMENT

#### What the Board did this year

This year the Board restructured its agenda, introducing a Forward Business Schedule to ensure that strategic and governance issues of importance were regularly brought to the Board, that they heard from more members of the executive team, and that consideration of strategy, key risks and objectives were routinely included. This has resulted in a number of key areas of attention, as set out below, in addition to operational and project-related points of focus.

Area	Link to Strategy	What was reviewed and considered?
<b>Health and safety</b> 		<p>As one of Henry Boot's crucial strategic objectives, it is vital that the health and safety position of the various parts of the business continues to be brought to the Board on a regular basis. As in previous years, the H&amp;S reports of the Group's health and safety team are brought to every PLC Board meeting, reporting on incidents, mitigation and near misses. An annual report for each subsidiary is also prepared by the Group's Health and Safety Manager ensuring continuous improvement objectives and initiatives are considered by the Board.</p>
<b>Monitoring culture</b> 		<p>An increasingly important area of focus for the Group this year, in order to continue the good work and impact that has been brought about by the 'One Henry Boot' project. It is one that is being progressed through a number of initiatives that have been subject to Board review and approval throughout the year. This includes the activities set out on pages 78 and 79 (Employee Forums, engagement surveys, diversity and inclusion), which will, during 2020, translate into culture-related objectives and measures to ensure that the focus on this is maintained.</p>
<b>Approval of Starfish acquisition</b> 		<p>The proposal for the acquisition, outlining the market for affordable housing opportunities and alignment to the Group's strategic objectives, was presented to the Board during 2019. This was followed by regular updates requiring Board input – monitoring the outcomes of the acquisition due diligence activities, and requiring commercial decisions prior to progression of the acquisition as a matter reserved for the Board.</p>
<b>Strategy Day</b> 		<p>Following the work done during 2018 consolidating the Group's strategy, actions continued throughout 2019 to follow up on agreed actions and maintain Board discussions on key topics. Progress updates on strategy actions, strategic objectives and KPIs that had been set during the 2018 financial year were reviewed by the Board half way through 2019. The Board determined that horizon scanning, blue sky thinking and challenging the subsidiary Managing Directors on their long-term strategy should also form part of the Strategy Day. Further actions, objectives and KPIs arising from the 2019 Strategy Day shall be taken forwards throughout 2020 (see more details on pages 38 to 43).</p>
<b>Investment portfolio</b> 		<p>With appointment of a Funding and Investment Manager for HBD, greater scrutiny took place in relation to the Group's investment property portfolio, to ensure that all properties were fit for purpose and suited the Group's strategic aims in relation to its portfolio assets. This resulted in a number of assets being sold during the year, enabling the Group to move into 2020 in a beneficial financial position. Although the Board were conscious that this would mean a temporary departure from the Group's strategy in relation to its portfolio value, it was acknowledged to be a beneficial strategy in light of the difficult economic position of the UK market, and would position HBD to be able to refresh the portfolio with more suitable assets in the future.</p>



Area	Link to Strategy	What was reviewed and considered?
<b>Aberdeen project</b> 		<p>Given the scale of this critical project, the Board carefully monitored its progress during the year. This included assessments of acceleration of the completion date, performance of the main contractor and commercial decisions regarding the risks and mitigations relating to the scheme. You can read more about this on pages 02 and 03.</p>
<b>New joint broker appointment</b> 		<p>As a matter reserved for the Board, the decision to appoint Numis Securities Ltd &amp; Peel Hunt LLP was one the Board carefully considered during 2019. Feedback from investors was also obtained, which indicated that these brokers would be most suitable for the size and industry of the Group, and also that a joint brokerage would be favourable. As a result, the joint brokers were appointed during 2019.</p>
<b>Pensions – Triennial valuation</b> 		<p>The Board receive regular updates on the three pension schemes operated by the Group – its defined benefit and defined contribution schemes (outlined on page 55). During 2019, the defined benefit scheme was the subject of a triennial valuation, the negotiation and result of which were brought to the Board for update and consideration.</p>

### Key

#### Group strategic priorities

- Safety
- Delivery
- People
- Growth

Read about **Our Strategy** on pages 26 to 27

#### Stakeholders

- Employees
- Suppliers
- Shareholders
- Environment
- Customers
- Pensioners
- Communities



## BOARD IN ACTION

This year, there has been more focus on offering the Board opportunities to interact with different stakeholders across the various operations of the Group. This has included:

- Board meetings held in regional offices with attendance by employees where possible;
- Non-executive Directors attending ad hoc subsidiary Board Meetings; and
- Executive Board member attendance at a number of charity events organised throughout the Group, both in support of the Charity of the Year and other charitable organisations.

### Site visits

- A full day spent by the Board around the Barnsley Town Council development, Glass Works Phase 2, and on site at the Stonebridge development at Sherburn-in-Elmet;
- Following a Board meeting held in HBD's Manchester office, the Board met with its brokers, Numis and Peel Hunt, and undertook a site visit at Kampus; and
- To mark the launch of The Event Complex Aberdeen, the Board and other members of the Group attended a presentation by HBD and participated in a celebratory ceilidh.

The Management Conference that took place in 2018 across the senior leadership of the Group brought together our key leaders to discuss and debate a number of important strategic issues. This is to be rescheduled on a biennial basis.

During 2020, this focus on engagement across the subsidiaries of the Group will continue, with regional meetings being attended by Non-executive Directors, in addition to Board meetings and site visits, to give interaction with employees from across the Group.



# Corporate Governance Report



## Composition, success and evaluation

### Board evaluation

Building on our evaluation activities in 2018, a further formal and rigorous performance evaluation was undertaken in 2019 for the Board, its Committees, the Chair and each individual Director. The process and results are set out below.

### Process

#### STEP 1

Approach agreed in October 2019, to proceed with an internal evaluation for 2019, with the prospect of an externally facilitated evaluation in 2020 following Tim Roberts' appointment



#### STEP 2

Formalise questionnaire with Chairmen, which are then issued with a two-week response period, and individual interviews take place with Jamie Boot and Peter Mawson (for Chair evaluations)



#### STEP 3

Questionnaire deadline, results collated and reports written



#### STEP 4

Review results with Board and respective Committees, and agree actions for 2020. Review progress against 2019 actions



#### STEP 5

In May 2020, carry out mid-year review of progress against 2020 actions

### Areas where the Board scored strongly:

- Diverse but relevant skills and/or experience
- Openness
- Collaborative and supportive approach
- Providing a good level of challenge
- Commitment and passion for the business





2018 action areas	Progress during 2019	Action areas for 2020
<b>Board</b>		
<ul style="list-style-type: none"> <li>Develop a risk management strategy including an agreed level of risk appetite. Embed the new risk reporting procedures and encourage identification of emerging risks</li> </ul>	<ul style="list-style-type: none"> <li>Key and emerging risks reviewed by the Audit and Risk Committee during 2019, and at the Strategy Day</li> <li>Subsidiaries due to include their key risks in Board reports from 2020</li> </ul>	<p><b>Risk</b></p> <ul style="list-style-type: none"> <li>Board calls to be arranged for matters requiring Board approval, which could not take place at a scheduled Board meeting, to allow time for discussions on risk</li> </ul>
<ul style="list-style-type: none"> <li>Increase the focus on strategy ensuring more regular review of the strategic objectives</li> </ul>	<ul style="list-style-type: none"> <li>Strategic objectives and SWOT analysis reviewed at Board meetings and the Strategy Day</li> <li>A template for reserved matters has been created, ensuring that the subsidiary company considers how the project fits into the overarching Group strategy</li> </ul>	<p><b>Strategy</b></p> <ul style="list-style-type: none"> <li>Introduction of two shorter Strategy Days throughout the year: one for subsidiary strategies and one for the PLC</li> </ul>
<ul style="list-style-type: none"> <li>Consider the KPIs more regularly and monitor performance against them, particularly non-financial KPIs</li> </ul>	<ul style="list-style-type: none"> <li>Progress against KPIs reviewed at Board meetings and the Strategy Day</li> <li>Financial KPIs included in every finance report</li> </ul>	<p><b>Reporting</b></p> <ul style="list-style-type: none"> <li>Subsidiary reports to be aligned by creating a template, with Board papers to be standardised and include an executive summary with a limited number of pages sent to the Board</li> <li>CEO Board Report to be created for each meeting</li> </ul>
<ul style="list-style-type: none"> <li>Strengthen engagement with senior employees and progress the stakeholder engagement policy</li> </ul>	<ul style="list-style-type: none"> <li>Increased attendance at Board meetings from senior management</li> <li>Employee Forum created with Non-executive Director liaison</li> <li>Employee survey undertaken and results to be presented and actions agreed in 2020</li> <li>Board stakeholder policy approved in July 2019</li> </ul>	<p><b>Engagement</b></p> <ul style="list-style-type: none"> <li>Increased site visit opportunities to be offered to the Board – whether full Board planned visit or optional ad hoc visits</li> </ul>

# Corporate Governance Report



## Composition, success and evaluation

2018 action areas	Progress during 2019	Action areas for 2020
<b>Audit and risk</b>		
<ul style="list-style-type: none"> <li>Finalise and embed the new risk reporting procedures and review on a regular basis</li> </ul>	<ul style="list-style-type: none"> <li>The principal and emerging risks were reviewed during 2019 Board meetings</li> <li>The Board also reviewed the risks at the Strategy Day</li> </ul>	<p><b>Risk Reporting</b></p> <ul style="list-style-type: none"> <li>Subsidiary board reports will include their key risks</li> </ul>
<ul style="list-style-type: none"> <li>Undertake a comparison of the external auditor's risk assessment compared with the internal view</li> </ul>	<ul style="list-style-type: none"> <li>PwC feedback was taken on board at the July meeting when considering the Group's principal and emerging risks and suggestions noted</li> <li>PwC consideration of risks are included in August's Audit Strategy Memorandum paper</li> </ul>	<p><b>External auditor risk assessment</b></p> <ul style="list-style-type: none"> <li>Feedback will continue to be sought from the auditor in relation to the risks, including the commentary in the Annual Report</li> </ul>
<ul style="list-style-type: none"> <li>Deep dive in to the risks around cyber/IT</li> </ul>	<ul style="list-style-type: none"> <li>A session on cyber security measures and risks was held in the October 2019 Board meeting with the Head of IT</li> </ul>	
<ul style="list-style-type: none"> <li>Further evaluate the external auditor's effectiveness and value, including how they are perceived internally</li> </ul>	<ul style="list-style-type: none"> <li>An assessment of the external auditor effectiveness is under discussion as part of the audit tender process, with feedback sought from internal stakeholders</li> <li>The independence and effectiveness of the external auditors is confirmed on an annual basis and disclosed in the Annual Report</li> </ul>	<p><b>External audit</b></p> <ul style="list-style-type: none"> <li>Set expectations for the new external auditor and robustly assess the audit plan</li> <li>An annual review of their effectiveness has been scheduled from March 2020 onwards</li> </ul>
<ul style="list-style-type: none"> <li>Assess the effectiveness of the internal audit function</li> </ul>	<ul style="list-style-type: none"> <li>An evaluation of the internal auditor was carried out internally and the results discussed at the August 2019 meeting. This will continue on an annual basis</li> </ul>	<p><b>Internal audit</b></p> <ul style="list-style-type: none"> <li>Hold an extended meeting with the internal auditors without the presence of management</li> </ul>

2018 action areas	Progress during 2019	Action areas for 2020
<b>Nomination</b>		
<ul style="list-style-type: none"> <li>Develop a Board Diversity Policy and Group Diversity Policy</li> </ul>	<ul style="list-style-type: none"> <li>Board Diversity Policy approved during 2019</li> </ul>	<p><b>Equality, diversity and inclusion</b></p> <ul style="list-style-type: none"> <li>Monitor equality, diversity and inclusion initiatives cross the Group to encourage progress against diversity targets in the Board Diversity Policy</li> </ul>
<ul style="list-style-type: none"> <li>Creation of a Board Skills Matrix</li> </ul>	<ul style="list-style-type: none"> <li>Completed and approved during 2019, and will be reviewed annually and in light of any new Board appointments</li> </ul>	<p><b>Skills development</b></p> <ul style="list-style-type: none"> <li>Consider the future Group strategy and the skills needed at Board level to bridge any skills gaps</li> </ul>
<ul style="list-style-type: none"> <li>Monitor external time commitments of each Director</li> </ul>	<ul style="list-style-type: none"> <li>This has been recorded and is updated when changes are made. This will be reviewed annually</li> </ul>	
<ul style="list-style-type: none"> <li>Continue monitoring the Senior Leadership Development Programme</li> </ul>	<ul style="list-style-type: none"> <li>Updates on the SLDP are given at most Committee meetings and will remain a focus</li> </ul>	<p><b>Succession planning</b></p> <ul style="list-style-type: none"> <li>Review at least annually the succession plan for Executive Directors and senior management and, in light of the SLDP, invite Managing Directors of each Henry Boot subsidiary to prepare a succession plan for the senior leadership within their business</li> </ul>
<b>Remuneration</b>		
<ul style="list-style-type: none"> <li>Increase the information provided to the Committee to measure performance against the annual bonus individual target criteria for Executive Directors</li> </ul>	<ul style="list-style-type: none"> <li>Work on this is ongoing and will be reviewed during 2020</li> </ul>	<p><b>Remuneration Policy</b></p> <ul style="list-style-type: none"> <li>Increase stakeholder engagement ahead of the next Remuneration Policy, particularly with institutional investors and employees</li> <li>Appoint external consultants for Remuneration Policy guidance</li> </ul>
<ul style="list-style-type: none"> <li>Increase reporting on pay levels and bonuses across the Group, particularly for senior management</li> </ul>	<ul style="list-style-type: none"> <li>Completed in the July 2019 meeting, and will be reviewed annually and in light of any new Board appointments</li> </ul>	<p><b>Bonus scheme</b></p> <ul style="list-style-type: none"> <li>Increase the information provided to the Committee behind the individual performance measures for the personal objectives section of the annual bonus</li> <li>Align annual bonus objectives to the Group's strategic objectives</li> </ul>
<ul style="list-style-type: none"> <li>Improve the administrative support and establish a rolling annual forward business schedule</li> </ul>	<ul style="list-style-type: none"> <li>A forward business schedule has been created and more detailed papers provided</li> <li>Work is still ongoing with further improvements to be made, particularly ahead of the next Remuneration Policy</li> </ul>	<p><b>Reward strategy</b></p> <ul style="list-style-type: none"> <li>Gain further oversight into the reward strategy of the wider workforce and review appropriateness</li> </ul>

# Corporate Governance Report



Composition, success and evaluation

## NOMINATION COMMITTEE REPORT

### PETER MAWSON

Chairman of the Nomination Committee



Our investment in learning, development, talent and succession at all levels of the business is pivotal in achieving our key objectives.

**Peter Mawson**

Chairman of the Nomination Committee



### Review of the year

During 2019, the Committee met three times to consider a wide variety of important issues and initiatives. This included the appointment of Tim Roberts as Group CEO (further details of which are set out on page 89), approval of the Board Diversity Policy, monitoring of the Senior Leadership Development Programme and launching the Leadership Development Programme, and carrying out a Board Skills Assessment. Details of these can all be found below.

Those serving as members of the Committee for the whole of 2019 were Joanne Lake, Gerald Jennings, Jamie Boot, James Sykes and myself. Within the year there have been no changes to the composition of the Committee.

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On behalf of the Board and the Nomination Committee (the Committee), as Chairman of the Committee, I am pleased to present the Directors' Nomination Committee report for the year ended 31 December 2019.

### Board skills assessment

In line with the Code, the Nomination Committee is asked on an annual basis to review a number of elements relating to the overall effectiveness and composition of the Board and its Committees. One of these elements concerns the skills, knowledge and experience of the Board and its Committees. Accordingly, each member of the Board and respective Committees was asked to complete a self-assessment of their skills, knowledge, experience and understanding of the Henry Boot culture.

In addition to corporate governance compliance, the skills assessment ensures appropriate future strategic direction of the Board and its alignment with strategic objectives, as well as its ability to monitor the key and emerging risks facing the Group. It also enables the Committee to monitor the ways in which its balance of skills, knowledge and experience are impacted by any changes to the Board, such as the retirement of John Sutcliffe and the appointment of Tim Roberts.

### Knowledge and experience

This portion of the assessment focused on areas relevant to the Group such as Construction, Land Promotion, Property Investment and Plant Hire, as well as more generic topics such as Public Limited Companies, Financial Planning and Management and Stakeholder Engagement.

### Technical skills

In this section of the assessment, the technical skills of the members were reviewed in relation to issues such as Corporate Governance, Audit, Legal, Risk, Business Development, Communications and Corporate Social Responsibility.

### Cultural fit

It was also felt important to focus on the ways that the Board members contributed to and aligned with the culture of the Group, looking at issues such as Custodian of the Henry Boot Ethos and Values, and Striving for Performance and Results. In all of these matters, the scores of the Board were in the Very Strong category.



# Q&A: WITH PETER MAWSON

## THE APPOINTMENT OF TIM ROBERTS

### What process did the Committee go through to appoint a new Chief Executive Officer?

We selected an external executive search agency, through a competitive process, to assist us. In conjunction with them, we identified a large pool of internal and external candidates; the internal candidates have undertaken our Henry Boot Senior Leadership Development Programme (SLDP). From this, the Succession Planning Working Group created a shortlist of 20 possible candidates. By conducting a series of informal discussions and more formal interviews with members of the Board, our external search partner and other consultants selected to assist with the process, we further shortlisted to six, and then carried out engagement sessions and meet and greets. A full diagnostic session with our external consultants, covering leadership behaviours and skills, personality profiling and strategic abilities was also carried out. After a formal interview with the final two candidates, the results of all of this analysis was brought to the Nomination Committee for discussion and for a final recommendation to be made to the PLC Board.

### What attributes were fundamental to the Committee when looking at this role?

It was key for us to identify the important characteristics that we would be looking for in our successful candidate. These comprised:

- Credibility in the market;
- Strategic thinking and vision;
- Cultural fit;
- Leadership presence and style; and
- Building relationships.

A number of these characteristics link to our Henry Boot Values, which were at the forefront of our thinking when carrying out our assessments.

### What are your thoughts about the outcome of the process and any lessons learned?

This process was undertaken over a period of around six months, and I (and other members of the Board) feel it has been a very thorough and worthwhile exercise, linking in with the SLDP and the wider succession planning work that had been taking place within the Henry Boot Group. It is vital that we continue this into the future. It has ensured that we have been able to objectively test all candidates against a rigorous set of requirements.

### Do you feel an external appointment will benefit the Company?

In the past we have benefited greatly from having promoted candidates from within the Group, bringing the benefit of their knowledge and experience of our business. However, the time felt right, having regard to best practice, to rigorously follow our processes and policy regarding external appointments, and to test the internal candidates against the wider market. I feel that Tim's appointment brings a wealth of knowledge and experience into the Group, to drive us forward into our next period of growth and success.

### Why is succession planning important to the Committee/Company?

Succession planning at every level within the Group is vital to our ongoing aim of further growth and success. Succession should be treated with the same importance as growth strategies and strategic business planning, creating a clear, defined vision that ensures a smooth transition for all. Our experience through the recruitment of Tim will shape our future succession planning decisions and will ensure that we have the right people in the right roles to deliver this.

TIM ROBERTS



# Corporate Governance Report

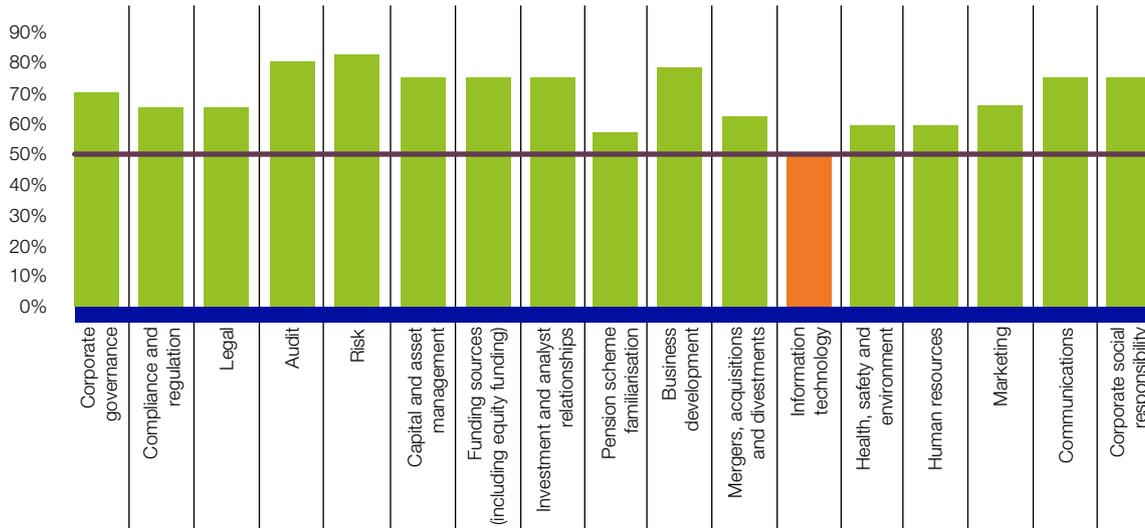


## Composition, success and evaluation

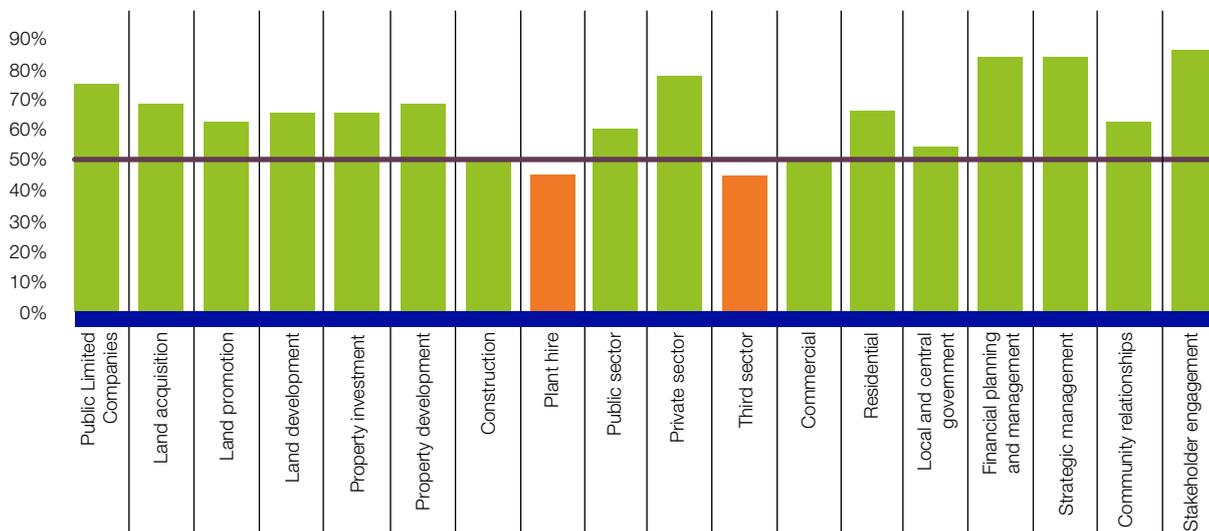
### Board skills assessment matrix

Each member of the Board was asked to self-assess against each skill, experience and knowledge category on each of the matrices that was relevant to them, ranking themselves from Very Strong to Limited as compared to an expert in that field. In any category where the aggregated ranking of the surveyed group was at or below the mid-point of the Good ranking, the Committee then considered the reasons for that assessment and any actions that should be taken to address it (set out in further detail below).

#### Technical skills\*



#### Knowledge and experience\*



#### Key

- Benchmark
- Exceeded benchmark
- Below benchmark

\* The data shown represents an average score of all Henry Boot PLC's Board members



# Corporate Governance Report



## Composition, success and evaluation

### Actions arising from the Board skills assessment

As a guide, the Committee considered four potential courses of action that it could consider against those points at or below the mid-point of the Good ranking. These were:

- 1 Do nothing
- 2 Buy in expertise (short-term, targeted)
- 3 Build expertise from within
- 4 Recruit expertise

In relation to those areas highlighted as amber, the Committee discussed and agreed the following actions:

	Area	Response	Action
<b>Board</b>	 <b>IT and cyber (skill)</b>	The Committee noted that in a business of this nature, it should not be considered unusual that its Board members would not have expertise in this area. They then considered activities that would give assurance as to the approach being taken by the subject matter experts within the business.	 <b>Buy in expertise (short-term, targeted)</b>  <b>Build expertise from within</b> The Head of IT was requested to provide a full report regarding the cyber security measures in place and being introduced for the Group. Following this report, the Committee considered whether any additional external expertise should be sought to provide further assessment of these activities.
	 <b>Plant hire (knowledge and experience)</b>	The members of the Board had undertaken to attend subsidiary Board meetings over the previous few years to build expertise in these areas, and felt that this was supplemented by the other members of the Board (the Chair and Executive Directors) who had a substantial knowledge of these areas.	 <b>Build expertise from within</b> Continue to attend subsidiary Board meetings, and to engage with the subsidiary Managing Directors to provide knowledge and information relevant to Board decisions.
	 <b>Third sector (knowledge and experience)</b>	Given that this was an area which was of less potential relevance to the Group, it was not felt that development of knowledge and experience in this area would be required.	 <b>Do nothing</b> Continue to assess if more knowledge and experience would be required in the longer term.

Overall, the Committee noted that, given that potential modesty may have had an influence on the scores given by individuals as to their proficiency in certain areas, and that in reality it was felt that their knowledge and skills were sufficient (and growing), there were no significant areas of concern. The Committee's view was that these represented less of an issue as to their ability to challenge practices throughout the Group and felt confident that it could assess and identify areas of challenge. The Committee also felt that it could be an area to focus on in future recruitment, where appropriate.

## Succession planning

As has been outlined in previous years, Henry Boot has been providing a Senior Leadership Development Programme (SLDP) through successive cohorts of its senior management during 2018–2019. Our investment in learning, development, talent and succession at all levels in the business is pivotal in achieving our key objectives:

- Delivering our purpose which is: “To empower and develop our people”, and ensure that this applies at all levels including our senior teams
- To strengthen our short and medium-term succession planning across the whole business, while providing the foundations for longer-term talent planning
- To provide the right level of development support to ensure that we all continue to make the maximum contribution to the wider business

At the end of 2019, the Nomination Committee received a report on the progress and findings arising out of the SLDP, including identifying broader trends for general adoption throughout the Group as well as individuals highlighted as being important to succession planning within the business.

In addition, the Committee has initiated the next programme which is aimed at our next layer of Leaders. The Leadership Development Programme (LDP) has one additional objective:

- To facilitate and foster cross Group working and learning

The LDP will take place within five cohorts during 2020 and will lead to further development activities and succession planning outcomes as a result. This important work sets the Group up well to identify its next layers of talent and ensure that they are given the environment in which to thrive.

## Director recruitment process

As discussed in the Q&A regarding the appointment of Tim Roberts, the Committee enlisted an independent executive search firm for assistance in its recruitment of Tim Roberts and is committed to doing so for all future recruitment exercises.

In addition, and as set out under Board Diversity Policy below, the Board will work with external recruitment consultants to provide support for Board appointments and will ensure that Non-executive Director long lists include both women and BAME candidates.

## Terms of Reference

All Committees reviewed and refreshed (where appropriate) their Terms of Reference during 2019, to ensure Code compliance and reflection of current practice. For the Nomination Committee, this refresh included:

- Updating the wording to bring the Terms of Reference in line with the Code to give an increased focus to diversity and inclusion, and the additional reporting disclosures for this report;
- Stipulating that the Committee composition should comprise a majority of independent NEDs and that the quorum should be two independent NEDs; and
- Increasing the minimum frequency of meetings from once to twice a year.

The revised Terms of Reference are available on request.

## Diversity policy

The Committee approved a Board Diversity Policy during 2019 which is aligned to the recommendations of the Hampton Alexander Review regarding gender diversity on Boards, and the Parker Review on BAME Board representation. Importantly, the Policy addresses the need for the Board to ensure that it is made up of an appropriate mix of skills, experience and knowledge required to effectively oversee and support the management of the Group, which is also addressed as part of its skills assessment detailed above.

As described in page 79, a substantial focus for the Group in 2020 and beyond is its approach to diversity and inclusion. The Committee recognizes the need for this to be carried through into the composition of the Board and is committed to seeking to improve Board diversity when appropriate opportunities arise. At 31 December 2019 we had 14% women on our Board. Figures for the number of women in senior management positions and across the Group are shown on page 54. It is recognised that there will be periods of change on the Board and that the optimum diversity balance may not be achieved for period of time while the Board is refreshed. However, it is our longer-term intention to achieve this balance.

## Board effectiveness and time commitment

The Committee discussed the skills, independence, length of tenure and time commitments of all the Directors and reviewed the results of the 2019 evaluations (see page 90 for more information) as well as the board skills evaluation completed during the year. During this process, we noted that Joanne Lake held directorships in other publicly listed companies including a chairmanship at Mattioli Woods plc, although she has stepped down as a Director at Green Man Gaming Holdings plc. Joanne’s time spent at her other directorships now equates to, on average, nine days a month (a reduction from 11 days per month previously) and therefore the Committee agreed that this leaves sufficient time to carry out her duties as a Director and as Chair of the Audit and Risk Committee. We do not see any indication that these other directorships negatively impact her contribution to the Group and remain wholly satisfied with her performance and input.

Following the review, I can confirm on behalf of the Committee that the performance of the Directors, the Board and its Committees, continues to be effective and that all individuals show commitment to their roles. As in previous years, all Directors (with the exception of John Sutcliffe) will seek re-election at the upcoming AGM, biographies are shown on pages 66 and 67.

Approved by the Board and signed on its behalf by

**Peter Mawson**

Chairman of the Nomination Committee

20 May 2020

# Corporate Governance Report



Audit, risk and internal control

## AUDIT AND RISK COMMITTEE REPORT

### JOANNE LAKE

Chairman of the Audit and Risk Committee



On behalf of the Board and the Audit and Risk Committee (the Committee), as Chairman of the Committee, I am pleased to present the Directors' Audit and Risk Report for the year ended 31 December 2019.

#### Review of the year

The Audit and Risk Committee has this year progressed with its internal audit activities, which are outlined below, as well as tackling a number of issues such as the commencement of the tendering exercise for the external auditor, and reviewing and developing the Group's approach to the assessment and monitoring of risk.

Those serving as members of the Committee were Peter Mawson, Gerald Jennings and myself (Committee Chairman). Jamie Boot and James Sykes stepped down and members of the Committee during the year, and on behalf of the Committee would I would like to thank James Sykes for his invaluable input and experience during his tenure as the Chairman.

The Committee met four times during the year, with its March and August meetings focusing on the approval of the full-year and half-year results. The other two meetings covered issues such as the internal audit plan and outcomes during 2019, arrangements with external auditors and risk evaluation.

#### Internal audit

Given the size of the Group and extent of the internal audit activities required, the Committee considers that an externally appointed internal auditor is appropriate. This provides independence to the internal audit activities as well as ensuring that any required areas of specialism and knowledge of audit processes can be provided by the auditor.

During the year, the following internal audit exercises were carried out:

Topic	Outline
<b>Procurement</b>	Providing assurance to management and the Audit Committee that effective processes are in place in relation to procurement of key suppliers and contractors, which comply with good practice.  Including a review of procurement activity ensuring it is designed to ensure value for money is achieved where appropriate and is in line with the wider strategic needs of the Group.
<b>Stonebridge payroll</b>	Relating to the key controls on the payroll systems within the Stonebridge companies, including consistency of the systems and processes within Stonebridge and their alignment to best practice and the wider group (which was reviewed in 2018).
<b>Management information and data quality</b>	Providing assurance over the quality and integrity of the data reported to the PLC Board and its Committees.
<b>Health and safety</b>	Considering the Group's health and safety framework and the controls in place in respect of work undertaken by contractors/sub-contractors within the development/construction activity. In addition, reviewing internal health and safety procedures including accident and incident reporting and investigation.
<b>Construction – cross cutting review</b>	Focusing on Henry Boot Construction activity, including how construction projects are approved and monitored through their life cycle.

The results of this internal audit activity will be considered by the Committee on an ongoing basis including any recommendations and the overall status of the audit result.

#### Internal audit effectiveness review

In order to assess the effectiveness of BDO as its internal auditor following its first full year of internal audits during 2018 and the first half of 2019, the Committee commissioned the carrying out of a survey throughout the Group. Upon presentation of the results of this survey, the Committee agreed that the overall feedback on the effectiveness of BDO was positive, particularly with regards to adding value to the business and providing a level of assurance that standards within all departments were as expected.

In relation to those areas where it had been suggested that there was room for improvement, the Committee considered some criticism that the internal auditors did not have specialist knowledge in some limited

areas, and lacked an in depth understanding of the business. The Committee acknowledges this feedback and has committed to ensure further upskilling of management on the role of the internal auditor to reset expectations, as well as acknowledging that the knowledge of the business by the internal auditor is in development and will progress moving through 2020.

### **Audit quality and approach to audit tender**

During the roadshows with investors carried out following the 2018 Annual Report publication, feedback was sought from investors regarding attitudes of the market to the external audit tender process. Feedback regarding market attitudes to the 'big 4' audit firms and the approach to auditing was taken into account in the Committee proposal documents and in the Group's approach to the market. Non 'big 4' audit firms were invited to participate to ensure a balance of approaches were assessed.

Areas in which the audit firms tendering were assessed were:

- Understanding the business
- People
- Approach
- Fees
- Team structure
- Sector experience
- Transition experience
- Added value/other comments

### **External audit tender process**

Having carried out its engagement with investors, the Committee approached a number of firms to assess interest and capability before embarking on its tender process, which is outlined below:

1. 8 July 2019 – invitation to tender issued containing instructions, information for tenderers regarding the Group and scope of the audit services required, and other relevant documents
2. 15 July 2019 – recipients of invitation confirm willingness to participate in process
3. September 2019 – opportunities given throughout the month for interested participants to engage with the Board, key management and finance team employees
4. 1 November 2019 – proposals to be submitted including:
  - a. Completion of template for submission of proposals
  - b. Draft terms of engagement
5. November 2019 – submission panel comprising the Chairman of the Committee, Chief Executive Officer, Group Financial Director, Non-Executive Director and Group Financial Controller evaluated the written proposals
6. 28 November 2019 – tenderers fulfilling the required criteria within their written proposals invited to present to the Audit and Risk Committee
7. December 2019 – provisional outcome of tender process discussed with Board
8. February 2020 – recommendation for appointment of external auditor presented for approval at Audit and Risk Committee and for ratification by the Board

9. March to June 2020 – appointed auditor handover process commences alongside incumbent auditor. Please see resolution 11 in relation to the appointment of Ernst Young
10. June 2020 – appointment of auditor comes into effect

A handover period during the audit of the 2019 financial results in which the appointed auditor has been incorporated into the process. This provides assurance to the Committee that a sufficient process of onboarding and familiarisation can occur prior to the 2020 audit so as to ensure a seamless transition to a new auditor, if necessary.

### **External audit effectiveness review**

Due to the tendering process being carried out during 2019, which involved an in depth analysis of both the incumbent and other audit firms in relation to the range of issues outlined above, the Committee felt that this provided a significant review of the activities and approach of the incumbent external auditor. It will be developing a thorough protocol in relation to the review of external auditor effectiveness during 2020 to apply from thereon.

### **Independence of the external auditors**

In order to ensure the independence of the external auditors, the Committee monitors the non-audit services provided by them to the Group and has adopted a policy on the provision of non-audit services by the external auditors with the objective that such services do not compromise the independence or objectivity of the external auditors.

The Committee is required to approve services provided by the external auditors in excess of £25,000. All other services below this threshold are also monitored to ensure that the performance of regulatory requirements is not impaired by the provision of permissible non-audit services.

Non-audit services undertaken by PwC during the year equated to 8.7% of the amount paid for audit fees. This work was in relation to the TSR comparator group, and a review of the Group's half-year results. It was felt appropriate that PwC undertake this work due to their existing knowledge of the Group's arrangements. Details of all amounts paid to the auditors for audit services are set out in note 3 to the Financial Statements. KPMG continued to provide the Group's taxation services for the year ended 31 December 2019.

In accordance with best practice, the Company requires its external audit partner to rotate every five years. The statutory auditor signing the Audit Report is Ian Morrison, who replaced Andy Ward in 2018 having served for five years as audit partner.

The Committee members meet the audit partner and other members of the audit team without management present to discuss any potential areas of concern. There are no matters to report in relation to this. The Committee also reviews a letter from the external auditors on an annual basis outlining the measures taken by them to ensure that their independence is not compromised. The Committee review the safeguards and policies in place to maintain a high level of objectivity.

Following a review of all these elements, the Committee is satisfied that the independence and objectivity of the external auditors is not impaired and that the amount of non-audit fees is at a level which does not compromise the overall quality and rigour of the work undertaken.

# Corporate Governance Report



## Audit, risk and internal control

### AUDIT AND RISK COMMITTEE REPORT

#### Effectiveness of risk management and internal controls

Risk assessment and risk management reporting across the Group has continued to be monitored during the year. Details of the key risks which the Group faces, the key controls in place to control those risks and the enhanced system of risk management adopted by the Company are set out in more detail on pages 44 to 50. The Committee, and ultimately the Board, oversee these processes and review the risk reporting and principal and emerging risks on an ongoing basis.

#### Significant issues

The Committee considered the following key accounting issues and matters of judgement in relation to the Group's Financial Statements and disclosures. In addition to these disclosures, the Independent Auditor's Report on pages 122 to 125 discusses other key audit matters which were also considered by the Committee.

Focus	Matters considered	Committee outcome
<b>COVID-19, Going Concern &amp; Viability</b>	<p>Following the outbreak of the COVID-19 pandemic, management revised the Group's expectation of cashflows and profitability for the next 15 months presenting this to the Committee as a revised base case scenario, modelling a 3 month UK lock down, whilst acknowledging the existing uncertainty brought by the pandemic.</p> <p>Further to this, revisions were made to model a 6 month UK lock down, with limited activity being undertaken, followed by a gradual return to work in a subdued economy, representing management's expectation of what a significant downside scenario might look like.</p>	The Committee critically reviewed the assumptions made by management in formulating both their revised base case scenario and the downturn revisions. The Committee, having reviewed the output of these models, concluded that they are comfortable that the Group has adequate resources, liquidity and available bank facilities to continue in operational existence for the foreseeable future
<b>Valuation of investment properties</b>	<p>The investment property portfolio accounts for a large proportion of the Group assets and the assessment is subject to a degree of judgment and assumptions.</p> <p>In line with our accounting policy, investment properties are valued at fair value. Other than houses, the portfolio is valued twice a year by external, independent valuers. Assets under construction are valued by management at fair value using the residual method.</p>	The Committee critically reviewed the valuations and any key movements during the year. Having discussed the valuations during the meeting and considered PwC's assessment, the Committee was comfortable with the values adopted.
<b>Valuation of inventory</b>	<p>Inventories are stated at the lower of cost and net realisable value.</p> <p>Inventories comprise all the direct costs incurred in bringing the individual inventories to their present state at the reporting date, less the value of any impairment losses.</p> <p>Net realisable value is considered in the light of progress made in the planning process, feedback from local planning officers, development appraisals and other external factors that might be considered likely to influence the eventual outcome.</p>	During the year the Committee critically reviewed the carrying value of inventories and judgements in relation to recoverable amounts. Following discussions with PwC, the Committee was satisfied that the carrying values are appropriate.
<b>Construction contract accounting judgements</b>	<p>As explained more fully in our accounting policy on construction contracts, a significant element of turnover is attributable to construction contracts.</p> <p>Contract costs and revenues may be affected by a number of uncertainties that are dependent on the outcome of future events and therefore estimates may need to be revised as events unfold and uncertainties are resolved.</p>	During the year, the Committee examined the judgements and methodologies applied to uncertainties and were in agreement with the position adopted.
<b>Valuation of pension scheme liability</b>	<p>The Group sponsors a funded defined benefit pension scheme in the UK which is valued under the provisions of IAS 19. The pension scheme is valued by a qualified independent actuary, using the projected unit method, at each accounting period end.</p>	<p>The Committee critically reviewed the assumptions used by the actuary in performing these valuations, in particular the appropriateness of the rate of inflation used.</p> <p>Subject to discussion and assurance from the external auditor, the Committee was satisfied with the appropriateness of the key assumptions used to calculate the liability.</p>

#### Terms of Reference

During 2019, the Committee reviewed its Terms of Reference in line with the scope of its operations, and the requirements of the Code, to ensure that they remained appropriate. No substantive changes were indicated as part of that review and the Terms of Reference were reapproved, and are available on request.

#### New banking facility

During 2019 the Company undertook an invitation to tender with a number of banks for proposals to replace the existing Group banking facility, which is due to expire on 17 February 2020. Negotiations concluded towards the end of 2019 with Barclays Bank PLC, HSBC UK Bank plc and National Westminster Bank Plc being the Company's chosen banking partners. The new facility commenced 23 January 2020 on improved terms. Full details of the new facilities can be found in note 25 to the Financial Statements on page 165.

Approved by the Board and signed on its behalf by

**Joanne Lake**

Chairman of the Audit and Risk Committee

20 May 2020



# Corporate Governance Report



## Audit, risk and internal control

### Risk management and internal controls

The Board is responsible for determining the nature and extent of the Company's principal risks, and for monitoring any emerging or heightened risks. During the year, the Board agreed the principal risks facing the Company and carried out a robust assessment of these risks. See pages 49 and 50 for more details and the Company's viability statement.

Within its risk assessment matrix, the Board also reviews the Company's internal control arrangements pertaining to each risk, and operates a system that is reviewed regularly for effectiveness. The process is designed to manage, rather than eliminate, the risk of failure to achieve the Company's business objectives as it can only provide reasonable, not absolute, assurance against material misstatement or loss. The Board requires formal risk registers to be produced in a structured format for every subsidiary and PLC department, to be reviewed at least every six months and to be considered at each subsidiary Board meeting. The Board is satisfied with the current system in place and can confirm that no material weaknesses have been identified in the year.

The following key processes are considered by the Board to provide effective management of significant risks to the business:

### The business organisation and structured reporting framework

Each of the Company's activities is monitored through bimonthly management meetings and formal bimonthly subsidiary company board meetings. The latter are attended by the Board's Executive Directors. Formal lines of responsibility and levels of authority are in place within each subsidiary company. Annual plans, budgets (for three years) and performance criteria for each business are set by the Executive Directors and performance against these targets is reviewed regularly by the Board. Annual profit forecasts and 15-month cash flow forecasts are produced on a monthly basis. The Board monitors the risks and associated controls over financial reporting processes, including the consolidation process.

The financial reporting controls are monitored and maintained through the use of internal control frameworks which address key financial reporting risks, including risks arising from changes in the business or accounting standards. Operations on the ground are also monitored frequently by way of visits to sites, depots, properties and regional offices by the Executive Directors.

### Centralised operations

Specific risks and compliance issues associated with Health and Safety, treasury and banking operations, finance, payroll, company secretarial, pensions, legal, human resources and training, public and investor relations, corporate communications, information communication technology, and insurance are managed centrally and report functionally to the appropriate Company officer responsible for that particular operation.

### Internal controls

Each operation reviews its own system of internal controls and reports twice a year to the Audit and Risk Committee:

### Business procurement

All development appraisals, land purchases and options, and construction contracts above a set value require the authority of the Executive Directors to proceed. A strict routine covering the authorisation of capital expenditure is in place and Board approval is required for any corporate acquisition or disposal.

### Day-to-day operations

Responsibility for running the day-to-day operations and for reviewing the associated systems of control is devolved to each subsidiary company Managing Director. Policy and procedure manuals cover certain aspects of operations, such as Health and Safety, with the balance of the operations being governed by procedures set out in contracts and risk assessment and mitigation measures typically set out in project-specific documents such as Board reports and project updates. The subsidiary company Managing Directors review and report to the Audit and Risk Committee on the effectiveness of the systems of internal controls in place and any matters of concern are raised at Board meetings; the Board is satisfied with current arrangements, which will be kept under review.

### Whistleblowing arrangements

The Company has a whistleblowing policy in place for all employees of the Group, via an independent external third party, to confidentially report any malpractice or matters of concern they have regarding the actions of employees, management and Directors and any breaches of the Company's Ethics, Anti-Bribery and Corruption, HR and Governance policies. Employees are also encouraged to "speak out" via a series of posters.

### Governance Policies

Our Governance Policies (including ethics, whistleblowing, competition law, gifts and hospitality, data protection and staff purchases) are continually monitored and reviewed, with the latest refresh being carried out in February 2019 for issue to all Group employees, external suppliers and service providers.

Mandatory online training in relation to a number of areas including data protection, prevention of the facilitation of tax evasion and Competition Act compliance was carried out with all employees during the year, and is scheduled for regular refresh alongside the Group's wider suite of e-learning. All policies reflect and refer to the Group's values, and further training will be delivered on all relevant topics as appropriate.

The Anti-Bribery and Corruption, Anti-Slavery and Ethics Policies are also relevant for third parties who perform services for or on behalf of the Group. The Group expects those persons to adhere to these policies or have in place equivalent policies and procedures to combat bribery and corruption as well as the threat of slavery in their supply chain.

## CORPORATE GOVERNANCE STATEMENT 2019

### Compliance statement

During 2019 the Board and its Committees have been carrying out extensive work to ensure wherever possible that compliance with the Code can be achieved, improving its operations and governance. The Company has complied with all the principles of the UK Corporate Governance Code 2016 for the year ended 31 December 2019 and the vast majority of the provisions. This is demonstrated throughout this Corporate Governance report, and of particular note are the issues below with references to further detail as applicable. However, as in previous years, there are some instances where the Company has chosen to take advantage of the flexibility offered with the “comply or explain” rule when applying certain provisions.

Given our 130-year history as a family business, and as a FTSE SmallCap company, we have adopted alternative solutions to the Provisions where we believe this is appropriate. The Code recognises that good governance can be achieved by other means and the Board believes the approach we have taken is the most appropriate for the Company and its shareholders whilst remaining consistent with the spirit of the Code.

### Provisions 9 and 19

As previously disclosed, the Chairman was not independent on appointment, having served as Group Managing Director and member of the Board for 29 years. The Board continues to support this appointment based on the extensive knowledge of the Group and industry that Jamie Boot brings to the role and to Board discussions. During the current climate of political and economic uncertainty, Jamie offers a vast amount of experience, having weathered downturns such as the financial crisis in 2008. He guided the Company successfully through this period, reducing levels of gearing and bringing about opportunities that the Company is still benefiting from today.

In order to mitigate independence concerns, three independent Non-executive Directors were appointed at the time Jamie became Chairman in 2015. It is this balance of Jamie’s experience, mixed with the fresh, external perspective of the three independent Non-executive Directors, that helps to provide a level of balance and challenge around the boardroom table. As a family business that has been in operation for over 130 years, it was also deemed appropriate for Jamie to remain on the Board to represent the interests of him and his family members.

### Provision 11

The Board considers that there is an appropriate balance of independent and non-independent Directors having regard to the size and nature of the business. At the beginning of 2020 both Tim Roberts and John Sutcliffe will be Executive Directors on the Board, leading to there being less than half the Board comprising independent Non-executive Directors during that time. However, this is an important aspect of the handover of the role to the Group’s new Chief Executive ensuring a smooth transition and allowing time for Tim to familiarise himself with the Group and its operations, and following this limited period the Board composition will return to a Code compliant one.

### Provision 14

The Board’s roles and responsibilities have recently been reviewed and refreshed and approved by the Board, and is publicly available via our website.



### Provision 15

The Nomination Committee reviews external time commitments of all appointees on appointment, and this is reviewed and kept under consideration on a continuing basis (see page 93 in the Nomination Committee Report).

### Provision 23

This year’s report includes increased disclosure on the work of the Nomination Committee (see Report on page 93) including the introduction this year of a Board Diversity Policy.

### Provisions 24 and 32

In previous years, both Jamie Boot and James Sykes have served as members of both the Audit and Risk and Remuneration Committees, despite not being independent on appointment, due to their considerable knowledge and experience in these areas. During 2019, following shareholder feedback, the Nomination Committee took the decision in conjunction with Jamie and James for them both to step down as members of those Committees. To replace James as Chair of the Audit and Risk Committee, Joanne Lake was appointed, stepping down as Chair of the Remuneration Committee. Gerald Jennings was appointed as Chair of the Remuneration Committee in place of Joanne. All three of the Committees now have independent Non-executive Directors as their Chairs, and there are now no non-independent members of either the Audit and Risk or Remuneration Committees. Jamie and James may be invited to attend meetings of those Committees to provide the benefit of their knowledge and expertise, and to promote the interests of shareholders, as applicable.

### Provision 38

The pension contribution rate for Tim Roberts, the most recent appointed Executive Director on the Board, has been aligned with that of the wider workforce. It is noted that the contribution for Darren Littlewood will require alignment and the Remuneration Committee is committed to achieving this within the required timescale of 2022.

### 20% vote against – AGM

At the AGM in 2019, no resolution proposed received more than 20% of the vote against them. To take into account previous votes against received during 2018, the composition of the Committees has been realigned with the Code, further details of this are set out above.

Approved by the Board and signed on its behalf by

**Amy Stanbridge**  
Company Secretary

20 May 2020

# Corporate Governance Report



## Remuneration

### DIRECTORS' REMUNERATION REPORT

Statement from the Chairman of the Remuneration Committee

#### GERALD JENNINGS

Chairman of the  
Remuneration Committee



We strongly believe that our Directors' Remuneration Policy is closely aligned to the achievement of the Company's business objectives and therefore to our shareholders' interests.



**Gerald Jennings**

Chairman of the Remuneration Committee

On behalf of the Board and the Remuneration Committee (the Committee), as Chairman of the Committee, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2019.

Naturally, the Committee along with the Board and management teams more generally, have been monitoring the position regarding the unfolding COVID-19 pandemic. In relation to remuneration issues, the Committee has been very aware that maintaining the anticipated bonuses and salaries for its Directors would not be desirable in the current climate, where a proportion of the Group's employees have been furloughed and where the Group has had to take difficult decisions regarding its cashflow and resulting dividend payments. As a result, the Board has taken the decision to award half of the anticipated bonus for all employees, including the Executive Directors, in relation to its 2019 results. This difficult decision recognises that the Group achieved a great result in 2019 that deserves recognition, but also reflects the unprecedented economic position that Henry Boot, like all other companies, faces in dealing with the effects of this pandemic. In addition, the Board (both Executive and Non-executive Directors) have agreed, ratified by the Committee, to take a 20% reduction in their base salary or fees (as applicable) for the duration of the most severe impact of this pandemic. This position will be revisited later in the year when more accurate forecasts of the effects can be formulated.

In relation to the 2020 personal objectives for Tim Roberts and Darren Littlewood, the position set out in the Report at page 108 will remain under review to ensure that all objectives continue to be appropriate to reflect the unfolding impact on the Group. The Committee has reviewed and reflected on whether any specific COVID-19 performance targets should be included, but have concluded that the general personal objectives previously agreed and set out within this

report (such as achievement of safety objectives, developing the Group's strategy and succession planning) continue to relate more widely to the successful operation of the Group including the recovery of the business taking into account the after-effects of this pandemic.

#### Review of the year

This year we have:

- Reviewed, recommended and monitored the level and structure of the remuneration packages of the Executive Directors and senior management;
- Set and approved the remuneration package for the Executive Directors; and
- Determined a balance between base pay and performance-related elements of the remuneration package in an effort to align the interests of shareholders with those of the Executive Directors.

The Committee met two times during the year, with full attendance by all Committee members.

Those serving as members of the Committee for the whole of 2019 were Joanne Lake, Peter Mawson and myself (Committee Chairman). Jamie Boot and James Sykes stepped down as members of the Committee during the year, and I was appointed as Committee Chairman in place of Joanne Lake – for further details on this please see page 99. Biographies of the current members of the Committee are shown on pages 66 and 67.

During the year John Sutcliffe, Chief Executive Officer, as well as Jamie Boot, James Sykes and Tim Roberts, attended the meetings with the Committee upon request, in order to assist on matters concerning other senior Executives within the Group. John Sutcliffe and Tim Roberts were not present during any part of the meeting where their own remuneration was discussed.

## Role of the Committee

The primary role of the Committee is to:

- Review, recommend and monitor the level and structure of the remuneration packages of the Executive Directors and senior management;
- Set and approve the remuneration package for the Executive Directors; and
- Determine a balance between base pay and performance-related elements of the remuneration package in an effort to align the interests of shareholders with those of the Executive Directors.

## Executive remuneration outcomes for 2019

In the current market conditions, the 2019 results remained impressive, delivering £49.1m of pre-tax profit. In 2019 the combined overall remuneration of the Executive Directors, on a like-for-like basis, decreased by 7.9%, and 6.6% including the costs of our Non-executive Directors.

Salaries of the Executive Directors were increased by 4.0% at 1 January 2020 and by 5.1% at 1 January 2019, compared to an increase across the Company in total of 5.8% during 2019 and of 4.0% at 1 January 2020.

Bonuses had been calculated in line with the Remuneration Policy approved at the AGM in May 2018, but have subsequently been adjusted in accordance with the COVID-19 pandemic update (see on page 06). Target profit was set at £43.0m. Upon recommendation from John Sutcliffe and Darren Littlewood, which was accepted by the Committee, this profit target was adjusted upwards to £45.0m to reflect the goodwill created by the Starfish acquisition. This goodwill adjustment is in addition to the Starfish trading loss of £2.0m taken through the profit and loss account and within the £49.1m PBT result. The effect of this goodwill adjustment is to reduce the bonus percentage by 7.6%, where the overall bonus percentage before adjustment would have been 71.3%, to a total of 63.7%.

In addition, the Remuneration Committee set individual targets as laid out on page 107, relating to an additional 20% of salary potentially awardable as bonus. The Remuneration Committee considers that John Sutcliffe achieved 70% of these targets and Darren Littlewood achieved 77.5%.

Therefore, the total notional bonus for John Sutcliffe was 77.7% of salary, and for Darren Littlewood was 79.2% of salary. In accordance with the COVID-19 pandemic update, these bonuses were then reduced by 50%.

Long Term Incentive Plan (LTIP) shares vesting, based on performance for the three years to 31 December 2019, were granted in line with the Remuneration Policy adopted at the AGM in 2015. The performance criteria for these awards are:

- i. Up to 33.3% of the award is dependent on growth in Earnings Per Share being ahead of inflation;
- ii. Up to 33.3% of the award is dependent on the average Return On Capital Employed;
- iii. Up to 33.4% of the award is dependent on Total Shareholder Return compared with a comparator group of companies and indices.

For these awards, the actual performance against the targets to 31 December 2019 was:

- i. Earnings Per Share growth was 36% against the target of 16% (being inflation growth plus 7%) and, therefore, this part of the award vests in full;
- ii. Return On Capital Employed was 17.44% on average against the maximum target of 13% and, therefore, this part of the award vests; and
- iii. Total Shareholder Return of 47.2% was below the median when set against the comparator group and, therefore, no part of the award vests.

Therefore, the award of LTIP shares to John Sutcliffe is 107,002 shares, and to Darren Littlewood 48,320 shares.

## Consultation with shareholders

Whilst there has been no formal contact with shareholders regarding the Remuneration Policy during 2019, it is in line with that which was approved by shareholders at the AGM in 2018. The Remuneration Policy will be reviewed and updated and then put to a shareholder vote again at the AGM in 2021.

## The application of Directors' Remuneration Policy for 2020

- Following a review by the Committee, John Sutcliffe was awarded a nil% pay rise and Darren Littlewood was awarded a 12.5% pay rise. The Non-executive Directors were awarded a 3.0% uplift in basic salary or fees for the year commencing 1 January 2020. The average across the workforce as a whole was 4.0% at 1 January 2020. The rise for Darren Littlewood relates to the final planned increase set out within his four year transitional plan to Group Finance Director and is in line with previous disclosures. The Committee has undertaken to carry out a benchmarking exercise of Darren Littlewood's pay in comparison with market standards during 2020. However, the position regarding the 20% salary and fee reduction for Executive and Non-executive Directors in the COVID-19 pandemic update will temporarily affect these figures during 2020.
- The bonus opportunity for the Executive Directors is detailed in the Remuneration Policy and will apply as laid out in the policy.
- The profit before tax target is considered commercially sensitive and will therefore be disclosed retrospectively, as we have done in respect of prior years.
- LTIPs will be awarded under the 2015 scheme rules which include clauses in respect of clawback and malus in line with generally accepted guidelines and the updated UK Corporate Governance Code. The performance targets will be in accordance with the Remuneration Policy. It is expected that the award will be at a level equal to 100% of salary, subject to exercise the Committee's description which is outlined on page 109.

# Corporate Governance Report



## Remuneration

### DIRECTORS' REMUNERATION REPORT

Statement from the Chairman of the Remuneration Committee

Clawback and malus conditions will be applied to both the bonus and LTIP elements of remuneration in 2020. Specifically, this will arise if the Committee considers that there has been a material misstatement within the subsidiary or Group Financial Statements; or a material error in the calculation of any performance condition; or materially inaccurate or misleading information, or in the case of action or conduct of the participant which amounts to fraud or gross misconduct or has a material detrimental effect on the reputation of the Group. Any future awards will also be subject to clawback of all or part of the award during a two-year period in the above circumstances.

The report has been prepared in accordance with the requirements of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The report sets out payments and awards made to the Directors and details the link between performance and remuneration for 2019. The report, and this Chairman's letter, is subject to an advisory shareholder vote at this year's AGM (please see Resolution 3) with the exception of:

- i. The Total Shareholder Return graph;
- ii. The Executive Directors' remuneration history and remuneration change tables;
- iii. The relative importance of spend on pay tables; and
- iv. The consideration by the Directors of matters relating to remuneration and the statement of shareholder voting.

The information set out on pages 100 and 111 of the Directors' Remuneration Report is subject to audit.

#### Summary of the Committee's activity during 2019

During 2019 the Committee met twice and discussed a range of matters relating to:

- Approval of Executive Directors' base pay for 2020. The only salary increase at 1 January 2020 was £25,000 (11%) for Darren Littlewood to £250,000, which relates to his transition in role to Group Finance Director and is in line with previous disclosures, being the last of the scheduled increases that has been approved of this nature. The figure takes into account feedback from institutional investors and proxy agencies over the year; review of senior management base pay for 2020 and monitoring wider workforce remuneration, including information on average annual salary increases across the Group and gender pay gap data, as well as giving consideration to the Directors' duties under s.172 of the Companies Act. As noted above, the position regarding the 20% salary reduction for Executive Directors in the COVID-19 pandemic update will temporarily affect these figures during 2020;
- Review of Executive Directors' performance against the Annual Bonus criteria and LTIP metrics, and set targets and criteria for the upcoming year;

- Approval of the grant of CSOP options to all eligible employees across the Group;
- Alignment of executive pensions with those of the wider workforce (page 99 contains more details on this);
- Commencement of work on a Group-wide Total Reward Strategy to ensure alignment transparency, to ensure alignment and transparency;
- Review of the Committee Terms of Reference (for more information see page 103); and
- Evaluation of Committee performance in 2019 and agreed actions for 2020 (set out on the Board Evaluation pages 84 to 87).

#### Compliance with the UK Corporate Governance Code

The Committee has throughout the year been reviewing the requirements of the Code and determining the actions it needs to take throughout the organisation to ensure compliance. As stated above, the Remuneration Policy will be updated during 2020, to be brought for approval at the 2021 AGM. This process will be conducted in conjunction with external remuneration consultants (the appointment of which commenced during 2019) to ensure that all provisions and principles of the Code are adhered to and that best practice is captured.

We are also anticipating a substantial degree of consultation with our key stakeholders, most importantly our employees and shareholders, regarding the provisions of this new Remuneration Policy. It is key that the Committee is aware of and takes account of these views prior to formalising its policy approach. This will also enable us to demonstrate full compliance with provision 40 of the Code, particularly:

- Clarity – by promoting engagement with stakeholders as explained above;
- Predictability – the range of potential outcomes arising as a result of the Policy to be explained at the point of consultation and approval;
- Simplicity – ensuring that outcomes are clear and can be understood by a range of stakeholders, which will be the ultimate test of its structure.

The Remuneration Committee is committed to achieving full compliance with the Code as part of its further work during 2020, and in particular, full compliance with provision 40, through its revised Remuneration Policy. The areas in which compliance with this provision can already be demonstrated include:

- Proportionality – the achievement of personal objectives relates to the performance of the company and does not reward poor performance; and
- Alignment to culture – personal objectives are reflective of the Group's core Values and its strategic objectives.

These are issues we are pleased to be developing further during 2020 to ensure our approach to remuneration is as robust, transparent and effective as possible.



## External Advisers

The Committee's main advisers are set out below:

Adviser	Area of advice	Fees paid
<b>DLA Piper UK LLP</b>	Advice relating to share scheme matters. The Remuneration Committee considers that the advice DLA has given throughout the year is legal advice in compliance with relevant legislation.	£2,650
<b>PWC LLP</b>	Advice in relation to the TSR comparator group.	£3,000

## Terms of Reference

All Committees reviewed and refreshed (where appropriate) their Terms of Reference during 2019, to ensure Code compliance and reflection of current practice. For the Remuneration Committee, this refresh included:

- Updating the wording to bring the Terms of Reference in line with the 2018 UK Corporate Governance Code;
- In line with the Code, extending the Committee's remit to cover senior management and oversight of the wider workforce, acknowledging additional reporting disclosures and the need for discretion to override formulaic outcomes where appropriate; and

- stipulating that all the Committee should be independent NEDs following the composition changes during 2019 and that the quorum should be reduced from three to two independent NEDs.

The revised Terms of Reference are available on request.

Should you have any queries or comments, then please do not hesitate to contact me or the Company Secretary as we most certainly value dialogue with our shareholders. Our Directors' Remuneration Policy, which was approved at the AGM on 24 May 2018, remains unchanged and is available to view and download on the website: [www.henryboot.co.uk](http://www.henryboot.co.uk)

We strongly believe that our Directors' Remuneration Policy is closely aligned to the achievement of the Company's business objectives and therefore to our shareholders' interests.

I therefore hope that you will be able to support the Directors' Remuneration Report at this year's AGM.

### Gerald Jennings

Chairman of the Remuneration Committee

20 May 2020

# Corporate Governance Report



## Remuneration

### DIRECTORS' REMUNERATION REPORT

Remuneration at a glance

#### Executive Directors' Remuneration Policy

Elements of Executive Directors' pay

John Sutcliffe

2019

2018

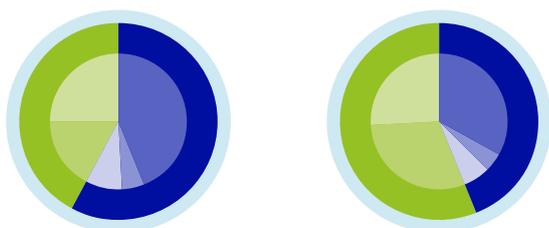


	2019	2018
<b>Fixed:</b>	<b>54%</b>	40%
● Base salary	78%	78%
● Taxable benefits	7%	7%
● Pension-related benefits	16%	16%
<b>Performance-linked:</b>	<b>46%</b>	60%
● Annual bonus	35%	48%
● Long-term incentive plan	65%	52%

Darren Littlewood

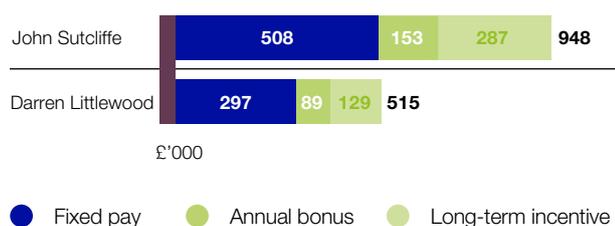
2019

2018



	2019	2018
<b>Fixed:</b>	<b>58%</b>	44%
● Base salary	76%	75%
● Taxable benefits	9%	10%
● Pension-related benefits	15%	15%
<b>Performance-linked:</b>	<b>42%</b>	56%
● Annual bonus	41%	54%
● Long-term incentive plan	59%	46%

#### Single total figure of remuneration for Executive Directors for year ended 31 December 2019



#### Key performance indicators (KPIs) performance for year ended 31 December 2019

Annual bonus	Key
Profit before tax	✓ At or above stretch target
£49.1m	— Between threshold and stretch target
	✗ Below threshold target

#### LTIP 3 year performance

Earnings per share	Total shareholder returns	Return on capital employed
✓ 36%	✗ 47.2%	✓ 17.4%

## Annual Report on Remuneration

The labelled parts of the Directors' Remuneration Report are subject to audit.

### Single total figure of remuneration (Audited)

The table below reports the total remuneration receivable by Directors in respect of qualifying services during the year.

Year ended 31 December 2019	Salary and fees £'000	Taxable benefits £'000	Annual bonus £'000	Long-term incentives <sup>1</sup> £'000	Pension-related benefits £'000	Total £'000
John Sutcliffe	395	34	153	287	79	948
Darren Littlewood	225	27	89	129	45	515
Jamie Boot	88	—	—	—	—	88
James Sykes	46	—	—	—	—	46
Joanne Lake	46	—	—	—	—	46
Gerald Jennings	46	—	—	—	—	46
Peter Mawson	46	—	—	—	—	46
	<b>892</b>	<b>61</b>	<b>242</b>	<b>416</b>	<b>124</b>	<b>1,735</b>

Year ended 31 December 2018	Salary and fees £'000	Taxable benefits £'000	Annual bonus £'000	Long-term incentives <sup>2</sup> £'000	Pension-related benefits £'000	Total £'000
John Sutcliffe	390	33	360	389	78	1,250
Darren Littlewood	200	26	182	155	39	602
Jamie Boot	85	—	—	—	—	85
James Sykes	45	—	—	—	—	45
Joanne Lake	45	—	—	—	—	45
Gerald Jennings	45	—	—	—	—	45
Peter Mawson	45	—	—	—	—	45
	<b>855</b>	<b>59</b>	<b>542</b>	<b>544</b>	<b>117</b>	<b>2,117</b>

1. The value of long term incentives has been estimated using the average share price for the period 1 October 2019 to 31 December 2019 of £2.68.

2. The value of long term incentives has been adjusted from the average share price for the period 1 October 2018 to 31 December 2018 of £2.61, to the price on the day the shares were issued of £2.53.

Taxable benefits include the provision of a company car or a cash allowance alternative, permanent health insurance and private medical insurance. The value of benefits is not pensionable.

The information in the single total figure of remuneration in the table above is derived from the following:

<b>Salary or fees</b>	The amount of salary or fees received in the year.
<b>Taxable benefits</b>	The taxable benefits received in the year by Executive Directors.
<b>Annual bonus</b>	The value of bonus payable and the calculations underlying this are disclosed on pages 106 and 107
<b>Long-term incentives</b>	The value of LTIPs are those related to shares that vested as a result of the performance over the three-year period ended 31 December of the reporting year.
<b>Pension-related benefits</b>	Pension-related benefits represent the cash value of pension contributions or salary in lieu of contributions received by Executive Directors at a rate of 20% of salary.

# Corporate Governance Report



## Remuneration

### DIRECTORS' REMUNERATION REPORT

#### Individual elements of remuneration

##### Base salary and fees

Executive Directors

	Salary effective from		
	1 January 2020	1 January 2019	1 January 2018
	£	£	£
Tim Roberts	430,460	n/a	n/a
John Sutcliffe	395,000	395,000	390,000
Darren Littlewood	250,000	225,000	200,000

On 1 January 2018, the basic salary increase for the Chief Executive Officer was 0.64%, on 1 January 2019 the basic salary increase was 1.28% and, following the appointment of Tim Roberts, on 1 January 2020 the basic salary increase was 8.98%. At 1 January 2016, Darren Littlewood was appointed Group Finance Director and received a remuneration package which the Committee, following review, has uplifted over the years 2017–2020 at a rate of £25,000 per annum. Average salary increases for the wider employee population were 4.7% from 1 January 2018, 4.1% on 1 January 2019 and 4.0% on 1 January 2020.

The Company's policy on base salary continues to be to provide a fixed remuneration component which is comparable with similar companies, taking into account the need to attract, motivate and retain Directors of an appropriate calibre to achieve the Company's objectives without making excessive payments. When setting the pay of Directors, the pay and employment conditions of employees across the Group are taken into account by the Committee. As with employees, Directors' rewards are based on their role, their performance and the market rate for the job. Directors' basic salaries and benefits, where applicable, are reviewed annually, taking

#### Bonus

The Executive Directors participate in an annual bonus scheme. This is calculated by reference to pre-tax profits achieved in the year compared to a target profit which takes into consideration the year's financial budget, City expectations and previous years' profits.

#### Summary of bonuses earned for 2019 (Audited)

Measure	Maximum award as % of salary	2019 % of target	2019 target range	Bonus payable as % salary	Actual performance	Actual bonus value achieved (% of salary)	
						John Sutcliffe	Darren Littlewood
Profit before tax	100%	90%	£38.7m	10%	£49.1m	63.7%	63.7%
		100%	£45.0m*	50%			
		120%	£54.0m	80%			
		150%	£67.5m	100%			
Personal objectives	20%	See below				14.0%	15.5%
Bonus amount achieved as % salary						77.7%	79.2%
Bonus amount earned						£306,915*	£178,200*
Maximum bonus as % salary						120%	120%
Bonus amount achieved as % maximum**						64.8%*	66.0%*
Bonus amount awarded**						£153,457.50	£89,100.00

\* Upon recommendation from John Sutcliffe and Darren Littlewood, which was accepted by the Committee, this profit target was adjusted upwards to £45.0m to reflect the goodwill created by the Starfish acquisition. This goodwill adjustment is in addition to the Starfish trading loss of £2.0m taken through the profit and loss account and within the £49.1m PBT result. The effect of this goodwill adjustment is to reduce the bonus percentage by 7.6%, where the overall bonus percentage before adjustment would have been 71.3%, to a total of 63.7%.

\*\* Amended figures taking into account 50% reduction in bonus as set out in COVID-19 pandemic update.

into account individual performance and published remuneration information. As noted above, the position regarding the 20% salary reduction for Executive Directors in the COVID-19 pandemic update will temporarily affect these figures during 2020.

Benefits include the provision of a company car or a cash allowance alternative, permanent health insurance and private medical insurance. The value of benefits is not pensionable and is set out for each Director in the table of Directors' remuneration.

#### Non-executive Directors

	Fees effective from		
	1 January 2020	1 January 2019	1 January 2018
	£	£	£
Jamie Boot	90,176	87,550	85,000
James Sykes	47,740	46,350	45,000
Joanne Lake	47,740	46,350	45,000
Gerald Jennings	47,740	46,350	45,000
Peter Mawson	47,740	46,350	45,000

Non-executive Directors are remunerated on the basis of their anticipated time commitment and the responsibilities entailed in their role. There are no service agreements in place for the Non-executive Directors and they do not participate in any of the Company's incentive arrangements or the Company pension scheme. The fees above are inclusive of the responsibilities for Nomination, Audit and Risk, and Remuneration Committees, and the Senior Independent Non-executive Director. Any newly appointed Non-executive Director is expected to serve for an initial period of at least three years. Terms and conditions of appointment relating to Non-executive Directors are available for inspection at the registered office of the Company.

Any bonus amounts are paid in cash and are subject to malus and clawback provisions within the scheme.

Bonuses were paid in line with the Directors' Remuneration Policy approved at the AGM in May 2018. Target profit was set at £43.0m, 1.9% ahead of the target set in 2018.

The Remuneration Committee also set individual targets as follows:

### 2019 personal objectives – John Sutcliffe

1	Create and lead the delivery of the Group's strategy via the implementation of the Group's key business priorities.
2	Communicate the Group's Purpose, Vision and Values both internally and externally.
3	Develop and refine succession plans whilst progressing with identification and development of successors.
4	Support good health and safety practices around the Group, to reduce the risk of any major health and safety incidents occurring.
5	Attract new shareholders to the register and create stronger relationships with existing shareholders and analysts.
6	Support legal and regulatory compliance, and initiatives around the Group which meet related deadlines.
7	Endorse initiatives that reduce the gender pay gap and promote diversity within the Group.

### 2019 personal objectives – Darren Littlewood

1	Support delivery of the Group's strategy via the implementation of the Group's key business priorities.
2	Ensure no breach of bank covenants while improving and extending the Group's existing and potential banking relationships.
3	Tendering the Group's banking facility and having a renewal contract in place before the year end.
4	Improve financial reporting to the business, investment community and other stakeholders.
5	Engage with shareholders and analysts to create a stronger relationship to the Group.
6	Oversee the development of the finance team's profile and skillsets.
7	Tendering the external audit service to achieve a recommendation for appointment before the year end and continued provision of an effective internal audit service.
8	Manage the Group's tax position and strategy efficiently.

The Remuneration Committee considers that John Sutcliffe achieved 70% of these targets, resulting in a bonus of 14% of salary and that Darren Littlewood achieved 77.5%, resulting in a bonus of 15.5%. The profit before tax of £49.1m exceeds the target by 9.1% and this (with the adjustment for Starfish as previously noted), combined with the personal targets, gave rise to a notional bonus of 77.7% of salary for John Sutcliffe and 79.2% for Darren Littlewood, for the year ended 31 December 2019. In accordance with the COVID-19 pandemic update, these bonuses were then reduced by 50%.

Details of the policy for future annual bonus awards can be found in the Directors' Remuneration Policy which can be viewed and downloaded on the website: [www.henryboot.co.uk](http://www.henryboot.co.uk).

# Corporate Governance Report



## Remuneration

### DIRECTORS' REMUNERATION REPORT

**Personal objectives:** an additional 40% of salary may become payable to Executive Directors upon the achievement of several personal objectives.

The objectives measured are based on actions and achievements which contribute to delivery of the Group strategy.

#### 2020 personal objectives – Tim Roberts

1	Reviewing and develop Group strategy, identifying and implementing strategic smart objectives taking account of risk.
2	Communicating the Group's purpose, vision and values both internally and externally.
3	To develop and refine succession plans whilst progressing the identification and development of successors.
4	Lead good health and safety practices around the Group to avoid any major health and safety incidents.
5	Attract new shareholders to the register, achieving positive feedback from meetings with existing shareholders and analysts by clear key messaging and Investor Relations (IR) Policy.
6	Develop Environment Social and Governance (ESG) Policy, and support legal and regulatory compliance and initiatives around the Group meeting related deadlines.
7	Develop the Diversity and Inclusion (D&I) Policy, promoting diversity, and reducing the gender pay gap.

#### 2020 personal objectives – Darren Littlewood

1	Reviewing and develop Group strategy, identifying and implementing key strategic smart objectives for the Group.
2	Inform and develop strategy for each subsidiary, including key strategic smart objectives for Starfish and overseeing the integration of that business into HBC.
3	Developing strategic influence within the business and profile within the wider industry.
4	Redeployment of working capital into key business activities with a focus on risk weighted returns.
5	Developing the Finance/IT/Communication team's profile and skillsets, developing their integration across the Group.
6	Management and development of financial reporting within each business, to the Board and to the investor community.
7	Undertake a review of internal audit following the 3-year BDO programme and successful transitioning of the external audit from PWC to EY.
8	Improve remuneration reporting requirements with clearer links to the objectives and priorities of the Group.

#### 31 December 2020 bonus targets

**Profit before tax** has a weighting of a maximum of 80% of salary payable directly linked to specific financial targets.

The Committee will monitor these bonus targets throughout 2020 in line with the discretion granted to it in the Remuneration Policy to determine whether they continue to be appropriate in light of the exceptional circumstances arising due to the COVID-19 pandemic and in circumstances where these original measures and targets are no longer a fair and accurate measure of business performance.

#### Long Term Incentive Plan (LTIP)

The Committee has reviewed the performance criteria for the LTIP shares awarded in 2017, based on performance for the years 2017, 2018 and 2019, which are expected to vest in June 2020. The LTIP shares in this award are subject to the following performance criteria:

- i. EPS growth ahead of inflation: EPS growth was 36%, which exceeded RPI growth by more than 27% and therefore this 33.3% of the award became eligible;
- ii. Average annual return on capital employed above 13%: this was 17.44% and therefore this 33.3% of the award became eligible;
- iii. Total Shareholder Return (TSR) below the median for the comparator group: The Henry Boot PLC TSR for the three-year period was 47.2%, putting it below the median within the comparator group and therefore, this 33.4% of the award did not become eligible. The comparator group was comprised of Vistry Group, CLS Holdings, Costain Group, U and I Group PLC, Galliford Try, Helical Reit, Keller, Kier Group, Low & Bonar, Marshalls, Morgan Sindall Group, Norcross, Redrow, Speedy Hire, St Modwen Properties, UNITE Group, VP, WSP Global, FTSE All Share Index, FTSE Small Companies Index and FTSE Construction & Materials Index.

Together, these resulted in LTIP awards of: John Sutcliffe 107,002 shares; and Darren Littlewood 48,320 shares; and gave rise to the award values in the single total figure of remuneration at 31 December 2019 on page 105.

## LTIP awards granted in the year (Audited)

	Type of award	% of salary	Number of shares	Face value to grant at £2.72 per share	% of award vesting at threshold
John Sutcliffe	LTIP – nil cost option	100%	145,042	394,514	25%
Darren Littlewood	LTIP – nil cost option	100%	82,619	224,723	25%

## Awards expected to be granted for the financial years 2020–2022 in 2020

	Type of award	% of salary	% of award at threshold
Tim Roberts	LTIP – nil cost option	100%	25%
Darren Littlewood	LTIP – nil cost option	100%	25%

The performance criteria for these awards is as follows:

<b>EPS growth</b>	We strive to grow earnings per share faster than inflation. This should give rise to an ability to grow dividends faster than inflation; a key driver to long-term growth in shareholder value.
<b>Return on Capital Employed</b>	We strive to achieve a 10% profit before tax return on balance sheet net assets. This should give rise to at least two times dividend cover, thereby generating growth in the Group's retained capital to reinvest and grow. This is a further driver to long-term shareholder value growth.
<b>Total Shareholder Return (TSR) relative to constituent companies of the FTSE Small Companies Index</b>	We strive to achieve high shareholder returns. TSR reflects the extent to which shareholders and the market consider that the Company strategy is appropriate and is being implemented and articulated well by the Executives.

The detailed performance metrics for these awards is as follows:

	% linked to award	Threshold vesting of 25% of maximum award	Threshold for 100% of maximum award
<b>EPS growth</b>	33.3	RPIJ + 3% per annum	RPIJ + 7% per annum
<b>Return on Capital Employed</b>	33.3	Average three-year year ROCE of 10%	Average three-year ROCE of 13% or more
<b>TSR</b>	33.4	TSR at median or above constituent companies of the FTSE Small Companies Index	TSR at or within the upper quartile

However, the Committee has noted feedback from its investors regarding awards to Executive Directors where the Company share price has fallen over the preceding year resulting in an increased award when compared with the previous year. The Committee may use its discretion to restrict the share price to a value no lower than that used in the previous year or restricting the award to a number no higher than that of the previous year in order to address this issue, save in the case of an Executive Director joining the Board for whom no prior year comparative exists.

## Pension entitlement

John Sutcliffe is a deferred member of the Henry Boot PLC Group Stakeholder (Defined Contribution) Pension Plan (the Plan). Contributions are made at 20% of salary and contributions to the Plan in the year were £nil (2018: £nil). The annual allowance for tax relief on pension savings applicable to John Sutcliffe in 2019 was £nil and he elected to receive a salary supplement in lieu of the employer contributions over and above this level, which amounted to £79,000 (2018: £78,000).

Darren Littlewood was a member of The Henry Boot Staff Pension and Life Assurance Scheme (Defined Benefit) (the Scheme) up to 31 March 2019, following which he became a deferred member of the Scheme. His normal retirement date within the Scheme would be in 2042, aged 67. His accrued pension entitlement at 31 December 2019 was £25,839 and the pensionable salary available for use within the Scheme at 31 December 2019 was £57,897. Basic salary above this level is available for use within the Henry Boot PLC Group Stakeholder (Defined Contribution) Pension Plan (the Plan). Contributions are made at 20% of available salary and contributions to the Plan in the year were £16,225. The annual allowance for tax relief on pension savings applicable to Darren Littlewood in 2019 was £16,225, and he elected to receive a salary supplement in lieu of the employer contributions over and above this level, which amounted to £42,076. It is noted that the contribution for Darren Littlewood will require alignment with the wider workforce and the Remuneration Committee is committed to achieving this within the required timescale of 2022.

The Henry Boot PLC Group Stakeholder Pension Plan provides a lump sum death in service benefit, a refund of contributions on death in service and, on death after retirement, a pension for dependants subject to what the policyholder decides. The notional leaving work age is currently 65.

# Corporate Governance Report



## Remuneration

### DIRECTORS' REMUNERATION REPORT

#### Payments to past Directors

There were no payments made to past Directors during the year in respect of services provided to the Company as a Director.

#### Payments made for loss of office

There were no payments made during the year in respect of loss of office to a Director.

#### Statement of Directors' shareholdings and share interests (Audited)

The following table sets out the shareholdings and share interests of the Directors in the Company as at 31 December 2019.

	Number of preference shares held	Number of ordinary shares held	Number of shares legally owned	LTIPs subject to performance measures	Total	Legally owned shareholding as a % of salary or fees <sup>1</sup>	Share interests as a % of salary or fees
Jamie Boot	14,753	5,665,002	5,665,002	—	5,665,002	20,040%	20,040%
John Sutcliffe	—	817,927	817,927	438,209	1,256,136	661%	1,014%
Darren Littlewood	—	152,500	152,500	223,123	375,623	195%	479%
James Sykes	—	20,000	20,000	—	20,000	134%	134%
Joanne Lake	—	10,710	10,710	—	10,710	72%	72%
Gerald Jennings	—	11,650	11,650	—	11,650	78%	78%
Peter Mawson	—	10,000	10,000	—	10,000	67%	67%

The share price at 31 December 2019 was 319.0p. The salary used for this calculation is that which commences on 1 January 2020.

1. Details of Director shareholding requirements can be found in the Remuneration Policy, which can be viewed on the website: [www.henryboot.co.uk](http://www.henryboot.co.uk).

Between 31 December 2019 and 20 May 2020, being a date not more than one month prior to the date of the Notice of the AGM, the only change in the beneficial interests of any Director was for John Sutcliffe who sold 1,362 shares giving him a total of 816,565 shares.

#### Long Term Incentive Plan awards (Audited)

##### Performance shares

Plan	Date of grant	Market price at date of grant	At 1 January 2019	Grant during the year	Exercised during the year	Lapsed during the year	At 31 December 2019	Actual exercise date / earliest vesting date	Market Valuation on exercise £	
John Sutcliffe	2015	21/04/2016	212.6p	176,969	—	153,740	23,229	—	04/06/2019	388,962
	2015	24/04/2017	241.2p	160,665	—	—	—	160,665	24/04/2020	—
	2015	25/04/2018	294.3p	132,502	—	—	—	132,502	25/04/2021	—
	2015	30/04/2019	272.3p	—	145,042	—	—	145,042	30/04/2022	—
			470,136	145,042	153,740	23,229	438,209		388,962	
Darren Littlewood	2015	21/04/2016	212.6p	70,555	—	61,294	9,261	—	04/06/2019	155,074
	2015	24/04/2017	241.2p	72,554	—	—	—	72,554	24/04/2020	—
	2015	25/04/2018	294.3p	67,950	—	—	—	67,950	25/04/2021	—
	2015	30/04/2019	272.3p	—	82,619	—	—	82,619	30/04/2022	—
			211,059	82,619	61,294	9,261	223,123		155,074	

##### Sharesave plan

Plan	At 1 January 2019	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2019	Exercise price	Date from which exercisable	Expiry date	
Darren Littlewood	2010	6,666	—	—	6,666	—	270.0p	01/12/2020	31/05/2021
		6,666	—	—	6,666	—			

## Statement of voting at the last Annual General Meeting (AGM)

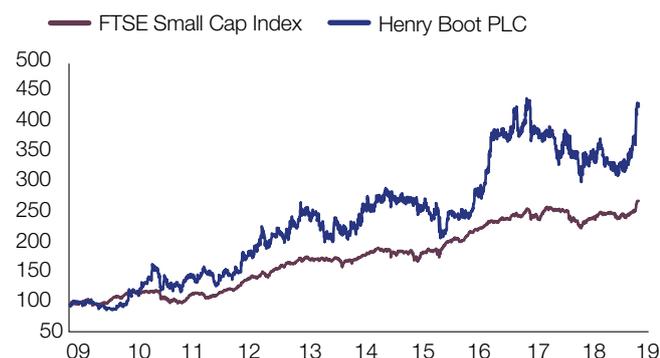
The Company remains committed to shareholder dialogue and takes an active interest in voting outcomes. At the AGM on 23 May 2019 the resolution put to shareholders on an advisory basis to receive and approve the 2018 Directors' Remuneration Report was passed. The number of votes in favour of that resolution was 80,357,367 (84.93% of votes cast), against 14,255,081 (15.07% of votes cast), and withheld 32,495.

The total number of votes cast in respect of this resolution represented 71.05% of the issued share capital.

## Share price

The middle market price for the Company's shares at 31 December 2019 was 319.0p and the range of prices during the year was 233.0p to 320.0p.

## Ten-year TSR performance graph



## Chief Executive Officer's remuneration for the previous ten years

	Total remuneration £'000	Annual bonus as a % of maximum	LTIP vesting as a % of maximum
2019	948	64.8	65
2018	1,250	76.8	87
2017	1,277	99.2	100
2016	1,118	91.1	67
2015	981	87.8	25
2014	1,000	94.5	25
2013	1,054	83.3	50
2012	962	58.3	40
2011	842	66.7	50
2010	764	58.3	64
2009	575	33.3	50

## Percentage change in Chief Executive Officer's remuneration

The table below sets out in relation to salary, taxable benefits and annual bonus the percentage increase in remuneration for Chief Executive Officer compared to the wider workforce. For these purposes:

Percentage change	Note	Chief Executive Officer	Workforce sample
Salary		8.98%	5.8%
Taxable benefits	1	—	—
Annual bonus 2018	2	(22.0)%	0.94%
Annual bonus 2019	2	(14.7)%	13.6%

## Note 1

The car allowance remained the same in both years and private medical insurance costs were also broadly the same in both years (£350) for all members of the private medical scheme. Therefore, the average percentage change in taxable benefits does not provide a meaningful comparison. The workforce comparison is every member of staff who receive a salary excluding the Chief Executive Officer.

## Note 2

The workforce comparison is every member of staff who received a bonus excluding the Chief Executive Officer.

## Ratio of Chief Executive Officer's latest single total figure of remuneration versus UK full-time equivalent (FTE) employees' remuneration

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019	Option A	41:1	27:1	17:1

The method of calculation chosen for these ratios is Option A as this option is generally recognised as being the most robust, statistically.

The same methodology used for calculating the single total figure for the CEO has been used for calculating the pay and benefits of UK FTE employees.

## Relative importance of spend on pay

The following table sets out the percentage change in dividends, profit attributable to owners of the business and the overall spend on pay across our whole organisation:

	2019 £'000	2018 £'000	% change
Ordinary dividends	6,633	11,936	(44.4%)
Profit attributable to owners of the business	37,596	37,505	0.2%
Overall expenditure on pay	35,029	33,741	3.8%

Approved by the Board and signed on its behalf by

Gerald Jennings

Chairman of the Remuneration Committee

20 May 2020

# Corporate Governance Report

## DIRECTORS' REPORT

The Directors' Report for the financial year ended 31 December 2019 is detailed below.

### Activities of the Group

The principal activities of the Group are land promotion, property investment and development, and construction.

### Strategic Report

In accordance with the Companies Act 2006, we are required to present a fair review of the Group's business along with a description of the principal risks and uncertainties it faces. The Strategic Report for the year ended 31 December 2019 is set out on pages 16 to 61.

### Corporate governance statement

The Disclosure Guidance and Transparency Rules of the Financial Conduct Authority require certain information to be included in a Corporate Governance Statement in the Directors' Report. Information that fulfils the requirements of the Corporate Governance Statement can be found in the Corporate Governance section on pages 70 to 117.

### Results for the year and dividends

The results are set out in the Consolidated Statement of Comprehensive Income on page 130. The companies affecting the profit or net assets of the Group in the year are listed in note 38 to the Financial Statements.

The Directors recommend that a final dividend of 1.3p per ordinary share be paid on 6 July 2020, subject to shareholder approval at the 2020 AGM to be held on 30 June 2020, to ordinary shareholders on the register at the close of business on 12 June 2020. If approved, this, together with the interim dividend of 3.70p per ordinary share paid on 16 October 2020, will make a total dividend of 5.0p per ordinary share for the year ended 31 December 2019. Further details are disclosed in note 10 to the Financial Statements on page 149.

### Financial instruments

The Group's policy in respect of financial instruments is set out within the Accounting Policies on page 140 and details of credit risk, capital risk management, liquidity risk and interest rate risk are given respectively in notes 18, 25, 26 and 28 to the Financial Statements.

### Going concern and viability statement

The Directors have, at the time of approving the Financial Statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Further detail is contained in the Strategic Report on pages 49 and 50.

### Accountability and audit

Details of the Directors' responsibilities and the Statement of Directors' Responsibilities are contained on page 117. The Independent Auditors' Report is given on pages 120 to 128.

### Fair, balanced and understandable

The Audit and Risk Committee and the Board have assessed the tone, balance and language of the Annual Report and Financial Statements, being mindful of the requirements of the UK Corporate Governance Code and the need for consistency between the narrative section of the document and the Financial Statements. The Board's formal statement on the Annual Report and Financial Statements being fair, balanced and understandable is contained within the Statement of Directors' Responsibilities which can be found on page 117.

### Political donations

The Company made no political donations in the year or in the previous year.

### Directors and their interests

Details of the Directors who held office during the financial year ending 31 December 2019 and as at the date of this Annual Report and Financial Statements can be found on pages 66 and 67. At no time during the year has any Director had any interest in any significant contract with the Company.

The interests of Directors and persons closely associated with them in the share capital of the Company as at 31 December 2019, are disclosed in the Directors' Remuneration Report on pages 100 and 111.

Between 31 December 2019 and 20 May 2020, being a date not more than one month prior to the date of the Notice of the AGM, there has been one change in the beneficial interest of any Director, John Sutcliffe sold 1,362 ordinary shares on 29 January 2020, 2019, see page 110.

Details of Directors' long-term incentive awards and share options are provided in the Directors' Remuneration Report on pages 108 to 110.

### Directors' service contracts and letters of appointment

Details of unexpired terms of Directors' service contracts and/or letters of appointment of the Executive Directors proposed for reappointment at the AGM on 30 June 2020 are set out in the Directors' Remuneration Policy.

Tim Roberts and Darren Littlewood (and, during 2019, John Sutcliffe) each have a one-year rolling service agreement in accordance with our policy on Directors' contracts. Termination of these arrangements would therefore be subject to their contractual terms and conditions that require a notice period of one year to the Director. Contractual compensation in the event of early termination provides for compensation at basic salary, pension and benefits for the notice period.

Non-executive Directors, including the Chairman, do not have service contracts. All Non-executive Directors have letters of appointment, and their appointment and subsequent reappointment is subject to approval by shareholders. Non-executive Director appointments are typically for three years; however, they may be terminated without compensation at any time. The Directors' Remuneration Policy can be viewed on the website.

### Training and development

Formal and tailored inductions are arranged for all new Directors and continued development is monitored by the Chairman as part of the evaluation process. During 2019, due to the appointment of Tim Roberts, the Nomination Committee in conjunction with the Head of HR developed a full programme of induction for Tim, including attendance at Board and other meetings, training and other development to ensure a seamless integration of Tim into the business.

Non-executive Directors are encouraged to familiarise themselves with the Company's business, and throughout the year they have regularly attended subsidiary board meetings. This provides further insight into the business, its culture and an opportunity to meet with the wider senior management team in more informal situations. Site visits to key developments and sites are scheduled throughout the year, you can read more about the engagement with employees and other stakeholders on pages 76 to 77.

Specific training requirements were considered as part of the Board's skills evaluation, details of which can be found on pages 90 to 92. General updates on regulations and best practice are provided through a mixture of briefings, Board papers and emails.

## Employment policy and involvement Employees

Employees are at the heart of all that we do; our culture ensures that employees can grow, thrive and succeed. Details of how we seek to promote and achieve this, including our policy on equal opportunities for disabled applicants, are set out in the Corporate Responsibility section on pages 54 and 55, the employee engagement report on pages 78 and 79 and Nomination Committee Report on pages 88 to 93.

## Employee engagement

Details of our employee engagement activities can be found on pages 78 and 79.

## Employee communications

We utilise our ever-evolving Group intranet to disseminate information to all Directors and employees. Regular news items and internal updates are issued on a frequent basis; collaboration and inclusion are encouraged. This is supplemented by publications such as our regular 'Boot World' newsletter and Charity Newsletter. During 2020, the Group will continue to review its intranet function and will be looking to introduce other modes of communication throughout the Group in the form of an online forum. The development of these functions will be developed in conjunction with the Employee Forums and Working Groups.

## Employee share schemes

The Group encourages participation in employee share schemes of the Company to share in the potential growth and any future success of the Group. From 2018, all eligible employees were invited to participate in Sharesave and the Company Share Option Plan on an annual basis. Details of employee share schemes are set out in note 31 to the Financial Statements.

## Directors' indemnity provisions

Directors risk personal liability under civil and criminal law for many aspects of the Company's main business decisions. As a consequence, the Directors could face a range of penalties including fines and/or imprisonment. In keeping with normal market practice, the Company believes that it is prudent and in the best interests of the Company to protect the individuals concerned from the consequences of innocent error or omission. As a result, the Company operates a directors' and officers' liability insurance policy in order to indemnify Directors and other senior officers of the Company and its subsidiaries, as recommended by the UK Corporate Governance Code. This insurance policy does not provide cover where the Director or officer has acted fraudulently or dishonestly.

In addition, subject to the provisions of and to the extent permitted by relevant statutes, under the Articles of Association of the Company, the Directors and other officers throughout the year, and at the date of approval of these Financial Statements, were indemnified out of the assets of the Company against liabilities incurred by them in the course of carrying out their duties or the exercise of their powers.

## Health and safety

The health and safety of our employees and others is paramount.

Further information on our approach to health and safety is provided in the Corporate Responsibility Report on page 57.

## Relationship with stakeholders

Details of how we engage with stakeholders and uphold our Director's duties more widely under s.172 of the Companies Act 2006 can be found on pages 70 to 71 and 76 to 77.

## Shareholder relations

The Company actively communicates with its institutional and private shareholders and values a two-way conversation on key Company issues. It is this close relationship with shareholders that is viewed as one of the Company's particular strengths.

During the year a number of formal presentations were made by members of the Board to institutional shareholders and feedback from these meetings was provided to the Board by our stockbrokers. In addition, informal feedback sessions regarding the Annual Report were carried out with institutional investors. At every Board meeting an update is given to the Non-executive Directors on any feedback from investors, particularly after investor roadshow programmes. The Board receive a report at every meeting on share movements during the period and any market trends. The Company uses the Investor Relations section of its website, [www.henryboot.co.uk](http://www.henryboot.co.uk), to publish statutory documents and communications to shareholders, such as the Annual Report and Financial Statements. The website is designed to communicate with both present and potential investors and includes all London Stock Exchange announcements, investor presentations and press releases.

## Greenhouse gas emissions

The greenhouse gas emissions disclosures required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 are included within the Strategic Report on pages 60 and 61. This information is incorporated by reference into (and shall be deemed to form part of) this Report.

## Substantial interests in voting rights

Excluding Directors, as at 20 May 2020, being a date not more than one month prior to the date of the Notice of the AGM, the information in the table below had been disclosed to the Company in accordance with the requirements in the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

	Voting rights over ordinary shares	
	Number	% of issued
Rysaffe Nominees and J J Sykes (joint holding) <sup>1</sup>	20,722,155	15.56
The Fulmer Charitable Trust	5,739,580	4.40
Unicorn Asset Management	6,830,000	5.13
Polar Capital	4,176,337	3.14

1. Rysaffe Nominees and James Sykes are joint registered holders on behalf of various Reis family trusts and are therefore not included under the beneficial interests of James Sykes set out in the Directors' Remuneration Report.
2. The shares of the Fulmer Charitable Trust, a recognised charity, are registered in the names of Mr John Spencer Reis, Mrs Sally Anne Reis and Mrs Caroline Mary Mytum as Trustees.

These figures represent the number of shares and percentage held as the date of notification to the Company.

Details of Directors holdings can be found on page 110.

# Corporate Governance Report

## DIRECTORS' REPORT

### Shares held by the Henry Boot PLC Employee Trust

The Company has an established Employee Trust (the Trust) for the benefit of the Group's employees to satisfy existing grants by the Company under various share-based payment arrangements. Details of the Company's share-based payment arrangements are provided in note 30 to the Financial Statements. The Trustee of the Trust, a subsidiary of the Company of which the Directors throughout 2019 were Jamie Boot, Tim Roberts, and Darren Littlewood, exercises the voting rights in relation to shares held as it, in its absolute discretion, thinks fit, but having regard to the interests of the beneficiaries. In respect of the financial year of the Company ended on 31 December 2019, the Trust has waived the right to receive from the Company all dividends (if any) in respect of the shares held within the Trust.

During the year the Trust has purchased 245,000 ordinary shares in the Company in order to satisfy upcoming grants. Further details are provided in note 33 to the Financial Statements.

### Future developments

Important events and developments are described in the Strategic Report on pages 16 to 61, and in particular in relation to the COVID-19 pandemic update on page 6.

### Statement of disclosure of information to auditors

The Directors of the Company who held office at the date of approval of this Annual Report each confirm that:

- So far as they are aware, there is no relevant audit information (information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- They have taken all the 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 auditors are aware of that information.

### Independent auditors

The auditors, PwC, have carried out the audit of the 2019 financial results, with this being the last year of their ten year audit appointment. As set out on page 95, the Audit and Risk Committee have carried out a process of re-tendering for its external auditors, and resolutions appointing Ernst and Young as auditors (Resolution 11) and authorising the Audit and Risk Committee to fix their remuneration (Resolution 12) will be proposed at the AGM.

### Accountability and audit

Details of the Directors' responsibilities and the Statement of Directors' Responsibilities are contained on page 117. The Independent Auditors' Report is given on pages 120 to 128.

### Annual General Meeting (AGM)

The health of the Company's shareholders, as well as its employees, is of paramount importance. In view of the UK Government placing restrictions on travel because of the COVID-19 pandemic, shareholders will not be permitted to attend the annual general meeting in person. Details of how shareholders can access the Board's company update, usually delivered at the AGM, will be detailed on the Company's website in due course.

The Board encourages shareholders to monitor the Company's website ([henryboot.co.uk/investors](http://henryboot.co.uk/investors)) and regulatory news services for any updates in relation to the annual general meeting that may need to be provided. In the meantime, the Board encourages shareholders to submit their proxy form as early as possible by post or electronically as detailed in the notes to the notice of annual general meeting and the proxy form.

Ordinarily, ordinary shareholders are entitled to appoint any person as their proxy to attend and to exercise all or any of their rights to vote and to speak at the annual general meeting instead of the shareholder. However, in view of the ongoing COVID-19 pandemic, the Company is encouraging ordinary shareholders to appoint the Chairman as their proxy (either electronically or by post) with their voting instructions as shareholders or their proxies will not be allowed to attend the annual general meeting in person. The deadline for doing this is set out in the notes to the notice of annual general meeting and the proxy form. In addition, the method of submitting questions to the Board is detailed on the Notice of AGM. The Company is taking these precautionary measures to safeguard its shareholders' and employees' health and make the annual general meeting as safe and efficient as possible.

Accordingly, the AGM of the Company will be held on 30 June 2020 at Banner Cross Hall, Ecclesall Road South, Sheffield, S11 9PD.

The Notice of the AGM can be found on pages 184 to 192. It is also available at [www.henryboot.co.uk](http://www.henryboot.co.uk), where a copy can be viewed and downloaded.

### Additional shareholder information

This section sets out details of other matters on which the Directors are required to report annually, but which do not appear elsewhere in this document.

The information below summarises certain provisions of the current Articles of Association of the Company (as adopted by special resolution on 27 May 2011) (the Articles) and applicable English law concerning companies (the Companies Act 2006). This is a summary only and the relevant provisions of the Companies Act 2006 or the Articles should be consulted if further information is required.

### Share capital

The Company's issued share capital comprises two classes of shares being, respectively, ordinary shares of 10p each (ordinary shares) and cumulative preference shares of £1 each (preference shares). Further details of the share capital of the Company are set out in note 31 to the Financial Statements. As at 20 May 2020, the ordinary shares represent 97.00% of the total issued share capital of the Company by nominal value and the preference shares represent 3.00% of such total issued share capital. The ordinary shares and the preference shares are in registered form. Both classes of share are admitted to the Official List of the Financial Conduct Authority.

The Company's ordinary shares are categorised as 'Premium Listed' and its preference shares as 'Standard Listed'. A Standard Listing is based on EU minimum standards for floating a company on a public market whereas a Premium Listing requires compliance with additional requirements set out in the Listing Rules of the Financial Conduct Authority.

The Notice of the AGM on pages 184 to 192 includes the following resolutions:

- An ordinary resolution (Resolution 15) to renew the authority of the Directors to allot shares up to a maximum nominal amount of £4,439,086 representing approximately one-third (33.33%) of the Company's issued ordinary share capital at 12 May 2020. The authority will expire on 29 September 2021 or at the conclusion of the next AGM, whichever is the earlier, but it is the present intention of the Directors to seek annual renewal of this authority. The Directors do not have any present intention of exercising the authority.
- A special resolution (Resolution 16) to enable the Directors to continue to allot equity securities for cash in connection with a rights or other issue pro rata to the rights of the existing shareholders, but subject to certain exceptions, and for any other purpose provided that the aggregate nominal value of such allotments does not exceed £665,863 (approximately 5% of the Company's issued ordinary share capital at 12 May 2020). The authority will expire on 29 September 2021 or at the conclusion of the next AGM, whichever is the earlier, but it is the present intention of the Directors to seek annual renewal of this authority. The Directors also confirm their intention that, in line with the Pre-Emption Group's Statement of Principles, no more than 7.5% of the issued ordinary share capital of the Company (excluding treasury shares) will be issued for cash on a non pre-emptive basis during any rolling three-year period without prior consultation with shareholders.
- A special resolution (Resolution 17) to renew the authority of the Company to make market purchases of up to 13,317,260 of its own issued ordinary shares (10% of the Company's issued ordinary share capital at 12 May 2020). The minimum price that may be paid under the authority for an ordinary share is 10p and the maximum price is limited to not more than 5% above the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days before the purchase is made. The Directors will exercise the authority only if they are satisfied that it would be likely to result in an increase in expected earnings per share of the ordinary share capital in issue and that any purchase will be in the best interests of shareholders generally. If the Directors do decide to exercise the authority, ordinary shares so acquired will either be cancelled or held as treasury shares, depending upon the circumstances prevailing at the time.
- Rights and obligations attaching to shares Subject to the Companies Act 2006 and other shareholders' rights, any share may be issued with such rights and restrictions as the Company may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board of Directors for the time being of the Company (the Board) may decide. Subject to the Companies Act 2006, the Articles and any resolution of the Company, the Board may deal with any unissued shares as it may decide.
- Rights of preference shares The preference shares carry the following rights in priority to the ordinary shares but carry no further right to participate in profits or assets:
  - The right to receive out of the profits of the Company a fixed cumulative preferential dividend at the rate of 5.25% per annum on the capital paid up thereon;
  - The right on a return of assets on a winding up to payment of the capital paid up thereon together with a sum calculated at the rate of 6.00% per annum in respect of any period up to the commencement of the winding up for which such preferential dividend as referred to above has not been paid; and
  - The right on a return of assets in a reduction of capital to repayment of the capital paid up thereon together with a sum equal to all arrears (if any) of such preferential dividend as referred to above. The preference shares shall not confer on the holders of them any right to receive notice of or to be present or to vote at any general meeting unless either:
    - A resolution is proposed directly affecting the rights or privileges of the holders of the preference shares as a separate class; or
    - At the date of the notice convening the general meeting, the fixed cumulative preferential dividend provided in the Articles shall be in arrears for more than six months.

### Voting

Under and subject to the provisions of the Articles and subject to any special rights or restrictions as to voting attached to any shares, on a show of hands every shareholder present in person shall have one vote, and on a poll every shareholder who was present in person or by proxy shall have one vote for every share of which he is the holder. Under the Companies Act 2006, shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at a general meeting or class meeting.

### Restrictions on voting

A shareholder shall not be entitled to vote at any general meeting or class meeting in respect of any shares held by them unless all calls and other sums presently payable by them in respect of that share have been paid. In addition, holders of default shares (as defined in the Articles) shall not be entitled to vote during the continuance of a default in providing the Company with information concerning interests in those shares required to be provided (following relevant notification) under the Companies Act 2006.

### Deadlines for voting rights

Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the AGM to be held on 30 June 2020 are set out in the Notice of AGM on pages 184 to 192.

### Dividends and distributions

The Company may, by ordinary resolution, declare a dividend to be paid to the shareholders but no dividend shall exceed the amount recommended by the Board. The Board may pay interim dividends and also any fixed rate dividend whenever the financial position of the Company justifies its payment in the opinion of the Board. If the Board acts in good faith, none of the Directors shall incur any liability to the holders of shares with preferred rights for any loss they may suffer in consequence of the payment of an interim dividend on other shares.

# Corporate Governance Report

## DIRECTORS' REPORT

### Variation of rights

The Articles specify that the special rights attached to any class of shares may, either with the consent in writing of holders of three-quarters of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of such holders (but not otherwise), be modified or abrogated.

### Transfer of shares

Under and subject to the restrictions in the Articles, any shareholder may transfer some or all of their shares in certificated form by transfer in writing in any usual form or in any other form which the Board may approve. Uncertificated shares must be transferred by means of a relevant system, such as CREST. The Board may, save in certain circumstances, refuse to register any transfer of a certificated share not fully paid up. The Board may also refuse to register any transfer of certificated shares unless it is:

- In respect of only one class of shares;
- Duly stamped or exempt from stamp duty;
- Delivered to the office or at such other place as the Board may decide for registration; and
- Accompanied by the certificate for the shares to be transferred and such other evidence (if any) as the Board may reasonably require to show the right of the intending transferor to transfer the shares.

In addition, the Board may refuse to register any transfer of shares which is in favour of (i) a child, bankrupt or person of unsound mind, or (ii) more than four transferees.

### Repurchase of shares

Subject to the provisions of the Companies Act 2006 and to any rights conferred on the holders of any class of shares, the Company may purchase all or any of its shares of any class, including any redeemable shares.

### Amendment to the Articles of Association

Any amendments to the Articles may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution.

### Appointment and replacement of Directors

The Directors shall not, unless otherwise determined by an ordinary resolution of the Company, be fewer than three nor more than 15 in number. Directors may be appointed by the Company by ordinary resolution or by the Board. A Director appointed by the Board shall retire from office at the next AGM of the Company but shall then be eligible for reappointment. The Board may appoint one or more Directors to hold any office or employment under the Company for such period (subject to the Companies Act 2006) and on such terms as it may decide and may revoke or terminate any such appointment.

At each AGM any Director who has been appointed by the Board since the previous AGM and any Director selected to retire by rotation shall retire from office. At each AGM, one-third of the Directors who are subject to retirement by rotation or, if the number is not an integral multiple of three, the number nearest to one-third but not exceeding one-third shall retire from office. In addition, there shall also be required to retire by rotation any Director who at any AGM of the Company shall have been a Director at each of the preceding two AGMs of the Company, provided that they were not appointed or reappointed at either such AGM and they have otherwise ceased to be a Director

and been reappointed by general meeting of the Company at or since either such AGM. The Company's policy is that all of the Directors should be, and are, subject to annual re-election.

The Company may, by ordinary resolution of which special notice has been given in accordance with the Companies Act 2006, remove any Director before their period of office has expired notwithstanding anything in the Articles or in any agreement between them and the Company. A Director may also be removed from office by the service on them of a notice to that effect signed by or on behalf of all the other Directors, being not less than three in number. The office of a Director shall be vacated if:

- i. They are prohibited by law from being a Director;
- ii. They become bankrupt or makes any arrangement or composition with their creditors generally;
- iii. They are or may be suffering from a mental disorder as referred to in the Articles;
- iv. For more than six months they are absent, without special leave of absence from the Board, from meetings of the Board held during that period and the Board resolves that their office be vacated; or
- v. They serve on the Company notice of their wish to resign.

### Powers of the Directors

The business of the Company shall be managed by the Board which may exercise all the powers of the Company, subject to the provisions of the Articles and any resolution of the Company's shareholders.

The Articles specify that the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets and uncalled capital and to issue debentures and other securities, subject to the provisions of the Articles.

### Takeovers and significant agreements

The Company is a party to the following significant agreements that take effect, alter or terminate on a change of control of the Company following a takeover bid:

- The Company's share schemes and plans; and
- Bank facilities whereby upon a "change of control" the lenders shall consult with the Company for a period not greater than 30 days (commencing on the date of the change of control) to determine whether and on what basis the lenders are prepared to continue the facility.

### Information rights

Beneficial owners of shares who have been nominated by the registered holder of those shares to enjoy information rights under Section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares, rather than to the Company's registrars, Computershare Investor Services PLC or to the Company directly.

Approved by the Board and signed by its order by

**Amy Stanbridge**  
Company Secretary

20 May 2020

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

### Annual report and financial statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and Parent Company Financial Statements in accordance with IFRSs as adopted by the EU. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period. In preparing the Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable IFRSs as adopted by the EU have been followed for the Group Financial Statements and IFRSs as adopted by the EU have been followed for the Parent Company Financial statements, subject to any material departures disclosed and explained in the Financial Statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Fair, balanced and understandable

The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's performance, business model and strategy.

### Directors' responsibility statement

Each of the Directors, whose names and functions are listed in Board of Directors, confirm that, to the best of their knowledge:

- The Parent Company Financial Statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- The Group Financial Statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Parent Company, together with a description of the principal risks and uncertainties that it faces.

Approved by the Board and signed on its behalf by

**Tim Roberts**  
Director

20 May 2020

**Darren Littlewood**  
Director

20 May 2020